

2016 INTERIM REPORT

GREENHEART GROUP LIMITED

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



商界展關懷

caringcompany^{2015/16}[®]

Awarded by The Hong Kong Council of Social Services
香港社會服務聯會頒發

Contents

	Pages
Corporate Information	2
Letter to Shareholders	3
Management Discussion and Analysis	7
Condensed Consolidated Statement of Comprehensive Income	17
Condensed Consolidated Statement of Financial Position	18
Condensed Consolidated Statement of Changes in Equity	20
Condensed Consolidated Statement of Cash Flows	21
Notes to Condensed Consolidated Interim Financial Statements	22
Other Information	49



CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheng Chi-Him, Conrad[#]
(Non-executive Chairman)
(appointed as Non-executive Chairman on 22 March 2016)

Wu Wai Leung, Danny*
(Chief Executive Officer)

Lim Hoe Pin*

Tsang On-Yip, Patrick[#]

Simon Murray[#]

Nguyen Van Tu, Peter**

Tang Shun Lam, Steven**

Wong Man Chung, Francis**

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

AUDIT COMMITTEE

Wong Man Chung, Francis *(Chairman)*

Nguyen Van Tu, Peter

Tang Shun Lam, Steven

Tsang On-Yip, Patrick

REMUNERATION COMMITTEE

Tang Shun Lam, Steven *(Chairman)*

Nguyen Van Tu, Peter

Tsang On-Yip, Patrick

Wong Man Chung, Francis

NOMINATION COMMITTEE

Nguyen Van Tu, Peter *(Chairman)*

Cheng Chi-Him, Conrad

Tang Shun Lam, Steven

Wong Man Chung, Francis

COMPANY SECRETARY

Tse Nga Ying

AUTHORIZED REPRESENTATIVES

Wu Wai Leung, Danny

Tse Nga Ying

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM 12
 Bermuda

STOCK CODE

94

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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 SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

Estera Management (Bermuda) Limited
(formerly Appleby Management (Bermuda) Ltd.)
 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



LETTER TO SHAREHOLDERS

Dear Shareholders,

Greenheart Group Limited (“Greenheart” or the “Company”) and its subsidiaries (the “Group”) reported a substantially reduced net loss of HK\$10,906,000 for the six months ended 30 June 2016 (the “Period”), a reduction of net loss of HK\$115,540,000 as compared to the corresponding period last year. Against this background, the performance of the two divisions of the Group was actually mixed for the Period. We delivered good performance in New Zealand division, but our Suriname division fell short of our expectation due to the prolonged restructuring. The significant reduction of net loss is largely due to the fair value gain on the Group’s New Zealand plantation forest assets. The increase of the underlying operating profit of the New Zealand division also contributed to the improvement of the overall result.

PERFORMANCE REVIEW

New Zealand

The New Zealand division performed well during the Period. Despite the revenue, impacted by lower harvesting volume and rescheduling of the last shipment in June to early July, decreased by 18.9% to HK\$214,452,000 as compared to the corresponding period last year, the Adjusted EBITDA, which excluded the fair value gain on the plantation forest assets, contributed by the New Zealand division, increased by 50.9% to HK\$83,283,000 for the Period.

The economic stimulus packages released earlier in the Period by the Chinese government have been supporting the wood market. Stable demand of New Zealand radiata pine in both China and overseas markets held the prices on cost and freight basis steady during the Period. Shipping rates to China have held at around US\$11.6 per m³, a decrease of US\$11.7 per m³ as compared to the same period a year ago. Low shipping rates, associated with weak New Zealand dollars rates, has more than offset the decline in revenue and helped boost our New Zealand division’s net profit for the Period.

To reflect the overall improvement of the fundamentals of our New Zealand radiata pine business, our New Zealand division recorded a fair value gain of HK\$33,017,000 for the Period (2015: a net loss of HK\$62,581,000), after netting of the related deferred tax.



LETTER TO SHAREHOLDERS (continued)

As previously disclosed, the Group has acquired Northland Forest Managers (1995) Limited (“NFM”), a New Zealand forest management company, in February 2016. This investment contributed a total of HK\$3,136,000 net operating profit during the Period. While, as expected, the profit delivered was not substantial currently, we believe this acquisition will bring immense strategic value into the Group through expanding its business in New Zealand and to a different geographic area (e.g. China).

