Greenheart Group
綠心集團

2015 ANNUAL REPORT

GREENHEART GROUP LIMITED

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

Contents

Corporate Information

BOARD OF DIRECTORS

Cheng Chi-Him, Conrad#
(Non-executive Chairman)
(appointed as Non-executive Director on 4 June 2015 and Non-executive Chairman on 22 March 2016)
Wu Wai Leung, Danny*
(Chief Executive Officer)
(appointed on 14 May 2015)
Lim Hoe Pin*
(appointed on 4 June 2015)
Tsang On-Yip, Patrick#
(appointed on 4 June 2015)
Simon Murray#
Nguyen Van Tu, Peter**
(appointed on 2 July 2015)
Tang Shun Lam, Steven**
(appointed on 2 July 2015)
Wong Man Chung, Francis**
(appointed on 2 July 2015)

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

AUDIT COMMITTEE

Wong Man Chung, Francis *(Chairman)*
(appointed on 2 July 2015)
Nguyen Van Tu, Peter
(appointed on 2 July 2015)
Tang Shun Lam, Steven
(appointed on 2 July 2015)
Tsang On-Yip, Patrick
(appointed on 19 November 2015)

REMUNERATION COMMITTEE

Tang Shun Lam, Steven *(Chairman)*
(appointed on 2 July 2015)
Nguyen Van Tu, Peter
(appointed on 2 July 2015)
Tsang On-Yip, Patrick
(appointed on 2 July 2015)
Wong Man Chung, Francis
(appointed on 2 July 2015)

NOMINATION COMMITTEE

Nguyen Van Tu, Peter *(Chairman)*
(appointed on 2 July 2015)
Cheng Chi-Him, Conrad
(appointed on 2 July 2015)
Tang Shun Lam, Steven
(appointed on 2 July 2015)
Wong Man Chung, Francis
(appointed on 2 July 2015)

COMPANY SECRETARY

Tse Nga Ying

AUTHORIZED REPRESENTATIVES

Wu Wai Leung, Danny
(appointed on 4 June 2015)
Tse Nga Ying

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Corporate Information

STOCK CODE

94

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1706-10, 17/F.,
Dah Sing Financial Centre
108 Gloucester Road, Wanchai
Hong Kong
Tel: (852) 2877 2989
Fax: (852) 2511 8998

INDEPENDENT AUDITORS

Moore Stephens CPA Limited

SOLICITORS

Troutman Sanders
Sit, Fung, Kwong & Shum

PRINCIPAL BANKERS

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

PRINCIPAL 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,

2015 was without doubt a challenging year, with the slowest economy growth in China in 25 years, volatile currency and commodity price. Most of the commodities prices sank to its lowest since 1999. The financial performance of Greenheart Group Limited ("Greenheart" or the "Company," and together with its subsidiaries, the "Group") for the year ended 31 December 2015 ("the Year") has inevitably been affected by the difficult macroeconomic environment. However, the predominant reason for significant loss for the Year was two non-cash events, including provisions for impairment of timber concessions and cutting rights, property, plant and equipment, prepaid land lease payments and goodwill of HK$405,382,000 and increase of fair value loss on plantation assets of HK$78,033,000. As a result, the net loss amounting to HK$633,242,000 was recorded for the Year.

FINANCIAL PERFORMANCE

New Zealand

With the slowdown in Mainland China, the export price of A-grade New Zealand radiata pine on cost and freight basis dropped from US$136.9 per m^3 in January 2015 to a record low of US$89.5 per m^3 in September 2015. The prices however rebounded sharply in November and December 2015 to US$122.5 per m^3. Overall, revenue contributed by New Zealand division decreased by HK$63,673,000 to HK$528,045,000 and EBITDA decreased by HK$104,591,000 to HK$77,815,000. In the first two months in 2016, despite reduced demand from China during Chinese New Year, the prices held reasonably firm.

Stable housing market is critical for maintaining both the demand for and price of wood products in China. At the beginning of February 2016, the central bank of China announced an additional stimulus package to put extra momentum into the housing market. It has lowered mortgage restrictions for first and second home buyers for the purpose of reducing the oversupply of housing in Tier 3 and 4 cities. Therefore, the Group anticipated that 2016 will be a more positive year for its New Zealand division than 2015.

For years, New Zealand division remained the largest contributor to the Group's operating cash inflow and net profit. With our proven track record in New Zealand division, we will allocate and focus more of our resources in plantation industry. Recently, in February 2016, the Group completed the acquisition of the entire equity interest of Northland Forest Managers (1995) Limited ("NFM") which is principally engaged in the provision of forest management services for more than 20 years and has provided services to the Group's New Zealand division since 2010. We believe NFM's experienced forest management team can provide great assistance in the possible expansion of the Group's plantation business in New Zealand and to other regions in the future.

Suriname

2015 was a year of change for our Suriname operations. A change of the management was necessary for better realization of our business strategy and plans in the supply of hardwood to Asia, especially to the China market and to the global market, in view of the change in market conditions. The management team has undergone intensive initiatives of cost control, workforce rationalization and a review on its main contractors, of which the benefits were seen in late 2015. Work has begun on a new sawmill line with first production expected in the first quarter of 2016, whereas the existing sawmill line will undergo a redesign and refitting assessment to improve its efficiency. The slowdown in the economic growth of China together with the economic situation in Brazil has affected the demand and prices for tropical hardwood, which has forced the Company to look beyond its traditional customer base. Being a Forest Steward Council ("FSC") certified company, the Company is able to diversify its sales strategy risk into different markets.

Although the country of Suriname has seen a devaluation of the local currency and felt the effect of the fall on global bauxite prices, credit ratings agencies put Suriname economy as stable with the government looking heavily at the forestry sector to booster its fiscal revenue as an offset to the falling oil prices. We believe the Company remains in a good position to take advantage of any changes in economic reform.

2016 goals are strong on sales focus and production driven targets. There will be a continuation on 2015 initiatives to drive improvement on cost efficiencies from workforce rationalization to higher yield ratios in the forest and sawmill facilities. Greenheart will take a lead position within the Suriname forestry sector for policy reforms, industry practices and development of further downstream product initiatives in the country.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

During the Year, the Group has successfully renewed the full FSC certificate accreditation for all its Suriname forestry and sawmill operations. Hong Kong head office has also been awarded the Caring Company, by the Hong Kong Council of Social Service, in recognition of the Group's commitment in caring for the community, caring for the employees and caring for the environment over the past years. Corporate social responsibility is an integral part of the Group's culture. The Group and our staff will regularly conduct volunteer work and make donations to aid vulnerable groups.

Chairman's Statement

CORPORATE AND FINANCIAL MANAGEMENT

The mandatory unconditional cash offer ("MGO") made by Newforest Limited ("Newforest" or "Immediate Holding Company"), a subsidiary of Chow Tai Fook Enterprises Limited ("CTFE" or "Ultimate Holding Company"), was completed on 4 June 2015 and on completion, Newforest gained control of 61.85% of the issued share capital of the Company. After that, in August 2015, the Company has successfully placed 160,000,000 new shares to independent third parties and used the proceeds from the placing, together with other internal resources, to redeem the entire US$17,000,000 outstanding convertible bonds ("Convertible Bonds"). Accordingly, Newforest held 51.57% of the issued share capital of the Company as at 31 December 2015. In order to further strengthen the Company's financial position and equity base, in January 2016, the Company and Newforest entered into a subscription agreement pursuant to which Newforest agreed to subscribe for the Company's new shares by way of capitalization of US$40,000,000 loan and the outstanding interest thereon. The transaction was completed on 22 March 2016 and a total 523,691,559 new shares were issued to Newforest. At present, Newforest holds 68.63% of the issued share capital of the Company.

CHALLENGING YET PROMISING FUTURE

Looking ahead, we do not expect a material turnaround of the global economy in 2016. However, we believe that China is working towards developing a long-term healthy economy. China's One-Belt-One-Road strategy will also create plenty of opportunities and room for development and stimulate the domestic consumption and fuel demand for construction projects in the foreseeable future.

With the support from Newforest and CTFE and experienced management team and staff, we are in a good position to navigate through this weak and uncertain market condition and benefit from the possible best opportunity for acquisition of good quality forestry and plantation assets which can provide long-term, sustainable growth. Simultaneously, the Group has been continuously implementing stringent cost control policies and enhancing the operation efficiency so as to improve the working capital and financial position of the Group.

APPRECIATION

In closing, I would like to take this opportunity to express my gratitude to the Group's staff for their dedication, commitment and hardwork. I also sincerely thank all my fellow directors and our shareholders for trust and support.

Cheng Chi-Him, Conrad
Non-executive Chairman
Hong Kong

23 March 2016

Management Discussion and Analysis

BUSINESS REVIEW

During the Year, the Group recorded a net loss of HK$633,242,000, an increase of HK$443,329,000 as compared to last year. Such substantial increase was mainly attributable to the one-off non-cash provision for impairment on the timber concessions and cutting rights, property, plant and equipment, goodwill and prepaid land lease payments of HK$405,382,000 in relation to its Suriname division and the increase in non-cash fair value loss on plantation forest assets of HK$78,033,000 from New Zealand division.

Revenue

The Group's total revenue reduced to HK$591,412,000, representing a 12.2% decrease from HK$673,604,000 as compared to last year. The decrease was mainly attributable to the New Zealand division as a result of the drop in average selling price of New Zealand radiata pine and decrease in sales volume in the Suriname division during the Year.

During the Year, revenue contributed by the New Zealand division decreased 10.8% to HK$528,045,000 from HK$591,718,000 last year. The decrease in revenue was due to the drop in the average selling price from US$122.9 per m^3 last year to US$93.0 per m^3 for the Year despite that sales volume has increased 18.0% from 617,000 m^3 to 728,000 m^3.

Revenue contributed by the Suriname division decreased by 22.2% from HK$81,437,000 in the prior year to HK$63,367,000 for the Year. The decrease was mainly due to decrease in sales volume and selling price of lumber products.

There was no trading of logs and lumber products during the Year (2014: HK$449,000).

Gross profit

The Group's gross profit for the Year was approximately HK$113,725,000, representing a 21.9% decrease from HK$145,533,000 for 2014. The aggregate gross profit contribution from the New Zealand division was HK$192,788,000 (2014: HK$225,696,000) while the Suriname division recorded a gross loss of HK$79,063,000 (2014: HK$80,180,000). There was no gross profit contributed from trading business for the Year (2014: HK$17,000).

The Group's gross profit margin for the Year was 19.2% as compared to 21.6% last year. The gross profit margin for the Group's New Zealand division for the Year was 36.5% (2014: 38.1%) while the Suriname division recorded a gross loss margin of 124.8% (2014: 98.5%).

Notwithstanding the 24.3% decrease in the average selling price of New Zealand radiata pine, the gross profit margin for the New Zealand division remained relatively stable during the Year. This is because the effect of the price reduction was offset by the decrease in non-cash forest depletion cost as a result of the decrease in the fair value of the plantation assets and the reduction of operating costs due to the depreciation of New Zealand dollars during the Year.

The gross profit margin for Suriname division has deteriorated during the Year as a result of low selling prices for clearance sales of low grade lumber as well as increase in write-down of obsolete inventories. However, these negative factors were partially offset by the increase in the harvesting volume which reduced the unit fixed cost of logs and the reduction of the forest concession levy in March 2015 with effective from 1 January 2015 as described below.

Other income and gains

Other income and gains amounted to HK$19,819,000 (2014: HK$6,792,000) for the Year was mainly contributed by the reversal of accrued concession levy of HK$13,441,000 (2014: Nil) as a result of the new Ministerial Order announced in March 2015, which revokes the concession levy of SR$20 per hectare per year as originally announced by Suriname government in 2014. Commencing from 1 January 2015, the concession fee is levied at SR$5 per hectare per year.

The gain on disposal of carbon credit of HK$2,999,000 (2014: HK$2,705,000), rental income received from subcontractors in Suriname for the lease of plant and machinery of HK$2,906,000 (2014: HK$2,915,000) and bank and other interest income of HK$40,000 (2014: HK$307,000) also contributed to the other income and gains for the Year.

Fair value loss on plantation forest assets

The fair value loss on the plantation forest assets, located in New Zealand, amounted to HK$45,600,000 (2014: fair value gain of HK$32,433,000) for the Year. The loss was primarily attributable to the decrease in the forecasted logs selling price in United States dollars term. 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 18 to the consolidated financial statements.

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 logs and timber products.

Management Discussion and Analysis

During the Year, selling and distribution expenses was HK$178,727,000, a decrease of HK$35,962,000 as compared to HK$214,689,000 in last year. The decrease was primarily attributable to the substantial decrease in ocean freight rate for New Zealand radiata pine from US$33.8 per m^3 to US$20.3 per m^3 during the Year which was due to the plunge in crude oil price throughout the Year and the Group began to charter its own vessels directly since late June 2015.

As a percentage of revenue, sales and distribution costs for the Year were comparable to that in 2014.

Administrative expenses

Administrative expenses increased by HK$4,633,000 to HK$70,579,000 for the Year. Such increase was mainly because of the reduction in recharge of license fee and administrative expenses to Emerald Plantation Holdings Limited ("EPHL or "Former Utimate Holding Company") and a former fellow subsidiary of HK$5,005,000 and an one-off non-recurrent legal and professional fee of HK$2,340,000 incurred in relation to the Sales and the MGO made during the Year, which was partially offset by the one-off severance payment of HK$3,857,000 last year.

Provisions for impairment

During the Year, provisions for impairment mainly related to timber concessions and cutting rights of HK$278,940,000 (2014: Nil) and goodwill of HK$7,624,000 (2014: HK$27,854,000), property, plant and equipment of HK$110,429,000 (2014: HK$5,117,000), prepaid land lease payments of HK$8,389,000 (2014: Nil), prepayment, deposits and other receivables of HK$1,375,000 (2014: HK$2,476,000) and trade receivables of HK$400,000 (2014: HK$500,000).

The provisions for impairment were mainly attributable to the Suriname division. During the Year, Group has appointed a new local management team aiming to turnaround the Group's Suriname division. After a detailed review, the new local management found that certain of the existing machineries are not able to meet the planned production yield and volume and contribute positive returns in the future. Therefore, provisions for impairment have been made for the shortfall of fair value less costs to sell as compared to the carrying amounts of the cash-generating units of the forestry and timber business and certain individual assets in Suriname division.

Non-cash share option expenses

Share option expenses incurred in the Year of HK$8,444,000 (2014: HK$2,287,000) were non-cash in nature and represented the fair value of share options granted during the Year and 2014. There was no vesting period for the share options granted during the Year and the share options granted in 2014 vested immediately as a result of the MGO made during the Year.

Finance costs

Finance costs mainly represented (i) interest on Convertible Bonds of HK$9,203,000 (2014: HK$17,691,000); (ii) interest on loans from the Immediate Holding Company, Emerald Plantation Group Limited ("EPGL" or "Former Intermediate Holding Company") and Sino-Capital Global Inc. ("Sino-Capital" or "Former Immediate Holding Company") of HK$17,767,000 in aggregate (2014: HK$16,563,000 in aggregate); (iii) interest on loan from the Ultimate Holding Company of HK$1,101,000 (2014: Nil); (iv) interest on finance leases of HK$1,070,000 (2014: HK$1,979,000); and (v) interest on interest-bearing bank borrowings of HK$7,432,000 (2014: HK$7,202,000). As mentioned above, all the loans from the Former Intermediate Holding Company and the Former Immediate Holding Company were assigned to Newforest on 7 May 2015.

The finance costs for the Year decreased by HK$6,862,000, was mainly attributable to the net effect of the decrease in the interest on Convertible Bonds by HK$8,488,000 following the redemption of the Convertible Bonds at maturity on 17 August 2015; and additional interest of HK$1,101,000 on loan from the Ultimate Holding Company with principal amounts of HK$78,000,000 drawn down during the Year.