Suriname

The restructuring of the Suriname division was dragged for six months due to the unexpected prolonged government approval process for importing skilled labour for our sawmill operation. The good news is that we finally got the approval from Suriname government in August 2016 and has resumed the production of West Suriname sawmill straight afterwards.

The shortage of skilled labour necessitated the suspension of the West Suriname sawmill for an extended period. Although measures have been taken to minimize the operating costs during the suspension, we are still required to keep a minimum work force to cater to the production needs once we resume the sawmill production.

As a result, the revenue generated by Suriname division for the Period declined by 57.4% to HK\$13,954,000 as compared to the corresponding period last year and the negative Adjusted EBITDA was still maintained at the level similar to that of last year (2016: HK\$16,402,000; 2015: HK\$16,295,000).

LETTER TO SHAREHOLDERS (continued)

OUTLOOK

China's economy grew 6.7% in the second quarter, beating market expectations. The direct impact of the Brexit decision is likely be limited, in view of China's low trade and financial exposure to the United Kingdom as well as the Chinese authorities' determination to achieve their growth target. It is expected that the growth momentum of China will remain broadly unchanged and the fundamentals of the economy will remain stable in the remaining 2016.

The 13th Five-Year Plan approved in March 2016 has set green development as one of the five major development concepts to be pursued by China in the coming 5 years. Among other environment preservation policies, China will push forward its natural forest protection program and phase out all commercial logging of natural forests by 2017. With the logging ban, timber imports are expected to further expand to fill the gap created by declines in domestic harvesting. The nation's timber and forest products imports are expected to increase by 60 million m³ by 2025, and will eventually account for 12%-13% of global timber harvest.

Both our New Zealand and Suriname divisions will benefit from the surging demand for timber resulting from this policy. The Group therefore expects that its New Zealand division will continue its good momentum and function as the engine for profitable growth in the short to medium term. In the meantime, the Group is actively looking for appropriate acquisition opportunities in New Zealand in order to build a sustainable plantation assets portfolio which can complement the life cycle of our existing Mangakahia assets in the long term.

While there are still operational challenges ahead, the Group believes that the worst time of its Suriname division has passed. The West Suriname sawmill has resumed production, with new machines and skilled operators, in August 2016. With much improved production levels comes improved revenue and profitability, and the local management is confident that the Suriname division should have a very noticeable progressive improvement and output in the coming few months.



LETTER TO SHAREHOLDERS (continued)

On top of this, the rising disposable income in China has created an exploding middle class which are more willing to invest in those that can bring them a more ecological way of life. Considering the current environmental challenges that China faces, a lot of reforms and massive amounts of resources will be required to meet this changing need. We believe this will create opportunities for the Group to extend its current business regime further to bring in ecological and other related services in our growth plan.

Looking ahead, the Group will accelerate the pace and enlarge the scale of change across our business in the second half of 2016. While the Group will continue to work hard to turnaround its Suriname division and improve its existing business, extra efforts and resources will be exerted in exploring new development opportunities to strengthen the Group's business portfolio to support a steady and healthy growth in profit and cash returns to the shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners and customers for their continued support. Appreciation must also be extended to the management team and our employees.

Cheng Chi-Him, Conrad

Non-executive Chairman

Hong Kong, 26 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group's net loss reduced substantially to HK\$10,906,000, a decrease of HK\$115,540,000 or 91.4% on a year-on-year basis. Such improvement was mainly attributable to the fair value gain on plantation forest assets, reflecting the general improvement of the New Zealand radiata pine market and the increase of the underlying operating profit of our New Zealand division. This however was partly offset by the decline of the operating result of Suriname division due to the prolonged restructuring.

The substantial improvement of the profitability during the Period is contributed by the Group's wholly-owned New Zealand division, a positive basic earnings per share of HK\$0.006 was recorded (2015: a negative of HK\$0.136).