Tax

Tax charges incurred for the Year mainly represented a tax provision of HK$12,244,000 (2014: HK$14,159,000) for New Zealand division, a deferred tax charge of HK$3,193,000 (2014: deferred tax credit of HK$5,556,000), and withholding tax of HK$7,013,000 (2014: Nil) resulting from the intercompany interest and net exchange differences arising from the translation of foreign currency denominated income tax recoverable and deferred tax liabilities.

The deferred tax charge for the Year comprised of the deferred tax charges of HK$22,967,000 (2014: Nil) and deferred tax credit of HK$19,774,000 (2014: HK$5,556,000) in Suriname and New Zealand divisions, respectively.

The deferred tax charge in Suriname division represented the net movement of taxable temporary differences arising from amortization of fair value adjustments in previous years' acquisition of subsidiaries and decrease in tax losses recognized following the reforecast of future profits during the Year.

Management Discussion and Analysis

The deferred tax credit in New Zealand division represented the net movement of taxable temporary differences of HK$35,948,000 (2014: HK$12,973,000), which included the fair value loss on New Zealand plantation forest assets, recognition of tax losses, 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 dollars denominated term loans etc. In addition, 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 dollars has depreciated significantly against the United States dollars (the Group's functional currency) as at the Year end (31 December 2015: 0.6831; 31 December 2014: 0.7797), a deferred tax charge of HK$16,174,000 (2014: HK$7,417,000) 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 dollars exchange rate.

EBITDA

The EBITDA of the Group decreased by HK$463,019,000 from positive EBITDA of HK$22,050,000 for 2014 to negative EBITDA of HK$440,969,000 for the Year.

The decrease in the EBITDA of the Group was largely contributed by the Suriname division because of the significant provisions of impairment of timber concessions and cutting rights, property, plant and equipment, goodwill and prepaid land lease payments as mentioned above. As a result, the negative EBITDA of Suriname division increased by HK$345,817,000 from HK$129,285,000 last year to HK$475,102,000.

Due to the increased in fair value loss on plantation assets by HK$78,033,000 from fair value gain of HK$32,433,000 last year to HK$45,600,000 and lower revenue as mentioned above, the EBITDA of New Zealand division decreased by HK$104,591,000 from HK$182,406,000 last year to HK$77,815,000.

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$133,303,000 for 2014 to HK$436,933,000 for the Year.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2015, the Group's current assets and current liabilities were HK$246,551,000 and HK$577,032,000 (2014: HK$240,555,000 and HK$678,835,000), respectively, of which the Group maintained cash and bank balances of approximately HK$121,851,000 (2014: HK$108,056,000). The Group's outstanding borrowings as at 31 December 2015 represented the loans from Immediate Holding Company amounting to HK$432,206,000 (2014: loan from Former Intermediate Holding Company of HK$312,000,000 and loans from Former Immediate Holding Company of HK$105,042,000), the loan from the Ultimate Holding Company amounting to HK$78,000,000 (2014: Nil), interest-bearing bank borrowings amounting to HK$195,000,000 (2014: HK$195,000,000) and finance lease payables of HK$9,853,000 (2014: HK$18,816,000). 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 123.2% (2014: 72.3%).

Notwithstanding the Group's net current liabilities of HK$330,481,000 as at 31 December 2015 (2014: HK$438,280,000), in view that the Loan Capitalization was completed on 22 March 2016 and the extensions of the loan principals from and interest payable to Immediate Holding Company and loan principal from Ultimate Holding Company were effected subsequent to the reporting period end date, the Directors, after taking into account the measures as mentioned in note 2 to the consolidated 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 2015, there were 962,477,947 ordinary shares of the Company in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in United States dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

Most of the Group's sales are denominated in United States dollars, to which the Hong Kong dollars is pegged, 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 years ended 31 December 2015 and 2014, the Group entered into forward exchange contracts to manage the foreign exchange exposure on New Zealand dollars. As at 31 December 2015, the Group did not have any outstanding forward contracts (2014: HK$500,000). Details of which are set out in notes 21 and 36 to the consolidated financial statements.

Management Discussion and Analysis

PROSPECTS

Looking ahead, China will continue to be a headwind for the global economy in 2016. It is expected that the economy of China will continue to slow down. However, the Management reckoned that the impact of China's slow growth on wood industry should not be overstated. With the economic growth of the around 6% per annum and over 1.3 billion population and the increasing stringent rules and regulations on environmental protection, China's demand for eco-friendly wood and its related products, like the Group's FSC products from Suriname and New Zealand radiata pine, will continue to increase in the future.

Having said that, for the immediate future, the market sentiment will remain negative. The Group anticipated that its financial performance will continue to be impacted by the challenging macroeconomic environment and the softening in both demand for and selling prices of the wood and related products in China. As such, proactive cost controls remain the Group's top priority. During the Year, Suriname division has reduced its headcount by 16.9% from 402 to 334 and the Hong Kong office has been relocated to reduce the rental expenditures. The Group will continue to take aggressive actions to enhance the operation efficiency and implement vigorous cost control policies over operating costs and capital expenditure.

Despite the current difficult operating environment, there are indeed some good opportunities which suit for the Group's long term strategies. Subsequent to the Year, in January 2016, the Group acquired a forest management service company in New Zealand which will not only increase the Group's presence in New Zealand but also assist the Group greatly in the possible expansion of its plantation business in New Zealand and to other regions (e.g China) in the future. For details of the acquisition, please refer to the announcement of the Company dated 7 January 2016. Meanwhile, the Group will continue to review its business portfolio to ensure its resources are allocated to area which can provide long-term and sustainable returns to its shareholders.

The Group is confident in its long-term prospect. In March 2016, the Group has just completed the capitalization of the loan from Newforest of US$40,000,000 which will strengthen the Group's financial position and enlarge its equity base. With the support from our major shareholders, Newforest and CTFE, the Group is in a good position to weather the current market difficulties and capture the growth opportunities in forestry and plantation industry ahead.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's normal course of business is exposed to a variety of key risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. Details of the aforesaid key risks and risk mitigation are elaborated in note 36 to the consolidated financial statements.

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

CHARGE ON ASSETS

As at 31 December 2015 and 2014, 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$91,272,000 (2014: HK$103,713,000) ("Forestry Land");

b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$357,907,000 (2014: HK$466,231,000) 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 (2014: Nil).

CAPITAL EXPENDITURE

During the Year, the Group incurred capital expenditure of approximately HK$33,082,000 (2014: approximately HK$52,812,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

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

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 38 to the consolidated financial statements.

Management Discussion and Analysis

COMPLIANCE WITH ENVIRONMENTAL POLICIES, LAWS AND REGULATIONS

The Board paid attention to the Group's policies and practices on compliance with environmental policies, legal and regulatory requirements. The Group would seek professional advice from its external legal advisers and consultants to ensure transactions and business to be performed by the Group are in compliance with applicable environmental policies, laws and regulations.

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

The Group believes that the Directors, senior management and employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. Therefore, the Share Option Scheme was adopted by the Company on 28 June 2012 for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

The Group maintains good relationships with existing and potential customers as understanding of the market trends would enable the Group to monitor and review the credit quality of the customers and timely adjust its operating strategies, which are crucial to the development and success of the Group.

The Group places effort to build up and maintain good relationships with various commercial banks and financial institutions as the businesses of the Group are capital intensive nature and require on-going funding to maintain continuous growth.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2015, the total number of employees of the Group was 353 (2014: 421). Employment costs (including Directors' emoluments) amounted to approximately HK$87,646,000 for the Year (2014: HK$94,489,000). Remuneration of employees includes salary and discretionary bonus, based on the Group's results and individual performance. Medical and retirement benefits schemes are made available to all levels of personnel.

Biographical Details of Directors and Senior Management

DIRECTORS

Mr. Cheng Chi-Him, Conrad, aged 37, was appointed as a non-executive Director of the Company on 4 June 2015 and as a non-executive Chairman of the Board on 22 March 2016. Mr. Cheng is the cousin-in-law of Mr. Tsang On-Yip Patrick, who is a non-executive Director of the Company. He has been an executive director of New World China Land Limited (stock code: 917) since 8 January 2010, and also serves as an executive director of International Entertainment Corporation (stock code: 1009) since January 2008. He served as an executive director of New Times Energy Corporation Limited (formerly known as New Times Group Holdings Limited) (stock code: 166) from 5 February 2008 to 19 October 2009. He has been specializing in project management of property projects in China since 2005. Mr. Cheng graduated from University of Toronto in Canada with a Bachelor of Arts degree in Statistics. Mr. Cheng is a member of nomination committee of the Company.

Mr. Wu Wai Leung, Danny, aged 55, was appointed as an executive Director and chief executive officer of the Company with effect from 14 May 2015. Mr. Wu was graduated from the University of Hong Kong with a Bachelor's degree in social sciences in 1985. Mr. Wu has over 20 years of experience in investing and business operations in Asia. Since 2003, Mr. Wu has been a director of First Gateway Capital Limited (formerly known as "First U.S. Capital Limited") which engages in early stage investment, and investment advisory services to small and medium enterprises in Asia, with a focus in transportation, resource, manufacturing, technology and telecommunication companies. From 1985 to 2002, Mr. Wu served various management positions in Hong Kong Trade Development Council, the Hong Kong office of Quanta Industries Ltd., Sino-Wood Partners, Limited, and had been a director of Sino Automotive Parts Limited. Between 2003 and 2006, Mr. Wu was appointed as the Economic Advisor of Weifang Municipal Overseas Investment Promotion Bureau, Shandong Province, the PRC. Mr. Wu has been as an independent non-executive director of Newton Resources Limited (stock code: 1231) since 25 January 2011 and re-designated as a non-executive director in May 2015 and also an independent non-executive director of Hang Fat Ginseng Holdings Company Limited (stock code: 911) since 29 February 2016.

Biographical Details of Directors and Senior Management

Mr. Lim Hoe Pin, aged 47, was appointed as an executive Director of the Company on 4 June 2015. Mr. Lim was graduated from Nanyang Technological University in Singapore with a bachelor degree in accountancy. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lim has over 23 years of experience in audit, investment, accounting and financial management. From 1993 to 2000, Mr. Lim started as a staff accountant at Ernst and Young in Hong Kong, and was promoted to the position as audit manager. From 2000 to 2002, he was investment manager of Transpac Capital Limited, a private equity firm based in Hong Kong with offices in China, Singapore, Malaysia, Taiwan and U.S.A. In 2002, he joined Sino-Forest Corporation as financial controller, and was promoted to vice president – finance & group financial controller in 2004. He left Sino-Forest Corporation in June 2008. From 2009 to 2011, he was a director of Max Resources Holdings Limited, responsible for restructuring and merger and acquisitions of resources projects. From 2011 to 2014, he was the senior consultant of First Gateway Capital Limited (formerly known as "First U.S. Capital Limited") which engages in early stage investment, and advisory services to small and medium enterprises in Asia, with a focus in transportation, resources, manufacturing, technology and telecommunication companies. He was responsible for financial due diligence, restructuring and merger and acquisitions.

Mr. Tsang On-Yip, Patrick, aged 44, is a non-executive Director of the Company. He joined the Board on 4 June 2015. Mr. Tsang is the cousin-in-law of Mr. Cheng Chi-Him, Conrad, who is the Chairman of the Board and a non-executive Director of the Company. He is a director of Cheng Yu Tung Foundation Limited and Chow Tai Fook Enterprises Limited. He also served as an executive director of Melbourne Enterprises Limited (stock code: 158) since 30 April 2015, UMP Healthcare Holdings Limited (Stock code: 722) since August 2015 and also a non-executive director of Integrated Waste Solutions Group Holdings Limited (formerly known as Fook Woo Group Holdings Limited) (stock code: 923) since 1 November 2012. Mr. Tsang has over 20 years of international capital markets experience. He obtained a Bachelor's degree in Economics from Columbia College of Columbia University in New York, the United States of America. Mr. Tsang is a member of remuneration committee and audit committee of the Company.

Biographical Details of Directors and Senior Management

Mr. Simon Murray, aged 76, is a non-executive Director of the Company. He joined the Board in August 2010. Mr. Murray is the non-executive chairman of General Enterprise Management Services 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; the vice chairman and independent non-executive director of Essar Energy plc from April 2010 to May 2014; and the chairman and independent non-executive director of Gulf Keystone Petroleum Ltd. from July 2013 to March 2015. He is currently an independent non-executive director of Cheung Kong Property (Holdings) Limited (stock code: 1113), Orient Overseas (International) Limited (stock code: 316), Wing Tai Properties Limited (stock code: 369), Spring Asset Management Limited (stock code: 1426) (the manager of Spring REIT which was listed on the Stock Exchange on 5 December 2013), IRC Limited (stock code: 1029) and a non-executive director of China LNG Group Limited (stock code: 931) – all of which are listed in Hong Kong. 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.

Mr. Nguyen Van Tu, Peter, aged 72, is an independent non-executive Director of the Company. Mr. Nguyen joined the Board in July 2015. Mr. Nguyen is a senior counsel and was called to the Bar in England by the Honourable Society of the Middle Temple in 1970. He was an assistant crown counsel and crown counsel in the Legal Department of Hong Kong during the period from August 1970 to November 1974 and was in private practice as a barrister in Hong Kong subsequently for approximately 20 years. Mr. Nguyen was appointed as director of Public Prosecutions in the Legal Department of Hong Kong during the period from July 1994 to October 1997 and was the first Chinese to hold such position. Mr. Nguyen became a Queen's Counsel in 1995 and was appointed as the Judge of the Court of First Instance of the High Court, Hong Kong from February 1998 to April 2009. Mr. Nguyen was an independent non-executive director of Mayer Holdings Limited (stock code: 1116), a listed company in Hong Kong, from June 2010 to December 2011. Currently, Mr. Nguyen is an independent non-executive director of Integrated Waste Solutions Group Holdings Limited, Goldlion Holdings Limited, IPE Group Limited, Pacific Andes International Holdings Limited and Combest Holdings Limited, all of which are listed companies in Hong Kong. Mr. Nguyen is the chairman of the nomination committee and a member of both of the remuneration committee and audit committee of the Company.

Biographical Details of Directors and Senior Management

Mr. Tang Shun Lam, Steven, aged 60, is an independent non-executive Director of the Company. He joined the Board in July 2015. Mr. Tang is currently a director of Vital Technology Limited and an executive director of Vital Mobile Holdings Limited, a listed company in Hong Kong (stock code: 6133) which specializes in mobile phone business and is the world leader in ODM and own-brand cell phones. He is also working as a senior consultant of Warburg Pincus LLP, for the TMT portfolio covering assets in the Technology, Media and Telecommunication segment for the Fund. Since 2004, Mr. Tang has been a member of The Chinese People's Political Consultative Conference ("CPPCC") in Baiyun District, Guangzhou and has been a member of the CPPCC of Guangzhou Municipality since 2006.

Mr. Tang is a senior executive with over 30 years of experience in all facets of global business and he worked in private equity funds for over 20 years. He was a director (from December 2011 to January 2015) and executive chairman (from June 2009 to January 2015) of RDA Microelectronics Limited, a company listed on NASDAQ. He also served as a non-executive Chairman and director of China Eco-Farming Limited (stock code: 8166) (formerly known as Linefan Technology Holdings Limited), a company listed in Hong Kong, from September 2008 to August 2009; an independent non-executive director of Asia Coal Limited (stock code: 835) (formerly known as Wanji Pharmaceutical Holdings Limited), a company listed in Hong Kong, from 2003 to 2005; and the president of Asia Pacific for Viasystems Group, Inc., a company listed on the New York Stock Exchange, from June 1999 to January 2007. He also served as Vice Chairman of China Printed Circuit Association from January 2003 to December 2007, chief executive officer of Coolsand Technology Holdings Limited from May 2007 to August 2009 and various management positions in Utilux Asia Company Limited, Amphenol East Asia Limited, National Semiconductors Inc. and Honeywell HK Company Limited. Mr. Tang holds a Bachelor Degree in Electrical and Electronic Engineering in Nottingham University, the United Kingdom and a Master Degree in Business Administration in Bradford University, the United Kingdom. Mr. Tang is the chairman of the remuneration committee and a member of both of the nomination committee and audit committee of the Company.

Biographical Details of Directors and Senior Management

Mr. Wong Man Chung, Francis, aged 51, is an independent non-executive Director of the Company. He joined the Board in July 2015. Currently, he is an independent non-executive director of Integrated Waste Solutions Group Holdings Limited, China Oriental Group Company Limited, Digital China Holdings Limited, GCL-Poly Energy Holdings Limited and Wai Kee Holdings Limited, all of which are listed companies in Hong Kong. He holds a Master Degree in Management conferred by Guangzhou Jinan University, the People's Republic of China. Mr. Francis Wong is a fellow member of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, a Certified Tax Advisor of the Taxation Institute of Hong Kong and a member of the Society of Chinese Accountants and Auditors. He is a Certified Public Accountant (Practising) and has over 25 years of experience in auditing, taxation, management and financial advisory. Previously, Mr. Wong worked for KPMG, an international accounting firm, for 6 years and the Hong Kong Securities Clearing Company Limited for 2 years. Mr. Wong is the chairman of the audit committee and a member of both of the remuneration committee and nomination committee of the Company.

SENIOR MANAGEMENT

Ms. Tse Nga Ying, Daphne, aged 43, 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 18 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. Grant John Fenton, aged 46, is the executive director for the Greenheart Group 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 16 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 annual report.

THE BOARD

The Board comprises eight Directors, including two executive Directors, namely Mr. Wu Wai Leung, Danny and Mr. Lim Hoe Pin; three non-executive Directors, namely Mr. Simon Murray, Mr. Cheng Chi-Him, Conrad and Mr. Tsang On-Yip, Patrick and three independent non-executive Directors ("INEDs", and each an "INED"), namely Mr. Nguyen Van Tu, Peter, Mr. Tang Shun Lam, Steven and Mr. Wong Man Chung, Francis. Mr. Cheng Chi-Him, Conrad is the cousin-in-law of Mr. Tsang On-Yip, Patrick. Save as disclosed above, there is no relationship (including financial, business, family or other material/relevant relationships) among the Board members and members of the senior management of the Company. All INEDs have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The Directors consider that all three INEDs are independent under these independence criteria and are capable of effectively exercising independent judgment. The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interests of the Company and that the current board size is adequate for its present operations.

Detailed biographies outlining each Director's range of specialist experience and suitability for the successful long-term management of the Group may be found in the section headed "Biographical Details of Directors and Senior Management". The principal functions of the Board are to make decisions on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group with the objective of enhancing Company performance and 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 2014 and 30 June 2015, respectively, and has reviewed the Group's internal control environment; as well as participated in other significant operational, financial and compliance matters.

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 four meetings during the Year (2014: 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 Ms. Daphne Tse, CFO and Mr. Grant Fenton, Executive Director (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	*Notes*	**Number of Board meetings attended** *(Note 8)*	**Number of general meetings attended** *(Note 8)*
Executive Directors			
Mr. Wu Wai Leung, Danny	2	2/2	2/2
Mr. Lim Hoe Pin	5	2/2	2/2
Non-executive Directors			
Mr. Hui Tung Wah, Samuel	3&4	2/2	1/1
Mr. Wang Tong Sai, Eddie	4	2/2	1/1
Mr. Paul Jeremy Brough	1&4	2/2	1/1
Mr. Colin Denis Keogh	4	2/2	0/1
Mr. Simon Murray		1/4	0/3
Mr. Cheng Chi Him, Conrad	5	2/2	1/2
Mr. Tsang On-Yip, Patrick	5	2/2	1/2
Independent Non-executive Directors			
Mr. Wong Kin Chi	6	3/3	2/2
Mr. Wong Che Keung, Richard	6	3/3	2/2
Mr. Tong Yee Yung, Joseph	6	3/3	2/2
Mr. Nguyen Van Tu, Peter	7	1/1	1/1
Mr. Tang Shun Lam, Steven	7	1/1	1/1
Mr. Wong Man Chung, Francis	7	1/1	1/1

Corporate Governance Report

Notes:

1. Re-designated from an executive Director to a non-executive Director on 2 April 2015..
2. Appointed on 14 May 2015.
3. Re-designated from an executive Director to a non-executive Director on 14 May 2015.
4. Resigned on 4 June 2015.
5. Appointed on 4 June 2015.
6. Resigned on 2 July 2015.
7. Appointed on 2 July 2015.
8. The denominator is the number of meetings held within term of office of each board member for the year ended 31 December 2015.

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

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

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

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

The Directors are appropriately briefed on the latest changes to, and development of, the Listing Rules, corporate governance practices and other regulatory regimes with written materials. The Directors are also encouraged to attend professional seminars relating to director's duties and responsibilities.

The Directors are committed to complying with the code provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the Year to the Company.

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

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations Read Materials and/ or Attended Seminars
Executive Directors	
Mr. Wu Wai Leung, Danny	✓
Mr. Lim Hoe Pin	✓
Non-executive Directors	
Mr. Simon Murray	✓
Mr. Cheng Chi Him, Conrad	✓
Mr. Tsang On Yip, Patrick	✓
Independent Non-executive Directors	
Mr. Nguyen Van Tu, Peter	✓
Mr. Tang Shun Lam, Steven	✓
Mr. Wong Man Chung, Francis	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. As at the date of this annual report, Mr. Wu Wai Leung, Danny is the existing Chief Executive Officer of the Company responsible for formulating the Group's strategies, and focuses 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. Following the resignation of Mr. Wang Tong Sai, Eddie, as the Non-executive Chairman of the Board on 4 June 2015, the Company does not have a Chairman of the Board, and hence the Company has not been in strict compliance with code provisions A.2.2 to A.2.9 of the CG Code, although the functions of the Chairman during the period have been performed by the executive Directors or the Company Secretary of the Company (as the case may be). After the reporting period on 22 March 2016, Mr. Cheng Chi-Him, Conrad was appointed as the Non-executive Chairman of the Board. In accordance with the good corporate governance practice, the Chairman will provide leadership and is responsible for the effective functioning of the Board. As at the date of this annual report, the roles of the Chairman and the CEO of the Company were separated to ensure a balance of power and authority and in comply with code provision A.2.1 of the CG Code that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Corporate Governance Report

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. Cheng Chi-Him, Conrad, Mr. Tsang On-Yip, Patrick, Mr. Nguyen Van Tu, Peter, Mr. Tang Shun Lam, Steven and Mr. Wong Man Chung, Francis was three years commencing from their appointment on 4 June 2015 and 2 July 2015 respectively, 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 three years subject to retirement by rotation and re-election in accordance with the Company's bye-laws and Listing Rules at each annual general meeting. They are expected to scrutinize the Company's performance in achieving agreed corporate goals and objectives, and ensure that the exercise of the board authority is within the powers conferred to the Board under the Company's bye-laws and applicable laws, rules and regulations.

Under code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. It was noted that a non-executive Director, Mr. Simon Murray was unable to attend the annual general meeting of the Company held on 29 June 2015 due to unavoidable business commitments overseas.

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. Nguyen Van Tu, Peter (Chairman), Mr. Tang Shun Lam, Steven and Mr. Wong Man Chung, Francis and one non-executive Director, namely Mr. Cheng Chi-Him, Conrad. 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, two meetings were 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	*Notes*	Number of Meeting(s) Attended *(Note 4)*
Mr. Tong Yee Yung, Joseph *(Chairman)*	2	1/1
Mr. Wong Che Keung, Richard	2	1/1
Mr. Wong Kin Chi	2	1/1
Mr. Colin Denis Keogh	1	1/1
Mr. Nguyen Van Tu, Peter *(Chairman)*	3	N/A
Mr. Cheng Chi-Him, Conrad	3	N/A
Mr. Tang Shun Lam, Steven	3	N/A
Mr. Wong Man Chung, Francis	3	N/A

Notes:

1. Resigned on 4 June 2015.
2. Resigned on 2 July 2015.
3. Appointed on 2 July 2015.
4. The denominator is the number of meetings held within term of office of each board member for the year ended 31 December 2015.

Corporate Governance Report

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by taking into consideration criteria such as skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations. The aforesaid review and assessment will then recommend to the Board for making the ultimate decision. During the Year, all of the newly appointed Directors were appointed based on the selection process stated as above.

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. Tang Shun Lam, Steven (Chairman), Mr. Nguyen Van Tu, Peter and Mr. Wong Man Chung, Francis and one non-executive Director, namely Mr. Tsang On-Yip, Patrick. 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	*Notes*	**Number of Meeting(s) Attended** *(Note 4)*
Mr. Tong Yee Yung, Joseph *(Chairman)*	2	1/1
Mr. Wang Tong Sai, Eddie	1	1/1
Mr. Wong Kin Chi	2	1/1
Mr. Wong Che Keung, Richard	2	1/1
Mr. Tang Shun Lam, Steven *(Chairman)*	3	N/A
Mr. Nguyen Van Tu, Peter	3	N/A
Mr. Tsang On-Yip, Patrick	3	N/A
Mr. Wong Man Chung, Francis	3	N/A

Notes:

1. Resigned on 4 June 2015.
2. Resigned on 2 July 2015.
3. Appointed on 2 July 2015.
4. The denominator is the number of meetings held within term of office of each board member for the year ended 31 December 2015.

Corporate Governance Report

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently has four members comprising three INEDs, namely Mr. Wong Man Chung, Francis (Chairman), Mr. Nguyen Van Tu, Peter and Mr. Tang Shung Lam, Steven and one non-executive Director, namely, Mr. Tsang On-Yip, Patrick. None of them are members of the former or existing auditors of the Company. The Board considers 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 CG Code.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group, auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with 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	*Notes*	**Number of Meeting(s) Attended** *(Note 5)*
Mr. Wong Che Keung, Richard (Chairman)	2	1/1
Mr. Wong Kin Chi	2	1/1
Mr. Colin Denis Keogh	1	1/1
Mr. Tong Yee Yung, Joseph	2	1/1
Mr. Wong Man Chung, Francis (Chairman)	3	1/1
Mr. Nguyen Van Tu, Peter	3	1/1
Mr. Tang Shun Lam, Steven	3	1/1
Mr. Tsang On-Yip, Patrick	4	N/A

Notes:

1. Resigned on 4 June 2015.
2. Resigned on 2 July 2015.
3. Appointed on 2 July 2015.
4. Appointed on 19 November 2015.
5. The denominator is the number of meetings held within term of office of each board member for the year ended 31 December 2015.

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$330,481,000 as at 31 December 2015, of which HK$339,300,000 represented the loans from the Immediate Holding Company, with HK$312,000,000 and HK$27,300,000 are repayable on 21 March 2016 and 28 June 2016, respectively and HK$78,000,000 represented the loan from the Ultimate Holding Company, which are repayable on 21 August 2016.

Corporate Governance Report

The Group incurred a consolidated net loss attributable to the equity holders of the Company of HK$436,933,000 for the Year and, as of that date, the Group's current liabilities exceeded its current assets by HK$330,481,000. 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. In view that the Loan Capitalization was completed on 22 March 2016 and the extensions of the loan principals from and interest payable to Immediate Holding Company and loan principal from Ultimate Holding Company were effected subsequent to the reporting period end date, the Directors, after taking into account the measures as mentioned in note 2 to the financial statements, are of the view that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future. 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 CPA Limited. For the Year, the audit fee was HK$1,620,000. Non-audit service fees paid and payable to the affiliates of Moore Stephens CPA Limited were HK$59,300. 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 systems 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.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

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

Bye-laws of the Company

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

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

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

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

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

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

Putting Forward Proposals at General Meetings

Companies Act

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

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

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

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

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

(b) not less than one hundred Shareholders.

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

Corporate Governance Report

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: Suites 1706-10, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong
Fax: (852) 2511 8998
Email: investor@greenheartgroup.com

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

COMMUNICATION WITH SHAREHOLDERS

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

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

Report of the Directors

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

ADOPTION OF CHINESE NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 9 November 2015 and the approval by the Registrar of Companies in Bermuda on 18 November 2015, the Company adopted the Chinese name "綠心集團有限公司" as the secondary name of the Company in Chinese. The Company ceased to use its Chinese name "綠森集團有限公司" which was adopted by the Company for identification purposes only.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and analysis of the activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 16 of this annual report. This discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's loss for the Year and the Group's financial position at that date are set out in the consolidated financial statements on pages 56 to 168.

The Directors do not recommend the payment of any dividend for the Year (2014: 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				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**591,412**	673,604	724,583	495,226	326,984
Loss for the year	**(633,242)**	(189,913)	(60,297)	(144,377)	(105,887)
Attributable to:					
Equity holders of the Company	**(436,933)**	(133,303)	(5,739)	(76,777)	(74,343)
Non-controlling interests	**(196,309)**	(56,610)	(54,558)	(67,600)	(31,544)
	(633,242)	(189,913)	(60,297)	(144,377)	(105,887)

	31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities and non-controlling interests					
Total assets	**1,437,765**	1,987,871	2,162,539	2,006,240	2,031,201
Total liabilities	**(979,992)**	(1,041,911)	(1,022,345)	(813,343)	(706,444)
Non-controlling interests	**122,715**	(73,594)	(130,204)	(184,762)	(252,362)
	580,488	872,366	1,009,990	1,008,135	1,072,395

Report of the Directors

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorized share capital during the Year. Details of movements in the Company's issued share capital and share options during the Year are set out in notes 29 and 30 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of movements in the Company's Convertible Bonds during the Year are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 December 2015, 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$1,611,573,000 may be distributed in the form of fully paid bonus shares (2014: HK$1,459,232,000).

PERMITTED INDEMNITY PROVISION

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

MAJOR CUSTOMERS AND SUPPLIERS

In the Year, sales to the Group's five largest customers accounted for 68.9% of the total gross revenue before export tax for the Year and sales to the largest customer included therein amounted to 24.2%. Purchases from the Group's five largest suppliers accounted for 71.9% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 47.5%.

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.

DIRECTORS

The Directors of the Company during the Year were:

Mr. Wang Tong Sai, Eddie# *(resigned on 4 June 2015)*
Mr. Hui Tung Wah, Samuel* *(re-designated from an executive Director to a non-executive Director on 14 May 2015 and resigned on 4 June 2015)*
Mr. Paul Jeremy Brough* *(re-designated from an executive Director to a non-executive Director on 2 April 2015 and resigned on 4 June 2015)*
Mr. Colin Denis Keogh# *(resigned on 4 June 2015)*
Mr. Simon Murray#
Mr. Wong Kin Chi** *(resigned on 2 July 2015)*
Mr. Wong Che Keung, Richard** *(resigned on 2 July 2015)*
Mr. Tong Yee Yung, Joseph** *(resigned on 2 July 2015)*
Mr. Wu Wai Leung, Danny* *(appointed on 14 May 2015)*
Mr. Lim Hoe Pin* *(appointed on 4 June 2015)*
Mr. Cheng Chi-Him, Conrad# *(appointed on 4 June 2015)*
Mr. Tsang On-Yip, Patrick# *(appointed on 4 June 2015)*
Mr. Nguyen Van Tu, Peter** *(appointed on 2 July 2015)*
Mr. Tang Shun Lam, Steven** *(appointed on 2 July 2015)*
Mr. Wong Man Chung, Francis** *(appointed on 2 July 2015)*

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

As announced by the Board by way of announcement dated 2 July 2015, Messrs. Nguyen Van Tu, Peter, Tang Shun Lam, Steven and Wong Man Chung, Francis were appointed as INED and to hold office until the forthcoming annual general meeting of the Company. Being eligible, Messrs. Nguyen Van Tu, Peter, Tang Shun Lam, Steven and Wong Man Chung, Francis offer themselves for re-election as INED.