Revenue

The Group's total revenue reduced by HK\$68,938,000 or 23.2% to HK\$228,406,000 for the Period as compared to the corresponding period last year (2015: HK\$297,344,000). The decrease was primarily attributable to the reduction of sales volume in both New Zealand and Suriname divisions.

During the Period, revenue contributed by the New Zealand division decreased by 18.9% to HK\$214,452,000 from HK\$264,562,000 for the same period last year. Such decrease was mainly due to the decrease of the sales volume of 76,207m³, a decrease of 21.9%, as a result of the lower harvesting volume and rescheduling of the last shipment in June to early July. The impact was slightly offset by the increase in the average selling price to US\$99.9 per m³ for the Period, as compared to US\$97.3 per m³ for the same period last year.

Revenue contributed from the Suriname division dropped more steeply by 57.4% from HK\$32,782,000 in the same period last year to HK\$13,954,000 for the Period. The drop was mainly due to the decrease in both sales volume and selling price of lumber products.

Other than the above, there is a new stream of income of HK\$2,189,000 contributed by NFM, a wholly-owned subsidiary newly acquired by the Group in February 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Gross profit

The Group's gross profit for the Period decreased to HK\$50,596,000 from HK\$71,272,000 in the same period last year. The gross profit contribution from the New Zealand division for the Period was HK\$76,821,000 (2015: HK\$94,231,000) while the Suriname division recorded a gross loss of HK\$26,225,000 for the Period (2015: HK\$22,959,000).

The Group's gross profit margin for the Period was 22.2% as compared to 24.0% for the same period last year. The gross profit margin for the Group's New Zealand division for the Period was 35.8% (2015: 35.6%) while the Suriname division recorded a gross loss margin of 187.9% for the Period (2015: 70.0%).

Notwithstanding the increase of the non-cash forest depletion cost as a result of the increase in the fair value of the plantation assets as at 31 December 2015, the gross profit margin for the New Zealand division remained stable during the Period. This is because the impact of the increase in the depletion cost is largely offset by the improvement in the average selling price of New Zealand radiata pine and the reduction of operating costs due to the depreciation of New Zealand dollars during the Period.

The gross loss margin for the Suriname division has deteriorated during the Period as a result of low selling prices for clearance sales of low grade lumber, as well as decrease in harvesting volume which increased the unit fixed cost of production during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Other income and gains

Other income and gains amounted to HK\$2,005,000 (2015: HK\$18,628,000) for the Period, mainly representing rental income received from subcontractors in Suriname for the lease of plant and machinery of HK\$582,000 (2015: HK\$1,801,000), the compensation received for early termination of a forest management contract of HK\$702,000 (2015: nil) due to the change of ownership of the related forest owner and the insurance claim received for a damaged machinery of HK\$546,000 (2015: nil).

The income recorded in the same period last year mainly included two one-off items: reversal of accrued concession levy in Suriname division of HK\$13,441,000 and a gain on disposal of carbon credit of HK\$2,999,000 in New Zealand division. No such events were recorded during the Period.

Fair value gain/(loss) on plantation forest assets

The fair value gain on our plantation forest assets in New Zealand amounted to HK\$45,857,000 (2015: loss of HK\$86,918,000) for the Period. The gain was calculated based on the valuation report at the end of the Period prepared by an independent valuer, and was primarily attributable to the increase in the forecasted near term selling price of most log grades.

Selling and distribution costs

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

During the Period, selling and distribution costs reduced significantly by 46.7% from HK\$92,255,000 in the same period last year to HK\$49,172,000. This is mainly due to the decrease in sales volume and the ocean freight rate, reflecting the decrease in global crude oil price and the excessive supply of vessels.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Administrative expenses

Administrative expenses decreased by HK\$7,284,000 to HK\$24,231,000 for the Period. Such decrease was mainly because of the decrease in rental expense and other office expenses of HK\$2,454,000 as a result of the relocation of Hong Kong office and the decrease in legal and professional fee of HK\$1,883,000 as compared to the same period last year which included one-off expenses in relation to the change in shareholding and mandatory unconditional cash offer (“MGO”).

Provisions for impairment

During the Period, provisions for impairment was related to trade receivables of HK\$6,000,000 as a result of a dispute regarding the quality of certain low grade Suriname lumber sold (2015: HK\$208,000). In the same period last year, provisions for impairment on property, plant and equipment of HK\$2,622,000 was recorded.