Report of the Directors

In accordance with bye-law 97(A) of the Company's bye-laws, Messrs. Lim Hoe Pin and Tsang On-Yip, Patrick 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. Nguyen Van Tu, Peter, Tang Shun Lam, Steven and Wong Man Chung, Francis and as at the date of this annual report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 17 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding Company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the Year.

CONNECTED TRANSACTIONS

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

Continuing connected transactions

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

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

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

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

Report of the Directors

As at 31 December 2015, a total of HK$203,717,000 has been drawn down by Greenheart Resources from the Facility and the related interest incurred for the Year amounted to HK$10,633,000.

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 Former Ultimate Holding Company of the Company. Therefore Sino-Wood was 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 35 to the financial statements.

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 Sales and Purchase Agreement for each of the three financial years ending 31 December 2016 is US$2,435,900. None of the Directors has a material interest in the continuing connected transactions under the Master Sale and Purchase Agreement (with its Contractual Period renewed by the Supplemental Agreement) and therefore no Director abstained from voting on the Board resolution approving the Master Sale and Purchase Agreement (with its Contractual Period renewed by the Supplemental Agreement) and the transactions contemplated thereunder.

For the Year, consideration of US$560,000 (equivalent to HK$4,366,000) was received and receivable for the sale of the products under the Master Sale and Purchase Agreement.

Since the shareholding of the Company changed on 7 May 2015, Sino-Wood was no longer connected to the Group.

Following the completion of Newforest's acquisition of 496,189,028 shares of the Company from Sino-Capital on 7 May 2015, both EPHL and Sino-Wood ceased to be connected persons of the Company.

Connected transaction

iii. Issue of new shares to Newforest under specific mandate by way of capitalization of the shareholder loan

On 20 January 2016, the Company entered into a subscription agreement with Newforest pursuant to which Newforest has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue new shares ("Capitalization Shares") at the subscription price of HK$0.611 per share by way of capitalization of the loan from Newforest of US$40,000,000 (equivalent to HK$312,000,000) and the interest accrued thereon up to the completion date (the "Loan Capitalization"). The Loan Capitalization was completed on 22 March 2016 and a total of 523,691,559 new shares were allotted and issued to Newforest. As at the date of this annual report, Newforest held 1,020,005,389 shares, represented approximately 68.63% of the issued share capital in the Company.

Newforest, which directly held approximately 51.57% of the existing issued share capital of the Company before the Loan Capitalization, is a substantial shareholder of the Company and thus a connected person of the Company within the meaning of the Listing Rules. Therefore, the transaction contemplated under the subscription agreement constitutes a connected transaction of the Company under the Listing Rules. Further details are set out in the Company's announcements dated 20 January 2016 and 22 March 2016, and shareholders' circular dated 25 February 2016.

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 CPA Limited, 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 CPA Limited has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions 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.

Report of the Directors

In respect of each related party transaction disclosed in note 35 to the consolidated financial statements, the Company confirms that it has reviewed the transaction and complied with the relevant requirements under the Listing Rules (if applicable). Save as disclosed above and the following continuing connected transactions 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 35 to the consolidated 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 Immediate Holding Company of the Company, namely Newforest, a loan facility of aggregate principal amount of US$40,000,000 was granted by Newforest 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 Newforest 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 35(a)(i) to the consolidated financial statements.

(ii) Pursuant to four loan agreements between a non wholly-owned subsidiary of the Company, namely Greenheart Resources and the Immediate Holding Company of the Company, namely Newforest, a loan facility of an aggregate principal amount of US$8,000,000, a loan facility of an aggregate principal amount of US$3,500,000, a loan facility of an aggregate principal amount of US$3,000,000 and a loan facility of an aggregate principal amount of US$911,000 were granted by Newforest to Greenheart Resources. As the loan facilities are on normal commercial terms and no security over the assets of the Group was granted in respect of the loan facilities, the grant of the loan facilities by Newforest to Greenheart Resources is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated thereunder constitute a related party transaction as disclosed in note 35(a)(ii) and (iii) to the consolidated financial statements.

(iii) Pursuant to a loan agreement between a non wholly-owned subsidiary of the Company, namely Greenheart Resources and the Ultimate Holding Company of the Company, namely CTFE, a loan facility of an aggregate principal amount of US$10,000,000 was granted by CTFE to Greenheart Resources. 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 facitity, the grant of the loan facility by CTFE to Greenheart Resources is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transaction contemplated thereunder constitute a related party transaction as disclosed in note 35(a)(iv) to the conslidated financial statements.

(iv) The Group has granted to the Former 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 35(a)(vi) to the consolidated financial statements.

(v) An indirect wholly owned subsidiary of the Former 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 35(a)(viii) to the consolidated 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 2015, 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 Securities and Futures Ordinance (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	Approximate percentage of the total issued share capital of the Company
			%
Cheng Chi Him, Conrad	Beneficial owner	2,000,000 *(Note 1)*	0.21
Lim Hoe Pin	Beneficial owner	3,000,000 *(Note 1)*	0.31
Simon Murray	Beneficial owner	2,035,889	0.21
Nguyen Van Tu, Peter	Beneficial owner	1,000,000 *(Note 1)*	0.10
Tang Shun Lam, Steven	Beneficial owner	1,000,000 *(Note 1)*	0.10
Tsang On-Yip, Patrick	Beneficial owner	2,000,000 *(Note 1)*	0.21
Wong Man Chung, Francis	Beneficial owner	1,000,000 *(Note 1)*	0.10
Wu Wai Leung, Danny	Interest of controlled corporation and Beneficial owner	500,013,830 *(Note 2)*	51.95

Notes:

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

2. Newforest is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Wu Wai Leung, Danny). As such, Wu Wai Leung, Danny is deemed to be interested in the Shares in which Newforest is interested by virtue of Part XV of the SFO. The number includes 3,700,000 share options granted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the paragraph headed "Share Option Scheme" below, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted by the Company at the special general meeting held on 28 June 2012 (the "Share Option Scheme") 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 2015 was 93,947,794 shares (including options for 13,700,000 shares that have been granted but not yet lapsed or exercised) which represented 9.76% of the issued share capital of the Company as at 31 December 2015. The maximum number of shares issuable under the Share Options Scheme to each eligible participant 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, 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

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

Name or category of participant	At 1 January 2015	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As at 31 December 2015	Exercise period of share options	Exercise price of share options HK$	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options HK$	Weighted average closing price of the Company's shares immediately before the exercise date HK$
	Number of share options										
Directors, chief executive and a substantial shareholder and their associates											
Hui Tung Wah, Samuel *(Note 2)*	1,579,778	–	1,579,778	–	–	–	*(Note 1)* 5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	1.39
Simon Murray	789,889	–	789,889	–	–	–	*(Note 1)* 5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	1.28
Wong Kin Chi *(Note 3)*	789,889	–	–	789,889	–	–	*(Note 1)* 5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	–
Wong Che Keung, Richard *(Note 3)*	789,889	–	789,889	–	–	–	*(Note 1)* 5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	1.33
Tong Yee Yung, Joseph *(Note 3)*	789,889	–	789,889	–	–	–	*(Note 1)* 5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	1.29
Wu Wai Leung, Danny *(Note 4)*	–	3,700,000	–	–	–	3,700,000	17 July 2015 to 16 July 2020	1.23	17 July 2015	1.24	–
Lim Hoe Pin *(Note 5)*	–	3,000,000	–	–	–	3,000,000	17 July 2015 to 16 July 2020	1.23	17 July 2015	1.24	–
Cheng Chi-Him, Conrad *(Note 6)*	–	2,000,000	–	–	–	2,000,000	17 July 2015 to 16 July 2020	1.23	17 July 2015	1.24	–
Tsang On-Yip, Patrick *(Note 6)*	–	2,000,000	–	–	–	2,000,000	17 July 2015 to 16 July 2020	1.23	17 July 2015	1.24	–
Nguyen Van Tu, Peter *(Note 7)*	–	1,000,000	–	–	–	1,000,000	17 July 2015 to 16 July 2020	1.23	17 July 2015	1.24	–
Tang Shun Lam, Steven *(Note 7)*	–	1,000,000	–	–	–	1,000,000	17 July 2015 to 16 July 2020	1.23	17 July 2015	1.24	–
Wong Man Chung, Francis *(Note 7)*	–	1,000,000	–	–	–	1,000,000	17 July 2015 to 16 July 2020	1.23	17 July 2015	1.24	–
Employees (other than Directors) In aggregate	12,748,811	–	8,639,398	4,109,413	–	–	*(Note 1)* 5 May 2014 to 4 May 2019	0.51	5 May 2014	0.51	1.39
	17,488,145	13,700,000	12,588,843	4,899,302	–	13,700,000					

Note 1: 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.
Note 2: Re-designated from an executive Director to a non-executive Director on 14 May 2015 and resigned on 4 June 2015.
Note 3: Resigned as independent non-executive director of the Company on 2 July 2015.
Note 4: Appointed as executive director of the Company on 14 May 2015.
Note 5: Appointed as executive director of the Company on 4 June 2015.
Note 6: Appointed as non-executive director of the Company on 4 June 2015.
Note 7: Appointed as independent non-executive director of the Company on 2 July 2015.

Details of the valuation of the share options granted during the Year are set out in note 30 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 2015, 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 %
Newforest	Beneficial owner *(Note 1,3,4&5)*	496,313,830	–	51.57
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation *(Note 1)*	496,313,830	–	51.57
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation *(Note 1)*	496,313,830	–	51.57
Wu Wai Leung, Danny	Interest of controlled corporation *(Note 1&3)*	496,313,830	3,700,000 *(Note 2)*	51.95
Chow Tai Fook (Holding) Limited	Interest of controlled corporation *(Note 1&5)*	496,313,830	–	51.57
Chow Tai Fook Capital Limited	Interest of controlled corporation *(Note 1)*	496,313,830	–	51.57
CTFE	Interest of controlled corporation *(Note 1&5)*	496,313,830	–	51.57
Gateway Asia Resources Limited	Interest of controlled corporation *(Note 1&3)*	496,313,830	–	51.57
Sharpfield Holdings Limited	Interest of controlled corporation *(Note 1,4&5)*	496,313,830	–	51.57

Notes:

1. Newforest is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Wu Wai Leung Danny) and as 60% by Sharpfield Holdings Limited (a direct wholly-owned subsidiary of CTFE). CTFE is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, a 78.58% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. As such, Wu Wai Leung, Danny, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares in which Newforest is interested by virtue of Part XV of the SFO.

Report of the Directors

2. It represents 3,700,000 share options granted by the Company.

3. Wu Wai Leung, Danny is a director of Newforest and Gateway Asia Resources Limited.

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

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

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 2015 which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 22 to 37.

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$46,000 (2014: HK$208,000).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 38 to the consolidated financial statements.

AUDITORS

During the year, Moore Stephens resigned as auditor of the Company due to the reorganization of its internal corporate structure and Moore Stephens CPA Limited were appointed to fill the casual vacancy so arising. 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 Board would like to take this opportunity to express its sincere gratitude to our shareholders, clients and suppliers for their continuous and valuable support and to extend its appreciation to our management and staff for their diligence and dedication, despite the fact of that 2015 was a challenging year.

ON BEHALF OF THE BOARD
GREENHEART GROUP LIMITED

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong, 23 March 2016

Independent Auditor's Report

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CPA LIMITED

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大華馬施雲
會計師事務所有限公司

To the members 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 56 to 168, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

AUDITOR'S RESPONSIBILITY *(continued)*

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.

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 financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moore Stephens CPA Limited
Certified Public Accountants

Rudolf Leung Kwok Man
Practising Certificate Number: P04964

Hong Kong, 23 March 2016

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
REVENUE	6	**591,412**	673,604
Cost of sales		**(477,687)**	(528,071)
Gross profit		**113,725**	145,533
Other income and gains	6	**19,819**	6,792
Fair value (loss)/gain on plantation forest assets		**(45,600)**	32,433
Selling and distribution costs		**(178,727)**	(214,689)
Administrative expenses		**(70,579)**	(65,946)
Provisions for impairment		**(407,157)**	(35,947)
Other operating expenses, net		**(2,119)**	(5,666)
Non-cash share option expenses		**(8,444)**	(2,287)
Finance costs	7	**(36,573)**	(43,435)
LOSS BEFORE TAX	8	**(615,655)**	(183,212)
Tax	11	**(17,587)**	(6,701)
LOSS FOR THE YEAR		**(633,242)**	(189,913)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(15,017)**	(6,547)
Item that will not be reclassified subsequently to profit or loss			
Revaluation gain/(loss) on forestry land		**408**	(61)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX of NIL		**(14,609)**	(6,608)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(647,851)**	(196,521)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**(436,933)**	(133,303)
Non-controlling interests		**(196,309)**	(56,610)
		(633,242)	(189,913)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**(451,542)**	(139,911)
Non-controlling interests		**(196,309)**	(56,610)
		(647,851)	(196,521)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	**HK$(0.506)**	HK$(0.169)

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**342,819**	471,877
Prepaid land lease payments	14	**20,992**	30,548
Goodwill	15	**–**	7,624
Timber concessions and cutting rights	16	**465,529**	758,707
Other intangible assets	17	**376**	2,382
Plantation forest assets	18	**357,907**	466,231
Prepayments, deposits and other receivables	21	**3,591**	9,947
Total non-current assets		**1,191,214**	1,747,316
CURRENT ASSETS			
Inventories	19	**30,114**	46,441
Trade receivables	20	**45,223**	35,991
Prepayments, deposits and other receivables	21	**46,559**	38,629
Due from former affiliated companies	35(b)(iv)	**–**	7,370
Tax recoverable		**2,804**	4,068
Cash and cash equivalents	22	**121,851**	108,056
Total current assets		**246,551**	240,555
CURRENT LIABILITIES			
Trade payables	23	**32,706**	32,603
Other payables and accruals	24	**51,924**	30,164
Finance lease payables	25	**9,853**	10,117
Loan from a former intermediate holding company	35(a)(i)	**–**	312,000
Loan from the former immediate holding company	35(a)(ii)	**–**	62,400
Loans from the immediate holding company	35(a)(i),35(a)(ii)	**339,300**	–
Loan from the ultimate holding company	35(a)(iv)	**78,000**	–
Due to the immediate holding company	35(b)(ii)	**15,597**	–
Due to the ultimate holding company	35(b)(iii)	**1,101**	–
Due to former affiliated companies	35(b)(iv)	**–**	4,757
Deposit received from a former fellow subsidiary	35(b)(i)	**–**	22,565
Convertible bonds	26	**–**	166,981
Tax payable		**48,551**	37,248
Total current liabilities		**577,032**	678,835
NET CURRENT LIABILITIES		**(330,481)**	(438,280)
TOTAL ASSETS LESS CURRENT LIABILITIES		**860,733**	1,309,036

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Loans from the former immediate holding company	35(a)(ii)	**–**	42,642
Loans from the immediate holding company	35(a)(ii), 35(a)(iii)	**92,906**	–
Interest-bearing bank borrowings	27	**195,000**	195,000
Finance lease payables	25	**–**	8,699
Deferred tax liabilities	28	**115,054**	116,735
Total non-current liabilities		**402,960**	363,076
NET ASSETS		**457,773**	945,960
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	29	**9,625**	7,899
Reserves	31	**570,863**	864,467
		580,488	872,366
Non-controlling interests		**(122,715)**	73,594
TOTAL EQUITY		**457,773**	945,960