Non-cash share option expenses

Non-cash share option expenses of HK\$1,668,000 in the same period last year represented the fair value of share options granted in 2014, which became vested immediately as a result of the MGO made in the same period last year. There was no unvested share options during the Period.

Finance costs

Finance costs represented (i) interest on loans from Newforest Limited (“Newforest” or “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\$5,913,000 (2015: HK\$8,671,000 in aggregate); (ii) interest on a loan from Chow Tai Fook Enterprises Limited (“CTFE” or “Ultimate Holding Company”) of HK\$1,945,000 (2015: nil); (iii) interest on interest-bearing bank borrowings of HK\$3,653,000 (2015: HK\$3,497,000); (iv) interest on finance leases of HK\$255,000 (2015: HK\$631,000); and (v) interest on convertible bonds of nil (2015: HK\$9,315,000).

The substantial reduction in finance costs for the Period was mainly due to the redemption of convertible bonds on 17 August 2015 and capitalization of the loan from Newforest of HK\$312,000,000 (i.e. US\$40,000,000) on 22 March 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Tax

Tax charges for the Period mainly represented deferred tax charge of HK\$11,497,000 (2015: tax credit of HK\$22,300,000), tax provision of HK\$5,299,000 (2015: HK\$5,328,000) arising from our New Zealand division, withholding tax of HK\$508,000 (2015: 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 Period comprised of the deferred tax charges of HK\$11,041,000 (2015: deferred tax credit of HK\$22,300,000) and HK\$456,000 (2015: nil) in New Zealand and Suriname divisions, respectively.

The swing of the deferred tax of New Zealand division is mainly due to the taxable temporary differences arising from the fair value change on the plantation forest assets and the appreciation of the New Zealand dollar exchange rate, the base currency for New Zealand tax calculation purpose, as compared to 31 December 2015.

The deferred tax charge in Suriname division represented the 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 Period.

EBITDA

The EBITDA of the Group changed from negative HK\$61,318,000 in the same period last year to positive HK\$87,406,000 during the Period, representing an increase of HK\$148,724,000.

The improvement in EBITDA of the Group was largely contributed by the New Zealand division as a result of the fair value gain on plantation assets of HK\$45,857,000 (2015: loss of HK\$86,918,000) recorded for the Period and lower selling and distribution costs as mentioned above. Consequently, the EBITDA of the New Zealand division rose from a negative of HK\$31,703,000 in the same period last year to a positive of HK\$129,150,000 for the Period.

Such improvement was hampered by the increase of negative EBITDA of Suriname division from HK\$12,805,000 in the same period last year to HK\$29,745,000 for the Period which was attributable to the absence of the reversal of accrued concession levy in Suriname division during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Profit for the Period attributable to equity holders of the Company

As a result of the aforementioned, the profit attributable to the equity holders of the Company increased to HK\$7,407,000 for the Period from the loss attributable to the equity holders of HK\$107,583,000 in the same period last year.

Equity attributable to equity holders of the Company

The equity attributable to equity holders of the Company increased by HK\$331,791,000 to HK\$912,279,000 as at 30 June 2016 from HK\$580,488,000 as at 31 December 2015. Such significant increase was mainly contributed by capitalization of the loan from Newforest of HK\$312,000,000 (i.e. US\$40,000,000) on 22 March 2016.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2016, the Group's current assets and current liabilities were HK\$239,432,000 and HK\$326,236,000 (31 December 2015: HK\$246,551,000 and HK\$577,032,000), respectively, of which the Group maintained cash and bank balances of approximately HK\$118,841,000 (31 December 2015: HK\$121,851,000). The Group's outstanding borrowings as at 30 June 2016 represented the loans from Immediate Holding Company amounting to HK\$120,206,000 (31 December 2015: HK\$432,206,000), the loan from the Ultimate Holding Company amounting to HK\$78,000,000 (31 December 2015: HK\$78,000,000), interest-bearing bank borrowings amounting to HK\$195,000,000 (31 December 2015: HK\$195,000,000) and finance lease payables of HK\$8,778,000 (31 December 2015: HK\$9,853,000). Accordingly, the Group's gearing ratio as of 30 June 2016, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 44.1% (31 December 2015: 123.2%).