Director
Wu Wai Leung, Danny

Director
Lim Hoe Pin

Consolidated Statements of Changes in Equity

	Notes	Attributable to equity holders of the Company												
		Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 31 (d))	Share option reserve HK$'000 (note 31 (b))	Convertible bond equity reserve HK$'000	Capital reserve HK$'000	Land revaluation reserve HK$'000	Merger reserve HK$'000 (note 31 (c))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 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	30(a)	–	–	–	2,287	–	–	–	–	–	–	2,287	–	2,287
At 31 December 2014 and 1 January 2015		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
Loss for the year		–	–	–	–	–	–	–	–	–	(436,933)	(436,933)	(196,309)	(633,242)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(15,017)	–	(15,017)	–	(15,017)
Fair value gain on forestry land		–	–	–	–	–	–	408	–	–	–	408	–	408
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	408	–	(15,017)	(436,933)	(451,542)	(196,309)	(647,851)
Issue of new share upon placement	29(b)	1,600	147,200	–	–	–	–	–	–	–	–	148,800	–	148,800
Share issue expenses	29(b)	–	(4,001)	–	–	–	–	–	–	–	–	(4,001)	–	(4,001)
Equity-settled share option arrangements	30(a)	–	–	–	8,444	–	–	–	–	–	–	8,444	–	8,444
Issue of new share upon exercise of options	29(a)	126	9,142	–	(2,847)	–	–	–	–	–	–	6,421	–	6,421
Transfer of share option reserve upon the cancellation of share options		–	–	–	(1,108)	–	–	–	–	–	1,108	–	–	–
Redemption of Convertible Bonds	26	–	–	–	–	(4,983)	–	–	–	–	4,983	–	–	–
At 31 December 2015		9,625	1,611,573*	83,274*	6,776*	–*	846*	12,706*	265*	282*	(1,144,859)*	580,488	(122,715)	457,773

* These reserve accounts comprise the consolidated reserves of HK$570,863,000 (2014: HK$864,467,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(615,655)**	(183,212)
Adjustments for:			
Finance costs	7	**36,573**	43,435
Bank interest income	6	**(40)**	(49)
Loss on disposal of property, plant and equipment	8	**2,052**	5,331
Gain on disposal of carbon credit	6	**(2,999)**	(2,705)
Fair value loss/(gain) on derivative financial instruments	8	**500**	(500)
Depreciation	5	**34,983**	30,368
Amortisation of:			
Forest depletion cost	5	**74,662**	98,266
Harvest roading	5	**17,788**	21,215
Prepaid land lease payments	5	**1,587**	1,874
Other intangible assets	5	**278**	277
Timber concessions and cutting rights	5	**8,815**	9,827
Write-down of inventories to net realizable value	5	**23,572**	6,609
Impairment of:			
Trade receivables	5	**400**	500
Property, plant and equipment	5	**110,429**	5,117
Timber concessions and cutting rights	5	**278,940**	–
Goodwill	5	**7,624**	27,854
Prepayments, deposits and other receivables	5	**1,375**	2,476
Prepaid land lease payments	5	**8,389**	–
Reversal of accrued forest concession levy	5	**(13,441)**	–
Equity-settled share option expense	5	**8,444**	2,287
Fair value loss/(gain) on plantation forest assets	5	**45,600**	(32,433)
		29,876	36,537
(Increase)/decrease in inventories		**(6,962)**	8,679
(Increase)/decrease in trade receivables		**(6,602)**	27,750
Increase in prepayments, deposits and other receivables		**(18,791)**	(15,019)
Increase/(decrease) in trade payables		**103**	(13,848)
Increase in other payables and accruals		**8,241**	9,382
Increase in amounts due from affiliated companies		**–**	(7,370)
Decrease in amounts due to affiliated companies		**–**	(1)
Cash generated from operations		**5,865**	46,110
Interest received		**40**	49
Overseas taxes paid		**(22)**	(6,191)
Interest paid		**(17,674)**	(25,638)
Net cash flows (used in)/from operating activities		**(11,791)**	14,330

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(30,709)**	(52,516)
Increase in prepayment for the purchase of of items of property, plant and equipment		**–**	(3,824)
Proceeds from disposal of property, plant and equipment		**2,228**	9,349
Proceeds from disposal of carbon credit		**4,634**	6,683
Additions of plantation forest assets	18	**(10,035)**	(10,338)
Acquisition of subsidiary		**–**	(60,772)
Net cash flows used in investing activities		**(33,882)**	(111,418)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	29	**155,221**	–
Share issue expenses	29	**(4,001)**	–
Capital element of finance lease rental payments		**(8,980)**	(11,397)
Interest paid on finance lease		**(1,311)**	(2,228)
Loans from the immediate holding company	35(a)(ii),(iii)	**15,164**	15,342
Loan from the ultimate holding company	35(a)(iv)	**78,000**	–
Repayment of Convertible Bonds	26	**(172,870)**	–
Net cash flows from financing activities		**61,223**	1,717
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**15,550**	(95,371)
Cash and cash equivalents at beginning of year		**108,056**	204,014
Effect of foreign exchange rate change, net		**(1,755)**	(587)
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**121,851**	108,056
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**120,873**	108,056
Non-pledged time deposits with original maturity of less than three months when acquired		**978**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**121,851**	108,056

1. CORPORATE AND GROUP INFORMATION

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

On 31 October 2014, Emerald Plantation Group Limited ("EPGL" or "Former Intermediate Holding Company"), Sino-Capital Global Inc. ("Sino-Capital" or "Former Immediate Holding Company") and Newforest Limited ("Newforest" or "Immediate Holding Company"), had entered into certain sales and purchase agreements, pursuant to which Newforest conditionally agreed to purchase (i) from Sino-Capital of 496,189,028 ordinary shares of the Company (the "Sale Shares") (approximately 62.82% equity interest of the Company at that time) 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 (collectively the "Sales"). The Sales was completed on 7 May 2015 and Newforest became the holder of the Sale Shares and assumed all the rights and benefits of the loans from EPGL and Sino-Capital.

Upon completion of the aforesaid transaction, a mandatory unconditional cash offer ("MGO") was 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 convertible bonds of the Company with a total outstanding principal amount of US$17,000,000 ("Convertible Bonds") held by Greater Sino Holdings Limited ("Greater Sino" or "Noteholder") and the cancellation of all outstanding options granted by the Company under the share option scheme of the Company on 14 May 2015. The MGO was completed on 4 June 2015 and Newforest obtained additional 124,802 ordinary shares of the Company.

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION *(continued)*

Immediate after the MGO, Newforest held 496,313,830 shares, representing approximately 61.85% of the issued share capital of the Company. Following that in August 2015, the Company has successfully placed 160,000,000 new shares to certain independent third parties and used the proceeds from the placing, together with other internal resources, to redeem the entire US$17,000,000 outstanding convertible bonds. Accordingly, Newforest's shareholding in the Company decreased to 51.57% as at 31 December 2015. In the opinion of the Directors, as at 31 December 2015, the immediate holding company of the Company is Newforest, a company incorporated in Cayman Islands, and the ultimate holding company of the Company is Chow Tai Fook Enterprises Limited ("CTFE" or "Ultimate Holding Company"), a company incorporated in Hong Kong.

Information about subsidiaries

Particulars of the Company's 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

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries (continued)

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
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
Greenheart Grand Forest Limited	Hong Kong	HK$1	–	60.39	Sale of logs and timber products

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries (continued)

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
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

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries (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 Suriname Suma Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Greenheart Forest Central N.V.	Suriname	SRD2,000	–	100	Administration of forestry operations
Greenheart Forest Technology Limited	BVI/Hong Kong	US$1	–	100	Sale of logs
Greenheart Forest Suma Limited	Hong Kong	HK$1	–	100	Sale of logs and timber products
Greenheart Forest Central Limited	BVI/Suriname	US$201	–	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.

Notes to Financial Statements

31 December 2015

2. BASIS OF PRESENTATION

The Group had net current liabilities of approximately HK$330,481,000 as at 31 December 2015, of which HK$339,300,000 represented the loans from the Immediate Holding Company, with HK$312,000,000 and HK$27,300,000 being repayable on 21 March 2016 and 28 June 2016, respectively, and HK$78,000,000 represented the loan from the Ultimate Holding Company, which is repayable on 21 August 2016.

On 20 January 2016, the Company entered into a subscription agreement with Newforest pursuant to which Newforest has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue new shares at the subscription price of HK$0.611 per share by way of capitalization of the loan from the Immediate Holding Company of US$40,000,000 (equivalent to HK$312,000,000) and the interest accrued thereon up to the completion date (the "Loan Capitalization"). The Loan Capitalization was completed on 22 March 2016 and a total of 523,691,559 new shares were allotted and issued to Newforest. As at the date of these consolidated financial statements, Newforest held 1,020,005,389 shares, representing approximately 68.63% of the issued share capital in the Company.

On 11 March 2016, supplemental agreements relating to the loan agreements with principal amounts of HK$62,400,000, HK$27,300,000 and HK$23,400,000 were signed with the Immediate Holding Company, pursuant to which the Immediate Holding Company agreed to extend the maturity date of repayment of both loan principals and interest payable to 31 March 2018.

On 11 March 2016, supplemental agreement relating to loan agreement with principal amount of HK$78,000,000 was signed with the Ultimate Holding Company, pursuant to which the Ultimate Holding Company agreed to extend the maturity date of repayment of loan principal to 12 August 2017.

Taking into account of the implications in relation to above-mentioned Loan Capitalization and extension of loan principals from and interest payable to Immediate Holding Company and loan principal from Ultimate Holding Company, the Group's net current liabilities position of approximately HK$330,481,000 as at 31 December 2015 would have improved to pro forma net current assets position of approximately HK$102,232,000.

2. BASIS OF PRESENTATION *(continued)*

On the above basis, 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) subsequent to the year end, the Bank of New Zealand ("Bank"), subject to certain additional conditions, principally agreed to relax the third party debt ratio from 40% to 50% (i.e. the total third party debts in New Zealand division shall not at any time exceed 50% of the aggregate value of plantation forest assets and forestry land). Based on the financial information as at 31 December 2015, additional unutilized bank loan facilities of HK$30,490,000 (equivalent to US$3,909,000) will be available upon the relaxation is granted;

(ii) 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;

(iii) the Group has appointed a new local management team in Suriname during the year ended 31 December 2015, aiming to turnaround the Group's Suriname division by, inter alia, reconfiguring the machineries production layout, downsizing the workforce, subcontracting out certain services, and commissioning a bio-energy plant to reduce fuel expenses;

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

(v) various cost control measures have been taken by the Group, and are continuing, to tighten the 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 any such possible adjustments have not been reflected in these consolidated financial statements.

Notes to Financial Statements

31 December 2015

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 the disclosure requirements of the 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 at 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 2015.

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 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.

3.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation (continued)

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 revised HKFRSs for the first time in preparing for this Year's consolidated financial statements:

Amendments to HKAS 19 (2011)	*Defined Benefit Plans: Employee Contributions*
Annual improvements 2010-2012 Cycle	*Amendments to a number of HKFRSs*
Annual improvements 2011-2013 Cycle	*Amendments to a number of HKFRSs*

The adoption of the revised HKFRSs has had no significant financial effect on these consolidated financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

Notes to Financial Statements

31 December 2015

3.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from contracts with customers*[2]
Amendments to HKAS 1	*Disclosure Initiatives*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of acceptable methods of depreciation and amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 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

4 Effective date to be determined by HKICPA. On 6 January 2016, the HKICPA issued "Effective Date of Amendments to HKFRS 10 and HKAS 28", following the International Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in "Sale or Contribution of Assets between an Investor or its Associate or Joint Venture" that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

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

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

(a) 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 is currently assessing the impact 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 once the effective date is finalized.

(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.

Notes to Financial Statements

31 December 2015

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

(d) HKFRS 15 establishes a new five-step model account for 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 recognizing 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. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

(e) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have significant impact on the Group's financial statements.

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

(f) 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.

(g) 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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Notes to Financial Statements

31 December 2015

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

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 is measured at fair value with changes in fair value either recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

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.

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.

Notes to Financial Statements

31 December 2015

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement (continued)

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.

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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets (continued)

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

Notes to Financial Statements

31 December 2015

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);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

Notes to Financial Statements

31 December 2015

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.

Notes to Financial Statements

31 December 2015

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.

Notes to Financial Statements

31 December 2015

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 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.

Notes to Financial Statements

31 December 2015

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, loans from the immediate holding company, loans from the ultimate holding company, due to the immediate holding company, due to the ultimate holding company, interest-bearing bank borrowings and financial lease payable.

Subsequent measurement

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

Loans and borrowings

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.

Notes to Financial Statements

31 December 2015

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

Provisions

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

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

Notes to Financial Statements

31 December 2015

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

- 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.

Notes to Financial Statements

31 December 2015

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 30 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 payment (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market 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.

Notes to Financial Statements

31 December 2015

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment (continued)

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

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

Other employee benefits

Pension scheme

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

Foreign currencies

These financial statements are presented in Hong Kong dollars 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.

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.

Notes to Financial Statements

31 December 2015

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies (continued)

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

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

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

4. SIGNIFICANT ACCOUNTING 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:

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

(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 2015 were HK$91,272,000 and HK$357,907,000 (2014: HK$103,713,000 and HK$466,231,000), respectively. Further details of which are set out in notes 13 and 18 to the financial statements.

Notes to Financial Statements

31 December 2015

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	(39,215)
If the production cost decreases	(5)	39,215

Change in transport cost	**Increase/(decrease) in transport cost %**	**(Increase)/decrease in loss before tax HK$'000**
If the transport cost increases	5	(12,575)
If the transport cost decreases	(5)	12,575

Change in log price	**Increase/(decrease) in log price %**	**(Increase)/decrease in loss before tax HK$'000**
If the log price increases	5	56,692
If the log price decreases	(5)	(56,692)

Change in discount rate	**Increase/(decrease) in discount rate %**	**(Increase)/decrease in loss before tax HK$'000**
If the discount rate increases	1	(10,497)
If the discount rate decreases	(1)	11,775

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.

Notes to Financial Statements

31 December 2015

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. All goodwill was impaired during the Year and the carrying amount of goodwill at 31 December 2014 was HK$7,624,000. Further details are given in note 15 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 28 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, sale and trading of logs and timber products

New Zealand: Softwood plantation management, log harvesting, marketing, sale and trading 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 earning/(loss) before finance costs, tax, depreciation, forest depletion costs as a result of harvesting and amortization ("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, non-cash share option expenses and reversal of accrued forest concession levy ("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.