Notwithstanding that the Group had net current liabilities of HK\$86,804,000 as at 30 June 2016 (31 December 2015: HK\$330,481,000), on the basis that the extensions of the interest-bearing bank borrowings will be agreed, the Directors, after taking into account the measures as mentioned in note 2 to this report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

LIQUIDITY AND FINANCIAL REVIEW (continued)

As at 30 June 2016, there were 1,486,169,506 ordinary shares (“Shares”) of the Company in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in current 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 Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2016. However, we will continue to closely monitor all possible exchange risk arising from the Group’s existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

PROSPECTS

Despite the mixed global economic conditions, we continue to remain generally positive about the long term outlook for the Group. After a turbulent start of the Period, we are now seeing clear signs of stabilisation in China’s economy. Compared to 2015, the real estate market in China has been stable so far in 2016, housing prices in first tier cities, in particular, even recorded a strong growth during the first quarter of 2016.

The growth of China real estate sector has supported the demand of wood products. Although the import of New Zealand radiata pine to China has yet to catch up the volume achieved for the same period last year, the strong intake from India and South Korea has more than compensated the lower sales to China and therefore helped to hold the export price and total export volume of New Zealand radiata pine during the Period. Though there is a slight recovery of both New Zealand dollars and shipping rates recently, we believe that if China’s demand sustains, such increases in rates should be able to be transferred to the customers and will not have material impact on the returns.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

Heading into the third quarter of 2016, due to the relatively low inventory level across China in July 2016 and the reasonable offtake levels recently, it is unlikely that there will be significant reduction in demand and the market price of New Zealand radiata pine in the short term. Based on the recent economic indicators for China, we are still cautiously optimistic about the performance of New Zealand division in the second half of the year.

While the outlook of the Group's New Zealand division is generally positive, the crux of challenges remains in the Group's Suriname division in the second half of 2016. The resumption of the production in West Suriname in early August is expected to be transformational for the Suriname division allowing us to significantly increase the production capacity of lumber, consequently boosting the revenue and the returns.

Sales and productions are the clear priority in the Suriname division. The local management has been exploring different ways to improve the utilization of the resources and scale benefits, including by partnering with industry participants. At the same time, the Suriname division will maintain a very strong focus on cost and capital control, and the Group will continue to look at all options to maximize the shareholders' value from this business.

Looking ahead, the Group's key market will continue to be China. With the Central government's determination to build a greener China and the rising disposable income, we believe Greenheart can benefit by leveraging the solid foundation of its New Zealand plantation business and its major shareholders and management's strong relationship to seize the emerging opportunities brought about by this trend in China. To respond to the more complex customer needs, the Group has decided to reframe its business strategies to extend its scope of business from simply a wood fiber and products provider to cover also the provision of ecology services which offers practical and economical solutions for protecting and restoring the ecological health of our environment. The management will prioritise efforts in those investment and acquisition opportunities that complement and geographically extend the Group's existing operations, which can help strengthen the competitiveness of its business portfolio and improve its returns to shareholders in the short and long term.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CHARGE ON ASSETS

As at 30 June 2016 and 31 December 2015, 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\$95,320,000 (31 December 2015: HK\$91,272,000) ("Forestry Land");
 - b. the Group's plantation forest assets (located in New Zealand) with the net carrying amount of approximately HK\$359,570,000 (31 December 2015: HK\$357,907,000) 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.

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2016, the Group spent approximately HK\$9,509,000 (year ended 31 December 2015: approximately HK\$33,082,000) on the acquisition of items of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

MATERIAL ACQUISITION AND DISPOSAL

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 NFM, 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 part of the Group's strategy to expand its New Zealand division. The transaction was completed in February 2016 and total cash consideration of NZ\$1,255,000 (equivalent to HK\$6,379,000) was fully settled during the Period.

CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, the Group did not have any significant contingent liabilities.

SHARE OPTION SCHEME

As at 30 June 2016, there were options to subscribe for 13,700,000 ordinary shares of HK\$0.01 each in the share capital of the Company granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 28 June 2012 which were valid and outstanding.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2016, the total number of employees of the Group was 335 (31 December 2015: 353). Employees' costs (including Directors' emoluments) amounted to approximately HK\$30,182,000 for the six months ended 30 June 2016 (2015: HK\$39,349,000). Remuneration of the employees includes salary and discretionary bonuses based on the Group's results and individual performance. Medical and retirement benefits schemes are made available to all levels of personnel.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
	Notes	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	5	228,406	297,344
Cost of sales		(177,810)	(226,072)
Gross profit		50,596	71,272
Other income and gains	5	2,005	18,628
Fair value gain/(loss) on plantation forest assets	11	45,857	(86,918)
Selling and distribution costs		(49,172)	(92,255)
Administrative expenses		(24,231)	(31,515)
Provisions for impairment		(6,000)	(2,830)
Other operating income/(expenses), net		422	(1,076)
Non-cash share option expenses		-	(1,668)
Finance costs	6	(11,766)	(22,114)
PROFIT/(LOSS) BEFORE TAX	7	7,711	(148,476)
Tax	8	(18,617)	22,030
LOSS FOR THE PERIOD		(10,906)	(126,446)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		4,909	(16,078)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX OF NIL		4,909	(16,078)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(5,997)	(142,524)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		7,407	(107,583)
Non-controlling interests		(18,313)	(18,863)
		(10,906)	(126,446)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Company		12,316	(123,661)
Non-controlling interests		(18,313)	(18,863)
		(5,997)	(142,524)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	HK\$0.006	HK\$(0.136)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		344,709	342,819
Prepaid land lease payments		20,379	20,992
Goodwill	19	5,651	–
Timber concessions and cutting rights	10	464,072	465,529
Other intangible assets		236	376
Plantation forest assets	11	359,570	357,907
Prepayments, deposits and other receivables		2,804	3,591
Total non-current assets		1,197,421	1,191,214
CURRENT ASSETS			
Inventories		51,126	30,114
Trade receivables	12	21,602	45,223
Prepayments, deposits and other receivables		44,899	46,559
Tax recoverable		2,964	2,804
Cash and cash equivalents		118,841	121,851
Total current assets		239,432	246,551
CURRENT LIABILITIES			
Trade payables	13	42,192	32,706
Other payables and accruals		49,359	51,924
Interest-bearing bank borrowings	14	195,000	–
Finance lease payables	15	8,778	9,853
Loans from the immediate holding company	21(a)(i), 21(a)(ii)	–	339,300
Loan from the ultimate holding company	21(a)(iv)	–	78,000
Due to the immediate holding company	21(b)(i)	362	15,597
Due to the ultimate holding company	21(b)(iii)	1,085	1,101
Tax payable		29,460	48,551
Total current liabilities		326,236	577,032
NET CURRENT LIABILITIES		(86,804)	(330,481)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,110,617	860,733

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	21(a)(ii), 21(a)(iii)	120,206	92,906
Loan from the ultimate holding company	21(a)(iv)	78,000	–
Due to the immediate holding company	21(b)(ii)	13,173	–
Interest-bearing bank borrowings	14	–	195,000
Deferred tax liabilities		127,987	115,054
Total non-current liabilities		339,366	402,960
NET ASSETS		771,251	457,773
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	16	14,862	9,625
Reserves		897,417	570,863
Non-controlling interests		912,279 (141,028)	580,488 (122,715)
TOTAL EQUITY		771,251	457,773