Notes to Financial Statements

31 December 2015

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 2015

	Suriname^ HK$'000	New Zealand^ HK$'000	Unallocated HK$'000	Total HK$'000
SEGMENT REVENUE	63,367	528,045	–	591,412
SEGMENT RESULTS ("Adjusted EBITDA")	(57,822)	123,383	(35,238)	30,323
Reconciliation of the segment results:				
Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization				
Fair value loss on plantation forest assets	–	(45,600)	–	(45,600)
Interest income	8	32	–	40
Impairment of goodwill***	(7,624)	–	–	(7,624)
Impairment of property, plant and equipment***	(110,429)	–	–	(110,429)
Impairment of timber concessions and cutting rights***	(278,940)	–	–	(278,940)
Impairment of trade receivables***	(400)	–	–	(400)
Impairment of prepayments, deposits and other receivables***	(1,375)	–	–	(1,375)
Impairment of prepaid land lease payments***	(8,389)	–	–	(8,389)
Write-down of inventories, net*	(23,572)	–	–	(23,572)
Non-cash share options expenses	–	–	(8,444)	(8,444)
Reversal of accrual forest concession fee	13,441	–	–	13,441

5. OPERATING SEGMENT INFORMATION *(continued)*

	Suriname^ HK$'000	New Zealand^ HK$'000	Unallocated HK$'000	Total HK$'000
SEGMENT RESULTS ("EBITDA")	(475,102)	77,815	(43,682)	(440,969)
Finance costs	(7,952)	(19,418)	(9,203)	(36,573)
Forest depletion cost as a result of harvesting*	–	(74,662)	–	(74,662)
Depreciation	(30,626)	(3,021)	(1,336)	(34,983)
Amortization of harvest roading*	–	(17,788)	–	(17,788)
Amortization of timber concessions and cutting rights*	(8,815)	–	–	(8,815)
Amortization of prepaid land lease payments**	(1,587)	–	–	(1,587)
Amortization of other intangible assets*	(278)	–	–	(278)
LOSS BEFORE TAX				(615,655)
SEGMENT ASSETS	715,461	705,911	16,393	1,437,765
SEGMENT LIABILITIES	361,001	616,381	2,610	979,992
Other segment information				
Capital expenditures#	(17,707)	(45,238)	(1,652)	(64,597)

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

Notes to Financial Statements

31 December 2015

5. OPERATING SEGMENT INFORMATION *(continued)*

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)*

	Suriname^	New Zealand^	Elsewhere^	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	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.

Notes to Financial Statements

31 December 2015

5. OPERATING SEGMENT INFORMATION *(continued)*

Geographical Information

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

	2015 **HK$'000**	2014 HK$'000
Mainland China	**317,782**	516,873
Singapore	**131,547**	–
New Zealand	**42,405**	37,894
Hong Kong	**35,104**	3,841
India	**23,908**	55,519
Belgium	**16,459**	32,804
Suriname	**16,090**	22,591
The Netherlands	**5,305**	–
Denmark	**953**	1,413
United States	**700**	1,570
Taiwan	**650**	185
Aruba	**203**	–
Curacao	**184**	–
Germany	**122**	792
Thailand	**–**	122
	591,412	673,604

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

	2015 **HK$'000**	2014 HK$'000
Suriname	**641,963**	1,084,393
New Zealand	**544,909**	657,091
Hong Kong	**4,342**	5,832
	1,191,214	1,747,316

5. OPERATING SEGMENT INFORMATION *(continued)*

Information on major customers

During the Year, the Group had transactions with three (2014: two) customers from New Zealand segment who each contributed over 10% of the Group's total revenue for the Year. A summary of revenue earned from each of these major customers is set out below:

	2015	2014
	HK$'000	HK$'000
Customer 1	**143,103**	N/A*
Customer 2	**131,547**	N/A*
Customer 3	**73,070**	133,138
Customer 4	**N/A***	70,655
	347,720	203,793

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

6. REVENUE, OTHER INCOME AND GAINS

Revenue 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:

	2015	2014
	HK$'000	HK$'000
		(Restated)
Revenue		
Sales of logs and timber products	**591,412**	673,604
Other income and gains		
Bank interest income	**40**	49
Other interest income	**–**	258
Gain on disposal of carbon credits	**2,999**	2,705
Rental income for lease of plant and machinery	**2,906**	2,915
Reversal of accrued forest concession levy	**13,441**	–
Others	**433**	865
	19,819	6,792

Notes to Financial Statements

31 December 2015

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000
Interest on Convertible Bonds (note 26)	**9,203**	17,691
Interest on a loan from a Former Intermediate Holding Company	**4,142**	11,821
Interest on loans from the Former Immediate Holding Company	**1,909**	4,742
Interest on loans from the Immediate Holding Company	**11,716**	–
Interest on a loan from the Ultimate Holding Company	**1,101**	–
Interest on finance leases	**1,070**	1,979
Interest on interest-bearing bank borrowings	**7,432**	7,202
	36,573	43,435

8. LOSS BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold*		**292,973**	313,009
Amortization of timber concessions and cutting rights	16	**14,238**	5,696
Amount (capitalized in)/released from inventories		**(5,423)**	4,131
Current year expenditure*		**8,815**	9,827
Forest harvested as agricultural produce	18	**72,759**	98,304
Amount released from/(capitalized in) inventories		**1,903**	(38)
Forest depletion cost as a result of harvesting*		**74,662**	98,266
Depreciation	13	**34,983**	30,368
Amortization of			
harvest roading*		**17,788**	21,215
prepaid land lease payments**	14	**1,587**	1,874
other intangible assets*	17	**278**	277
Impairment of			
property, plant and equipment***	13	**110,429**	5,117
goodwill***	15	**7,624**	27,854
timber concessions and cutting rights***	16	**278,940**	–
trade receivables***	20(b)	**400**	500
prepayments, deposits and other receivables***	21(b)	**1,375**	2,476
prepaid land lease payments***	14	**8,389**	–

Notes to Financial Statements

31 December 2015

8. LOSS BEFORE TAX *(continued)*

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

	Notes	2015 HK$'000	2014 HK$'000
Write-down of inventories, net*		**23,572**	6,609
Loss on disposal of items of property, plant and equipment		**2,052**	5,331
Fair value loss/(gain) on derivative financial instruments*		**500**	(500)
Minimum lease payments under operating leases for land and buildings		**9,621**	11,057
Auditor's remuneration		**1,620**	1,620
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**78,646**	91,895
Equity-settled share option expenses		**8,444**	2,287
Pension scheme contributions (defined contribution scheme)		**556**	307
		87,646	94,489
Foreign exchange differences, net****		**708**	(2,165)

* 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.

**** Foreign exchange loss of HK$2,602,000 (2014: foreign exchange gain of HK$1,762,000) and foreign exchange gain of HK$1,894,000 (2014: HK$403,000) are included in "Cost of sales" and "Administrative expenses" 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, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Fees	**1,846**	1,821
Other emoluments:		
Salaries, allowances and benefits in kind	**3,162**	1,300
Equity-settled share option expenses	**7,228**	619
Pension scheme contributions	**23**	–
	10,413	1,919
	12,259	3,740

During the current and prior years, share options with or without a vesting period were granted to seven (2014: five) directors in respect of their services to the Group, further details of which are included in the disclosures in note 30 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 directors' remuneration disclosures.

Notes to Financial Statements

31 December 2015

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 2015					
Executive directors:					
Mr. Wu Wai Leung, Danny*	156	1,795	1,830	12	3,793
Mr. Lim Hoe Pin**	138	725	1,484	11	2,358
Mr. Paul Jeremy Brough#	–	–	–	–	–
Mr. Hui Tung Wah, Samuel##	–	642	151	–	793
	294	3,162	3,465	23	6,944
Non-executive directors:					
Mr. Cheng Chi-Him, Conrad**	138	–	989	–	1,127
Mr. Tsang On-Yip, Patrick**	138	–	989	–	1,127
Mr. Simon Murray	89	–	75	–	164
Mr. Wang Tong Sai, Eddie###	135	–	–	–	135
Mr. Colin Denis Keogh###	95	–	–	–	95
	595	–	2,053	–	2,648
Independent non-executive directors:					
Mr. Nguyen Van Tu, Peter***	119	–	495	–	614
Mr. Tang Shun Lam, Steven***	119	–	495	–	614
Mr. Wong Man Chung, Francis***	119	–	495	–	614
Mr. Tong Yee Yung, Joseph####	180	–	75	–	255
Mr. Wong Che Keung, Richard####	180	–	75	–	255
Mr. Wong Kin Chi####	240	–	75	–	315
	957	–	1,710	–	2,667
Total	1,846	3,162	7,228	23	12,259

9. DIRECTORS' REMUNERATION *(continued)*

Mr. Paul Jerry Brough was re-designated as non-executive director on 2 April 2015 and resigned as director of the Company on 4 June 2015.

Mr. Hui Tung Wah, Samuel was re-designated from an executive Director to a non-executive Director on 14 May 2015 and resigned as director of the Company on 4 June 2015.

Mr. Wong Tong Sai, Eddie and Mr. Colin Denis Keogh resigned as directors of the company on 4 June 2015.

Mr. Wong Che Keung, Richard, Mr. Tong Yee Yung, Joseph and Mr. Wong Kin Chi resigned as directors of the Company on 2 July 2015.

* Mr. Wu Wai Leung, Danny was appointed as director of the Company on 14 May 2015.

** Mr. Lim Hoe Pin, Mr. Cheng Chi-Him, Conrad and Mr. Tsang On-Yip, Patrick were appointed as directors of the Company on 4 June 2015.

*** Mr. Nguyen Van Tu, Peter, Mr. Tang Shun Lam, Steven and Mr. Wong Man Chung, Francis were appointed as directors of the Company on 2 July 2015.

Notes to Financial Statements

31 December 2015

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 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

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2014: one) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2014: four) non-director, highest paid employees for the Year are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**7,739**	8,128
Compensation for loss of office	**–**	3,402
Equity-settled share option expense	**603**	1,157
Pension scheme contributions	**36**	22
	8,378	12,709

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

	Number of employees	
	2015	2014
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	2
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
	3	4

No bonus (2014: nil) was paid to the remaining three (2014: four) non-director, highest paid employees. There were no payment (2014: HK$3,402,000) made by the Group to the remaining three (2014: four) non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Financial Statements

31 December 2015

10. FIVE HIGHEST PAID EMPLOYEES *(continued)*

During the current and prior years, share options with or without a vesting period were granted to none of (2014: four) non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 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% (2014: 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% (2014: 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 renewed or extended for a further period upon expiry.

In 2014, 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 of an intercompany loan and tax administration matter on withholding tax payment for an intercompany loan interest. In view of the fact that the New Zealand Inland Revenue is currently working to implement changes to the withholding tax rules which will require the Company to pay withholding tax regularly, the related withholding tax has been provided for the year ended 31 December 2015. Up to the date of these financial statements, the tax audit is still ongoing. However, based on the latest correspondence and discussion with New Zealand Inland Revenue, the Directors of the Company are of the opinion that no material additional income tax or shortfall penalty is expected.

11. TAX *(continued)*

	Notes	**2015 HK$'000**	2014 HK$'000
Current – Hong Kong			
Charge for the year		**11,005**	11,889
Under-provision in prior years		**297**	–
		11,302	11,889
Current – Elsewhere			
Charge for the year		**942**	2,270
Foreign exchange difference on income tax recoverable/payable		**81**	409
Deferred	28	**3,193**	(5,556)
Foreign exchange difference on deferred tax liabilities	28	**(4,944)**	(2,311)
Withholding		**7,013**	–
		17,587	6,701

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:

	2015 HK$'000	2014 HK$'000
Loss before tax	**(615,655)**	(183,212)
Tax at the Hong Kong statutory tax rate of 16.5% (2014: 16.5%)	**(101,583)**	(30,230)
Difference in tax rates of subsidiaries operating in other jurisdictions	**(94,879)**	(6,478)
Expenses not deductible for tax	**176,443**	34,634
Income not subject to tax	**(8,247)**	(10,646)
Tax losses not recognized	**39,916**	20,566
Utilization of tax losses previously not recognized	**(429)**	–
Increase in opening deferred tax liability resulting from change in applicable tax rate	**8,125**	–
Others	**(1,759)**	(1,145)
Tax expense	**17,587**	6,701

Notes to Financial Statements

31 December 2015

12. 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 863,736,974 (2014: 789,889,104) ordinary shares in issue during the Year.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 2014 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.

13. PROPERTY, PLANT AND EQUIPMENT

	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 2015								
At 1 January 2015:								
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
Net carrying amount:								
At 1 January 2015	103,713	142,291	2,373	169,801	6,312	5,633	41,754	471,877
Additions	–	13,723	1,627	–	103	51	17,578	33,082
Impairment during the year recognized in the statement of comprehensive income *(notes (c))*	–	(15,546)	–	(80,281)	–	–	(14,602)	(110,429)
Gain on revaluation	408	–	–	–	–	–	–	408
Transfers	–	7,373	–	22,856	87	–	(30,316)	–
Depreciation provided during the year *(note 8)*	–	(9,041)	(767)	(20,263)	(3,168)	(1,744)	–	(34,983)
Disposals	–	–	–	(218)	(209)	(1,220)	(2,633)	(4,280)
Exchange realignment	(12,849)	(6)	–	(1)	–	–	–	(12,856)
At 31 December 2015	91,272	138,794	3,233	91,894	3,125	2,720	11,781	342,819
At 31 December 2015:								
Cost or valuation	91,272	180,112	5,136	230,000	13,035	7,791	26,383	553,729
Accumulated depreciation and accumulated impairment	–	(41,318)	(1,903)	(138,106)	(9,910)	(5,071)	(14,602)	(210,910)
Net carrying amount	91,272	138,794	3,233	91,894	3,125	2,720	11,781	342,819

Notes to Financial Statements

31 December 2015

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

	Forestry land HK$'000 (notes (a))	Buildings and capital roadings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000 (notes (b))	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 (notes (b))	Total HK$'000
Year ended 31 December 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	–	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 8)*	–	(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

13. 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 2015				
Recurring fair value measurement for:				
Forestry land	**–**	**91,272**	**–**	**91,272**
As at 31 December 2014				
Recurring fair value measurement for:				
Forestry land	–	103,713	–	103,713

During the years ended 31 December 2015 and 2014, 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 2015 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 2015 and 2014.

At 31 December 2015 and 2014, all the Group's forestry land with a net carrying amount of approximately HK$91,272,000 (2014: HK$103,713,000) was pledged to secure bank loan facilities granted to the Group (note 27).

Notes to Financial Statements

31 December 2015

13. 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 as at 31 December 2015 amounted to HK$22,602,000 (2014: plant and machinery amounted to HK$35,033,000 and construction in progress amounted to HK$9,572,000).

(c) As disclosed in the Group's interim report 2015, the Group has appointed a new local management team aiming to turnaround the Group's Suriname division. After detailed review, the new local management found that after taking into the actual production yield and the operating costs, some of the machineries, which contributed a significant portion of the planned production volume, may not be able to contribute positive return unless substantial reconfiguration is made ("Change of Operation Plan"). Up to 31 December 2015, the detailed timing and the plan of the reconfiguration has yet been determined. In view of the above, certain individual property, plant and equipment under west and central Suriname division were no longer used in operations. Management performed impairment testing on such assets and concluded the carrying amount of such property, plant and equipment was in excess of its recoverable amount.

In addition, the carrying amount of the cash-generating unit of the forestry and timber business in the west Suriname segment, which certain property, plant and equipment were allocated, was in excess of its recoverable amount following the Change of Operation Plan. Further details of the impairment testing of such cash-generating unit are disclosed in note 15 to the financial statements.

Accordingly, provision for impairment of HK$110,429,000 (2014: HK$5,117,000) was recognized in profit or loss under "Provisions for impairment" during the Year.

14. PREPAID LAND LEASE PAYMENTS

		Group	
	Notes	**2015 HK$'000**	2014 HK$'000
Carrying amount at beginning of year		**32,199**	15,128
Acquisition of subsidiary		**–**	18,945
Impairment during the year	8/note (a)	**(8,389)**	–
Amortization provided during the year	8	**(1,587)**	(1,874)
Carrying amount at end of year		**22,223**	32,199
Current portion included in current portion of prepayments, deposits and other receivables	21	**(1,231)**	(1,651)
Non-current portion		**20,992**	30,548

14. PREPAID LAND LEASE PAYMENTS *(continued)*

As at 31 December 2015, the carrying amount of the cash-generating unit of the forestry and timber business in the west Suriname segment, which certain prepaid land lease payments were allocated, was in excess of its recoverable amount following the Change of Operation Plan. Accordingly, provision for impairment of HK$8,389,000 (2014: Nil) was allocated to prepaid land lease payments and recognized in profit or loss under "Provisions for impairment" during the Year. Further details of the impairment testing of such cash-generating unit are disclosed in note 15 to the financial statements.

15. GOODWILL

	Notes	**2015** **HK$'000**	2014 HK$'000
At beginning of year:			
Cost		**36,779**	8,925
Accumulated impairment		**(29,155)**	(1,301)
Net carrying amount		**7,624**	7,624
Net carrying amount:			
At beginning of year		**7,624**	7,624
Acquisition of a subsidiary		**–**	27,854
Impairment during the year	8	**(7,624)**	(27,854)
At end of year		**–**	7,624
At end of year:			
Cost		**36,779**	36,779
Accumulated impairment		**(36,779)**	(29,155)
Net carrying amount		**–**	7,624

Notes to Financial Statements

31 December 2015

15. GOODWILL *(continued)*

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.

Cost (before impairment):	**2015** **HK$'000**	2014 HK$'000
Logs and timber products business		
West Suriname	**7,624**	7,624
Central Suriname	**27,854**	27,854
Pallets business	**1,301**	1,301
	36,779	36,779

Logs and timber products business

Management allocated the goodwill, certain property, plant and equipment, prepaid land lease payments 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.

15. GOODWILL *(continued)*

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.

West Suriname

As at 31 December 2015, the Directors of the Company had performed an impairment testing on the Group's cash generating units of logs and timber products business in west Suriname and considered that the carrying amount of such cash-generating unit was in excess of its recoverable amount, based on the fair value less costs to sell calculations prepared in accordance with the above key assumptions, following the Change of Operation Plan. Accordingly, provision for impairment of HK$7,624,000 was allocated to the goodwill and charged to profit or loss during the Year.

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. Accordingly, full provision for impairment of HK$27,854,000 against this goodwill was charged to profit or loss in 2014.

Notes to Financial Statements

31 December 2015

15. GOODWILL *(continued)*

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 was 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.

16. TIMBER CONCESSIONS AND CUTTING RIGHTS

	Notes	2015 HK$'000	2014 HK$'000
At beginning of year			
Cost		**880,459**	826,873
Accumulated amortization and impairment		**(121,752)**	(116,056)
Net carrying amount		**758,707**	710,817
Net carrying amount:			
At beginning of year		**758,707**	710,817
Acquisition of subsidiary		**–**	53,586
Impairment during the year	8	**(278,940)**	–
Amortization provided during the year	8	**(14,238)**	(5,696)
At the end of year		**465,529**	758,707
At end of year:			
Cost		**880,459**	880,459
Accumulated amortization and impairment		**(414,930)**	(121,752)
Net carrying amount		**465,529**	758,707

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 ended 31 December 2014, 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.

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

During the Year, the Group obtained a forest concession of a gross area of approximately 44,000 hectares in east Suriname. Up to the date of this report, the Group had no harvesting plan related to this concession.

As at 31 December 2015, the Group's total concessions and cutting rights under management in Suriname covered a total land area of approximately 366,000 hectares (2014: 322,000 hectares).

As at 31 December 2015, the carrying amount of the cash-generating unit of the forestry and timber business in the west Suriname segment, which certain timber concessions and cutting rights were allocated, was in excess of its recoverable amount following the Change of Operation Plan. Accordingly, provision for impairment of HK$278,940,000 (2014: Nil) was allocated to certain timber concessions and cutting rights and recognized in profit or loss under "Provisions for impairment" during the Year. Further details of the impairment testing of such cash-generating unit are disclosed in note 15 to the consolidated financial statements.

Notes to Financial Statements

31 December 2015

17. OTHER INTANGIBLE ASSETS

	Notes	Carbon credits HK$'000	Deferred development costs HK$'000	Total HK$'000
Year ended 31 December 2015				
At 1 January 2015:				
Cost		4,958	1,299	6,257
Accumulated amortization and impairment		(3,230)	(645)	(3,875)
Net carrying amount		1,728	654	2,382
Net carrying amount:				
At 1 January 2015		1,728	654	2,382
Additions		–	–	–
Amortization of other intangible assets	8	–	(278)	(278)
Disposal		(1,635)	–	(1,635)
Exchange realignment		(93)	–	(93)
At 31 December 2015		–	376	376
At 31 December 2015:				
Cost		–	1,299	1,299
Accumulated amortization and impairment		–	(923)	(923)
Net carrying amount		–	376	376

17. OTHER INTANGIBLE ASSETS *(continued)*

	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	8	–	(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

During the years ended 31 December 2014 and 2015, no New Zealand Carbon Credits ("NZUs") were granted by the New Zealand Ministry for Primary Industries. Because the NZUs have an indefinite useful life, they were not amortized but were tested for impairment annually. During the Year, 142,000 (2014: 250,000) units of NZUs were sold.

Deferred development costs represent direct costs incurred in the development of a 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 central Suriname.

Notes to Financial Statements

31 December 2015

18. PLANTATION FOREST ASSETS

As at 31 December 2015, 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 2015. 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 2015 and 2014, all the Group's plantation forest assets were pledged to secure bank loan facilities granted to the Group (note 27).

18. 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 2015				
Recurring fair value measurement for:				
Plantation forest assets	**–**	**–**	**357,907**	**357,907**
As at 31 December 2014				
Recurring fair value measurement for:				
Plantation forest assets	–	–	466,231	466,231

During the years ended 31 December 2015 and 2014, 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:

	Notes	**2015 HK$'000**	2014 HK$'000
Net carrying amount at 1 January		**466,231**	521,764
Transfer to/(from) Level 3		**–**	–
Additions		**10,035**	10,338
Harvested as agricultural produce	8	**(72,759)**	(98,304)
Changes in fair value less costs to sell (recognised in profit or loss)		**(45,600)**	32,433
Net carrying amount at 31 December		**357,907**	466,231

Notes to Financial Statements

31 December 2015

18. 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;

18. 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 2015 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 2015		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US$64-68/$m^3$	US$66/$m^3$
Significant observable inputs		
Yield (m^3/ha)	558-725	608
Production costs	US$26-31/$m^3$	US$30/$m^3$
Transport costs	US$11-14/$m^3$	US$12/$m^3$
Discount rate	8.5%	8.5%
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%

A pre-tax discount rate of 8.5% (2014: 8.5%) was used in the valuation of the plantation forest assets in New Zealand as at 31 December 2015, 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.

Notes to Financial Statements

31 December 2015

18. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

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.

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 2014 and 2015. 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 and 2015.

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 2015 is around 4,999 hectares or 46% 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.

19. INVENTORIES

	2015 HK$'000	2014 HK$'000
Logs	**18,105**	23,315
Timber products	**12,009**	23,126
	30,114	46,441

20. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**46,009**	36,427
Less: impairment	**(786)**	(436)
	45,223	35,991

The Group's trading terms with its customers are mainly letters of credit at sight to 90 days for New Zealand export sales or on open account with credit terms of 5 days to 130 days for other. 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:

	2015 HK$'000	2014 HK$'000
Within 1 month	**33,845**	29,291
From 1 to 3 months	**8,732**	6,532
Over 3 months	**2,646**	168
	45,223	35,991

Notes to Financial Statements

31 December 2015

20. TRADE RECEIVABLES *(continued)*

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

	Notes	2015 HK$'000	2014 HK$'000
At beginning of year		**436**	74
Provision for impairment	8	**400**	500
Amounts written off during the year as uncollectible		**(50)**	(138)
At end of year		**786**	436

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

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**42,081**	35,823
Less than 3 months past due	**2,267**	168
Over 3 months past due	**875**	–
	45,223	35,991

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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

	Notes	2015 HK$'000	2014 HK$'000
Deposits paid for the purchase of items of property, plant and equipment		–	2,880
Rental deposits		1,094	2,954
Prepayments		2,497	4,113
		3,591	9,947

Current portion

	Notes	2015 HK$'000	2014 HK$'000
Current portion of prepaid land lease payments	14	1,231	1,651
Prepayments		38,190	33,867
Deposits		470	621
Derivative financial instruments	(c)	–	500
Other receivables		6,668	1,990
	(a)	46,559	38,629

Notes:

(a) Current portion

	2015 HK$'000	2014 HK$'000
Prepayments, deposits and other receivables	46,559	43,480
Less: impairment	–	(4,851)
	46,559	38,629

Notes to Financial Statements

31 December 2015

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

Notes: (continued)

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

	Notes	**2015** **HK$'000**	2014 HK$'000
At beginning of year		**4,851**	2,375
Provision for impairment	8	**1,375**	2,476
Amount written off		**(6,226)**	–
At end of year		**–**	4,851

(c) In 2015, the Group entered into various forward exchange contracts with notional amount of NZ$4,500,000 (equivalent to HK$25,486,000) (2014: NZ$16,500,000 (equivalent to HK$100,347,000)) 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. Fair value loss amounting to HK$500,000 (2014: fair value gain of HK$500,000) was charged to profit or loss in 2015.

22. CASH AND CASH EQUIVALENTS

	2015 **HK$'000**	2014 HK$'000
Cash and bank balances other than time deposits	**120,873**	108,056
Time deposits with original maturity of less than three months when acquired	**978**	–
Cash and cash equivalents	**121,851**	108,056

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.

23. 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:

	2015	2014
	HK$'000	HK$'000
Within 1 month	**28,486**	32,270
From 1 to 3 months	**2,679**	35
Over 3 months	**1,541**	298
	32,706	32,603

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

24. OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	HK$'000
Other payables	**17,748**	9,348
Deposits received	**23,492**	769
Accruals	**10,684**	20,047
	51,924	30,164

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

Notes to Financial Statements

31 December 2015

25. 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 2015, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2015 HK$'000	Minimum lease payments 2014 HK$'000	**Present value of minimum lease payments 2015 HK$'000**	Present value of minimum lease payments 2014 HK$'000
Amounts payable:				
Within one year	**10,306**	11,224	**9,853**	10,117
In the second year	**–**	9,034	**–**	8,699
In the third to fifth years, inclusive	**–**	–	**–**	–
Total minimum finance lease payments	**10,306**	20,258	**9,853**	18,816
Future finance charges	**(453)**	(1,442)		
Total net finance lease payables	**9,853**	18,816		
Portion classified as current liabilities	**(9,853)**	(10,117)		
Non-current portion	**–**	8,699		

26. CONVERTIBLE BONDS

In August 2010, the Company issued US dollars denominated convertible notes with an aggregate principal amount of US$25,000,000 with a maturity date of 17 August 2015 to Greater Sino Holdings Limited ("Greater Sino" or 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."

Due to the Change of Control in the Company's shareholding during the year ended 31 December 2013, the Noteholder required the Company to redeem the Convertible Bonds 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). As a result, the outstanding principal amount of the Convertible Bonds was reduced to US$17,000,000 (equivalent to approximately HK$132,600,000) as at 31 December 2014. 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.

On 14 July 2015, the Company received a notice from the Noteholder in which the Company was requested to redeem the Convertible Bonds on the maturity date of the Convertible Bonds, being 17 August 2015 (the "Maturity Date"), pursuant to the terms of the Convertible Bonds ("Redemption at Maturity"). On 17 August 2015, the Convertible Bonds were fully redeemed at the redemption amount of US$22,162,780 (equivalent to HK$172,870,000).

* As a result of the completion of the share placement by the Company on 4 August 2015, the conversion price to the outstanding Convertible Bonds has been adjusted from HK$2.002 to HK$1.943. Further details are set out in the Company's announcements dated 15 July 2015 and 4 August 2015.

Notes to Financial Statements

31 December 2015

26. CONVERTIBLE BONDS *(continued)*

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*

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	**2015 HK$'000**	2014 HK$'000
Principal amount outstanding			
At beginning of year		**132,600**	132,600
Redemption of Convertible Bonds at maturity date		**(132,600)**	–
At end of year		**–**	132,600
Liability component			
At beginning of year		**166,981**	155,919
Interest expense	7	**9,203**	17,691
Interest paid and payable		**(3,314)**	(6,629)
Redemption of Convertible Bonds at maturity date		**(172,870)**	–
At end of year		**–**	166,981
Equity component (included in convertible bonds equity reserve)			
At beginning of year		**4,983**	4,983
Redemption of Convertible Bonds at maturity date		**(4,983)**	–
At end of year		**–**	4,983

27. INTEREST-BEARING BANK BORROWINGS

During the year ended 31 December 2014, the Group's bank loan facilities were renegotiated with the interest rate reduced to base rate ("Base Rate"), as determined by the Bank, plus 1.65% per annum and the final maturity date was extended to 28 February 2017.

As at 31 December 2015 and 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.

The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank. During the year ended 31 December 2015, one of the financial covenants was not complied with and therefore caused a review of event according to the bank loan facilities agreement with the Bank. The Group has rectified the non-compliance and the Bank has confirmed the continuity of the bank loan facilities offered to the Group. As at 31 December 2015, all financial covenants relating to the bank loan facilities were met.

As at 31 December 2015, the Group does not have any available unutilized bank loan facilities (2014: HK$33,914,000 (equivalent to US$4,348,000), bearing interest at the Base Rate plus 1.35% per annum). The facilities were determined by after taking into account the third party debt ratio as set out in the financial covenants under the facility as at 31 December 2015. Subsequent to the year end, the Bank, subject to certain additional conditions, principally agreed to relax the third party debt ratio from 40% to 50% (i.e. the total third party debts in New Zealand division shall not at any time exceed 50% of the aggregate value of plantation forest assets and forestry land). Based on the financial information as at 31 December 2015, additional unutilized bank loan facilities of HK$30,490,000 (equivalent to US$3,909,000) will be available upon the relaxation is granted.

As at 31 December 2015 and 2014, 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$91,272,000 (2014: HK$103,713,000) (note 13);

  (b) the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$357,907,000 (2014: HK$466,231,000) (note 18) 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.

Notes to Financial Statements

31 December 2015

28. 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 2014	72,680	36,485	–	7,373	7,911	102	124,551
Acquisition of subsidiary	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
At 31 December 2014 and 1 January 2015	91,971	36,795	(25,067)	8,023	5,060	(47)	116,735
Deferred tax charge/(credited) to the profit or loss during the Year (note 11)	8,125	(3,137)	4,641	5,151	(11,635)	48	3,193
Exchange difference charge/(credited) to the profit or loss during the Year (note 11)	–	(4,441)	930	(1,137)	(301)	5	(4,944)
Exchange difference charged/(credited) to other comprehensive income during the Year	–	–	72	(2)	–	–	70
As at 31 December 2015	100,096	29,217	(19,424)	12,035	(6,876)	6	115,054

28. DEFERRED TAX *(continued)*

As at 31 December 2015, the Group had aggregate tax losses arising in Hong Kong of approximately HK$96,443,000 (2014: HK$67,168,000) 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$218,008,000 (2014: HK$177,345,000) 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.

29. SHARE CAPITAL

Shares

	2015 **HK$'000**	2014 HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
962,477,947 (2014: 789,889,104) ordinary shares of HK$0.01 each	**9,625**	7,899

Notes to Financial Statements

31 December 2015

29. SHARE CAPITAL *(continued)*

A summary of the movements in the Company's issued share capital during the years ended 31 December 2015 and 2014 is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 31 December 2014 and 1 January 2015		789,889,104	7,899	1,459,232	1,467,131
Shares issued upon exercise of share options	(a)	12,588,843	126	9,142	9,268
Shares issued upon placement	(b)	160,000,000	1,600	147,200	148,800
Shares issue expenses		–	–	(4,001)	(4,001)
At 31 December 2015		962,477,947	9,625	1,611,573	1,621,198

(a) During the Year, the subscription rights attaching to 12,588,843 share options were exercised at the subscription price HK$0.51 per share, resulting in the issue of 12,588,843 ordinary shares of the Company for a total cash consideration of HK$6,421,000. As a result of the exercise of these share options, their fair value of HK$2,847,000 previously recognized in the share option reserve was transferred to the share premium account.

(b) On 15 July 2015, the Company entered into a placing agreement with VMS Securities Limited (the "Placing Agent") pursuant to which the Company agreed to place through the Placing Agent, an aggregate of up to 160,000,000 ordinary shares, to certain independent third parties of and not connected with the Company and its connected persons, at the placing price of HK$0.93 per share. The placing price represented a discount approximately 18.42% to the closing price of HK$1.14 per share as quoted on the Stock Exchange on 15 July 2015. On 4 August 2015, the placing was completed and a total of 160,000,000 ordinary shares were issued for a total cash consideration, before expenses, of HK$148,800,000.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the consolidated financial statements.

30. 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 (the "Share Option Scheme") 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 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 2015 was 93,947,794 shares (including options for 13,700,000 shares that have been granted but not yet lapsed or exercised) which represented 9.76% of the issued share capital of the Company as at 31 December 2015. The maximum number of shares issuable under Share Options Scheme to each eligible participant 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.

Notes to Financial Statements

31 December 2015

30. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Share Option Scheme during the Year:

		2015		2014	
	Notes	**Weighted average exercise price HK$ per share**	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At beginning of year		**0.51**	**17,488**	–	–
Granted during the year	(a)	**1.23**	**13,700**	0.51	17,693
Lapsed/cancelled/forfeited during the year		**0.51**	**(4,899)**	0.51	(205)
Exercised during the year	(b)	**0.51**	**(12,589)**	–	–
At end of the year	(c)	**1.23**	**13,700**	0.51	17,488

Notes:

(a) The exercise period of share options granted during the Year is 17 July 2015 to 16 July 2020 (2014: 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:

	17 July 2015	5 May 2014
Share price at the date of grant	**HK$1.22**	HK$0.51
Exercise price per share	**HK$1.23**	HK$0.51
Expected volatility (%)	**78.78**	76.48
Risk-free interest rate (%)	**1.185**	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.

13,700,000 share options were granted during the Year (2014: 17,693,517), and the Group recognized a share option expense of HK$8,444,000 during the Year (2014: HK$2,287,000).

(b) During the Year, 12,588,843 (2014: nil) share options were exercised, resulted in the issue of 12,588,843 (2014: nil) ordinary shares of the Company and new share capital of HK$126,000 (2014: nil) and share premium of HK$9,142,000 (2014: nil) (before issue expenses), as further detailed in note 29 to these consolidated financial statements.

30. SHARE OPTION SCHEME *(continued)*

Notes: (continued)

(c) At the end of the Year, the Company had 13,700,000 (2014: 17,488,145) share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,700,000 (2014: 17,488,145) additional ordinary shares of the Company and additional share capital of approximately HK$137,000 (2014: HK$175,000) and share premium of approximately HK$16,714,000 (2014: 8,744,000) (before issue expenses). These share options had an exercise price of HK$1.23 (2014: HK$0.51) per share and a weighted average remaining contractual life of 4.55 years (2014: 4.34 years).

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

31. RESERVES

(a) 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.

(b) 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.

(c) 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.

(d) 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.

Notes to Financial Statements

31 December 2015

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2015	2014
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%

	2015 HK$'000	2014 HK$'000
Loss for the year allocated to non-controlling interests:		
Greenheart (Suriname) N.V.	**51,698**	30,748
Greenheart Forest Technologies N.V.	**5,594**	8,621

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

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

2015	Greenheart (Suriname) N.V. HK$'000	Greenheart Forest Technologies N.V. HK$'000
Revenue	37,256	–
Total expenses	(167,775)	(13,984)
Loss for the year	(130,519)	(13,984)
Total comprehensive loss for the year	(130,519)	(13,984)
Current assets	50,466	26,217
Non-current assets	93,237	23,910
Current liabilities	(605,635)	(143,451)
Non-current liabilities	–	–
Net liabilities	(461,932)	(93,324)
Accumulated balances of non-controlling interests	(182,971)	(37,330)
Net cash flows used in operating activities	(73,459)	(5,702)
Net cash flows (used in)/from investing activities	(9,513)	223
Net cash flows from financing activities	83,878	5,303
Net increase/(decrease) in cash and cash equivalents	906	(176)

Notes to Financial Statements

31 December 2015

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

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)

33. 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.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**6,026**	7,612
In the second to fifth years, inclusive	**6,580**	6,436
	12,606	14,048

34. CAPITAL COMMITMENTS

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

	2015 **HK$'000**	2014 HK$'000
Contracted, but not provided for:		
Land and buildings	**2,301**	2,301

Notes to Financial Statements

31 December 2015

35. 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	2015 HK$'000	2014 HK$'000
The Former Intermediate Holding Company	Interest expenses paid and payable on a loan	(i)	**4,142**	11,821
The Former Immediate Holding Company	Interest expenses paid and payable on loans	(ii)	**1,909**	4,742
The Immediate Holding Company	Interest expenses paid and payable on loans	(i), (ii),(iii)	**11,716**	–
The Ultimate Holding Company	Interest expenses paid and payable on a loan	(iv)	**1,101**	–
Noteholder	Interest expenses paid and payable on the Convertible Bonds	(v)	**9,203**	17,691
The Former Ultimate Holding Company and a former fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(vi)	**1,247**	6,252
Former fellow subsidiary	Sales of logs and timber products	(vii)	**4,366**	6,433
Former fellow subsidiary	Reimbursements	(viii)	**67**	289

35. RELATED PARTY DISCLOSURES *(continued)*

(a) (continued)

Notes:

(i) On 7 May 2015, the Former Intermediate Holding Company assigned all of its right and benefits under its loan to the Group, to the Immediate Holding Company.

The interest expenses were charged on an unsecured loan with principal amount of HK$312,000,000 (i.e. US$40,000,000) based on the London Interbank Offered Rate plus 3.5% per annum and repayable on 21 March 2016.

(ii) On 7 May 2015, the Former Immediate Holding Company assigned all of its right and benefits under its loans to the Group, to the Immediate Holding Company.

The interest expenses were charged based on the Hong Kong Prime Rate on the following loans:

- an unsecured loan with principal amount of HK$62,400,000 (i.e. US$8,000,000) (2014: HK$62,400,000 (i.e. US$8,000,000)) which is repayable on 26 January 2017;
- an unsecured loan with principal amount of HK$27,300,000 (i.e. US$3,500,000) (2014: 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$23,400,000 (i.e. US$3,000,000) (2014: HK$15,342,000 (i.e. US$1,967,000)) which is repayable on 19 June 2017.

(iii) The interest expenses were charged based on the Hong Kong Prime Rate on an unsecured loan with principal amount of an unsecured loan with principal amount of HK$7,106,000 (i.e. US$911,000) which is draw down during the Year and repayable on 27 May 2018.

(iv) The interest expenses were charged on an unsecured loan with principal amount of HK$78,000,000 (i.e. US$10,000,000) (2014: Nil) with interest rate based on the Hong Kong Prime Rate and repayable on 21 August 2016.

(v) The amount 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$3,314,000 (2014: HK$6,629,000).

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

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

(viii) The reimbursements were recharged by a former fellow subsidiary with reference to the actual costs incurred and paid on behalf of the Group in relation to certain administrative expenses.

Notes to Financial Statements

31 December 2015

35. RELATED PARTY DISCLOSURES *(continued)*

(b) Outstanding balances with related parties

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

(ii) The amounts due to the immediate holding company as at 31 December 2015 represented interest payables in relation to the loans from Immediate Holding Company, which were unsecured and repayable on demand.

(iii) The amount due to the ultimate holding company as at 31 December 2015 represented interest payables in relation to the loan from Ultimate Holding Company, which was unsecured and repayable within one year.

(iv) Included in the amounts due from affiliated companies as at 31 December 2014 was a trade balance with a former fellow subsidiary of HK$3,031,000 with credit terms of 60 days which was unsecured and interest-free. The remaining balances with the Former Ultimate Holding Company and a former fellow subsidiary were unsecured, interest-free and repayable within one year.

The amounts due to affiliated companies as at 31 December 2014 represented interest payables in relation to loans from the Former Immediate Holding Company and the Former Intermediate Holding Company amounting to HK$4,756,000 and HK$1,000, respectively, which were unsecured, interest-free and repayable within one year.

35. RELATED PARTY DISCLOSURES *(continued)*

(c) Compensation of key management personnel of the Group

	2015 **HK$'000**	2014 HK$'000
Short-term employee benefits	**12,747**	8,128
Compensation for loss of office	**–**	3,402
Equity-settled share options	**7,831**	1,157
Pension scheme contributions	**59**	22
	20,637	12,709

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations bearing a floating interest rate, i.e. interest-bearing bank borrowings (note 27), loan from the Ultimate Holding Company (note 35(a)(iv)) and loans from the Immediate Holding Company (note 35(a)(i),(ii)&(iii)).

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).

Notes to Financial Statements

31 December 2015

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

Interest rate risk (continued)

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax and accumulated losses HK$'000
Year ended 31 December 2015	100	6,670
	(100)	(6,670)
Year ended 31 December 2014	100	6,164
	(100)	(6,164)

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 dollars, to which the Hong Kong dollars 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. In 2015 and 2014, the Group entered into forward exchange contracts to manage the foreign exchange exposure on New Zealand dollars. Further details are set out in note 21(c) to these consolidated financial statements.

36. 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 did not have concentration of credit risk (2014: 2.9%) of the Group's trade receivables was due from the Group's largest customer within New Zealand division and the Group had concentration of credit risk as 67.6% (2014: 48.8%) of the Group's trade receivables were due from the five largest customers 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 20 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.

Notes to Financial Statements

31 December 2015

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

Liquidity risk (continued)

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:

	2015			
	On demand HK$'000	**Within One year HK$'000**	**In the second to fifth years, inclusive HK$'000**	**Total HK$'000**
Trade payables	**–**	**32,706**	**–**	**32,706**
Other payables	**7,276**	**10,472**	**–**	**17,748**
Loans from the Immediate Holding Company	**–**	**347,512**	**94,171**	**441,683**
Loan from the Ultimate Holding Company	**–**	**80,821**	**–**	**80,821**
Due to the Immediate Holding Company	**15,597**	**–**	**–**	**15,597**
Due to the Ultimate Holding Company	**–**	**1,101**	**–**	**1,101**
Interest-bearing bank borrowings	**–**	**4,323**	**195,699**	**200,022**
Finance lease payables	**–**	**10,306**	**–**	**10,306**
	22,873	**487,241**	**289,870**	**799,984**

	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 Former Intermediate Holding Company	–	316,460	–	316,460
Loans from the Former Immediate Holding Company	–	65,259	44,438	109,697
Due to the former affiliated companies	–	4,756	–	4,756
Interest-bearing bank borrowings	–	3,597	198,607	202,204
Finance lease payables	–	11,224	9,034	20,258
	172,456	441,953	252,079	866,488

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

Liquidity risk (continued)

* 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 26 to the financial statements.

As explained in note 2 to these consolidated 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 2015.

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 2015 and 2014.

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 period ended 17 August 2015 (date of maturity date of Convertible Bonds) and year ended 31 December 2014, such ratio, being less than 1.2 at all times, was not exceeded.

Notes to Financial Statements

31 December 2015

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

Capital risk management (continued)

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 exceed 1.5 times. As at 31 December 2015 and 2014, 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.

37. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 31 December 2015 are loans and receivables, and financial liabilities stated at amortized costs, respectively.

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 as at 31 December 2014 are loans and receivables, and financial liabilities stated at amortized cost, respectively.

38. EVENTS AFTER THE REPORTING PERIOD

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

(a) On 7 January 2016, Greenheart NZ Forestry Holding Company Limited (as the purchaser), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Kingsford Trustee (2013) Limited and Ms. Elizabeth Ann Kingsford (independent third parties as the vendors), whereby it conditionally agreed to purchase the entire equity interest in Northland Forest Managers (1995) Limited, a company incorporated in New Zealand principally engaging in the provision of forest management service in New Zealand, at a total consideration of not more than NZ$1,500,000 (equivalent to HK$7,715,000). The acquisition was made as part of the Group's strategy to expand its New Zealand division. The transaction was completed in February 2016. Further details are set out in the Company's announcement dated 7 January 2016.

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

(b) On 20 January 2016, the Company entered into a subscription agreement with Newforest pursuant to which Newforest has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue new shares ("Capitalization Shares") at the subscription price of HK$0.611 per share by way of capitalization of the loan from Newforest of US$40,000,000 (equivalent to HK$312,000,000) and the interest accrued thereon up to the completion date. The Loan Capitalization was completed on 22 March 2016 and a total of 523,691,559 new shares were allotted and issued to Newforest. As at the date of these consolidated financial statements, Newforest held 1,020,005,389 shares, represented approximately 68.63% of the issued share capital in the Company.

Further details are set out in the Company's announcements dated 20 January 2016 and 22 March 2016, and shareholders' circular dated 25 February 2016.

(c) On 11 March 2016, supplemental agreements relating to the loan agreements with principal amounts of HK$62,400,000, HK$27,300,000 and HK$23,400,000 were signed with the Immediate Holding Company, pursuant to which the Immediate Holding Company agreed to extend the maturity date of repayment of both loan principal and interest payable to 31 March 2018.

Notes to Financial Statements

31 December 2015

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

(d) On 11 March 2016, supplemental agreement relating to loan agreement with principal amount of HK$78,000,000 was signed with the Ultimate Holding Company, pursuant to which the Ultimate Holding Company agreed to extend the maturity date of repayment of loan principal to 12 August 2017.

39. CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group did not have any significant contingent liabilities.

40. COMPARATIVE AMOUNTS

Certain comparative amounts of "Other operating expenses, net" have been reclassified as "Other income and gains" and "Cost of sales" to better reflect the nature of gains and losses in respect of the disposal of carbon credits and fair value movements on derivative financial instruments, in order to conform to the presentation in the current year. These reclassifications have had no significant financial effect on these consolidated financial statements.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:–

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**559,363**	950,675
Prepayments, deposits and other receivables	**1,101**	967
Total non-current assets	**560,464**	951,642
CURRENT ASSETS		
Prepayments, deposits and other receivables	**673**	580
Due from a subsidiary	**–**	19,468
Cash and cash equivalents	**3,268**	859
Total current assets	**3,941**	20,907
CURRENT LIABILITIES		
Accruals	**1,730**	1,410
Convertible bonds	**–**	166,981
Total current liabilities	**1,730**	168,391
NET CURRENT ASSETS/(LIABILITIES)	**2,211**	(147,484)
TOTAL ASSETS LESS CURRENT LIABILITIES	**562,675**	804,158
Net assets	**562,675**	804,158
EQUITY		
Issued capital	**9,625**	7,899
Reserves	**553,050**	796,259
Total equity	**562,675**	804,158

Director	*Director*
Wu Wai Leung, Danny	**Lim Hoe Pin**

Notes to Financial Statements

31 December 2015

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	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 2014	1,459,232	125,376	–	4,983	(615,437)	974,154
Loss and total comprehensive loss for the Year	–	–	–	–	(180,182)	(180,182)
Equity-settled share option arrangements	–	–	2,287	–	–	2,287
At 31 December 2014 and 1 January 2015	1,459,232	125,376	2,287	4,983	(795,619)	796,259
Loss and total comprehensive loss for the Year	–	–	–	–	(401,147)	(401,147)
Issue of new shares upon placement	147,200	–	–	–	–	147,200
Share issue expenses	(4,001)	–	–	–	–	(4,001)
Equity-settled share option arrangements	–	–	8,444	–	–	8,444
Issue of new shares upon exercise of options	9,142	–	(2,847)	–	–	6,295
Transfer of share option reserve upon the cancellation of share options	–	–	(1,108)	–	1,108	–
Redemption of Convertible Bonds	–	–	–	(4,983)	4,983	–
At 31 December 2015	1,611,573	125,376	6,776	–	(1,190,675)	553,050

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.

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.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 23 March 2016.