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to equity holders of the Company												
	Issued capital	Share premium account	Contributed surplus	Share option reserve	Convertible bond equity reserve	Capital reserve	Land revaluation reserve	Merger reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	9,625	1,611,573*	83,274*	6,776*	-*	846*	12,706*	265*	282*	(1,144,859)*	580,488	(122,715)	457,773
Profit/(loss) for the Period	-	-	-	-	-	-	-	-	-	7,407	7,407	(18,313)	(10,906)
Other comprehensive income for the Period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	4,909	-	4,909	-	4,909
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	4,909	7,407	12,316	(18,313)	(5,997)
Issue of new shares (note 16(c))	5,237	314,739	-	-	-	-	-	-	-	-	319,976	-	319,976
Share issue expenses	-	(501)	-	-	-	-	-	-	-	-	(501)	-	(501)
At 30 June 2016 (unaudited)	14,862	1,925,811*	83,274*	6,776*	-*	846*	12,706*	265*	5,191*	(1,137,452)*	912,279	(141,028)	771,251
At 1 January 2015 (audited)	7,899	1,459,252	83,274	2,287	4,983	846	12,298	265	15,299	(714,017)	872,366	73,594	945,960
Loss for the Period	-	-	-	-	-	-	-	-	-	(107,583)	(107,583)	(18,863)	(126,446)
Other comprehensive loss for the Period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(16,078)	-	(16,078)	-	(16,078)
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(16,078)	(107,583)	(123,661)	(18,863)	(142,524)
Exercise of share options (note 16(c))	126	9,142	-	(2,847)	-	-	-	-	-	-	6,421	-	6,421
Equity-settled share option arrangements	-	-	-	1,668	-	-	-	-	-	-	1,668	-	1,668
Share options cancelled	-	-	-	(1,108)	-	-	-	-	-	1,108	-	-	-
At 30 June 2015 (unaudited)	8,025	1,468,374	83,274	-	4,983	846	12,298	265	(779)	(620,492)	756,794	54,731	811,525

* These reserve accounts comprise the consolidated reserves of HK\$897,417,000 (31 December 2015: HK\$570,863,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	18,181	(14,764)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(20,296)	(18,381)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(1,666)	13,157
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,781)	(19,988)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	121,851	108,056
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET	771	(1,929)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	118,841	86,139
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	118,841	86,139

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS*30 June 2016***1. CORPORATE INFORMATION**

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

As at 30 June 2016, the immediate holding company of the Company is Newforest Limited, a company incorporated in Cayman Islands and held 1,020,005,389 shares, representing 68.63% of the issued share capital of the Company. In the opinion of the Directors, the ultimate holding company of the Company is Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). These interim financial statements have been prepared under the historical cost convention, except for plantation forest assets and forestry land. Plantation forest assets are measured at fair value less cost to sell and forestry land is measured at fair value. These interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of approximately HK\$86,804,000 as at 30 June 2016, of which HK\$195,000,000 represented the interest-bearing bank borrowings repayable on 28 February 2017.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND PRESENTATION (continued)

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 of the following:

- (i) the Group has indicated its intention to the Bank of New Zealand (“Bank”) for the extension of the maturity date of the interest-bearing bank borrowings of HK\$195,000,000 for another term and the Bank’s response is positive. The Group believes that the approval of uplifting the debt to asset ratio from 40% to 50% at the beginning of the Period reflected the support and confidence that the Bank placed on the Group. Based on the financial covenants under the current loan facility, the Group expects that majority of the abovementioned interest-bearing bank borrowings can be rolled forward for another year;
- (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 restructuring of the Suriname division has basically completed and the West Suriname sawmill has resumed operation in August 2016. It is expected that there will be noticeable improvements on both revenue and profitability of the Suriname division in the coming months;
- (iv) if necessary, the Group will consider disposing of certain of its non-current assets to meet its financial obligations; and
- (v) various cost control measures have been taken by the Group and are continuing, to tighten the costs of operations and to reduce various general and administrative expenses.

Accordingly, these unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) effective from 1 January 2016, noted below.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiatives</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of acceptable methods of depreciation and amortization</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual improvements 2012-2014 Cycle	<i>Amendments to a number of HKFRSs</i>

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

4. 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 geographic 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 two 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 and provision of forest management services

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. OPERATING SEGMENT INFORMATION (continued)

The following table presents revenue and profit/(loss) information regarding the Group's operating segments for the six months ended 30 June 2016:

For the six months ended 30 June 2016

	Suriname ^ HK\$'000	New Zealand ^ HK\$'000	Unallocated HK\$'000	Total HK\$'000
SEGMENT REVENUE	13,954	214,452	–	228,406
SEGMENT RESULTS ("Adjusted EBITDA")	(16,402)	83,283	(11,999)	54,882
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	–	45,857	–	45,857
Interest income	2	10	–	12
Impairment of trade receivables***	(6,000)	–	–	(6,000)
Write-down of inventories, net*	(7,345)	–	–	(7,345)
SEGMENT RESULTS ("EBITDA")	(29,745)	129,150	(11,999)	87,406
Finance costs	(5,197)	(6,569)	–	(11,766)
Forest depletion cost as a result of harvesting*	–	(41,790)	–	(41,790)
Depreciation	(9,998)	(1,702)	(536)	(12,236)
Amortization of harvest roading*	–	(10,740)	–	(10,740)
Amortization of timber concessions and cutting rights*	(2,411)	–	–	(2,411)
Amortization of prepaid land lease payments**	(613)	–	–	(613)
Amortization of other intangible assets*	(139)	–	–	(139)
PROFIT BEFORE TAX				7,711

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2015

	Suriname [^] HK\$'000	New Zealand [^] HK\$'000	Unallocated HK\$'000	Total HK\$'000
SEGMENT REVENUE	32,782	264,562	–	297,344
SEGMENT RESULTS ("Adjusted EBITDA")	(16,295)	55,194	(15,142)	23,757
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	–	(86,918)	–	(86,918)
Interest income	7	21	–	28
Impairment of property, plant and equipment***	(2,622)	–	–	(2,622)
Impairment of trade receivables***	(208)	–	–	(208)
Write-down of inventories, net*	(7,128)	–	–	(7,128)
Non-cash share options expenses	–	–	(1,668)	(1,668)
Reversal of accrued forest concession levy	13,441	–	–	13,441
SEGMENT RESULTS ("EBITDA")	(12,805)	(31,703)	(16,810)	(61,318)
Finance costs	(3,393)	(9,406)	(9,315)	(22,114)
Forest depletion cost as a result of harvesting*	–	(35,012)	–	(35,012)
Depreciation	(14,026)	(1,465)	(615)	(16,106)
Amortization of harvest roading*	–	(8,894)	–	(8,894)
Amortization of timber concessions and cutting rights*	(4,036)	–	–	(4,036)
Amortization of prepaid land lease payments**	(857)	–	–	(857)
Amortization of other intangible assets*	(139)	–	–	(139)
LOSS BEFORE TAX				<u>(148,476)</u>

[^] Reportable Segments

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

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

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

	For the six months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Mainland China	186,919	219,343
New Zealand	25,646	21,684
Suriname	4,024	8,487
India	3,295	11,670
Netherlands	2,932	3,306
Hong Kong	2,304	19,212
Belgium	1,399	12,048
Taiwan	1,026	–
Vietnam	272	–
Denmark	265	953
Curacao	140	–
France	97	–
United States of America	87	315
Aruba	–	203
Germany	–	123
	228,406	297,344

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

During the six months ended 30 June 2016, the Group had transactions with two (2015: two) customers from New Zealand segment who each contributed over 10% of the Group's total revenue for the Period. A summary of revenue earned from these major customers is set out below:

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Customer 1	121,388	N/A*
Customer 2	64,122	N/A*
Customer 3	N/A*	58,592
Customer 4	N/A*	48,325
	185,510	106,917

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. REVENUE, OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		
Sales of logs and timber products	226,217	297,344
Forest management fee	2,189	–
	228,406	297,344
Other income and gains		
Bank interest income	12	28
Compensation from an insurance company	546	–
Compensation for early termination of contract	702	–
Gain on disposal of carbon credits	–	2,999
Rental income for lease of plant and machinery	582	1,801
Reversal of accrued forest concession levy	–	13,441
Others	163	359
	2,005	18,628

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

6. FINANCE COSTS

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on loans from the Immediate Holding Company	5,913	2,620
Interest on a loan from the Ultimate Holding Company	1,945	–
Interest on finance leases	255	631
Interest on interest-bearing bank borrowings	3,653	3,497
Interest on convertible bonds	–	9,315
Interest on a loan from a Former Intermediate Holding Company	–	4,142
Interest on loans from the Former Immediate Holding Company	–	1,909
	11,766	22,114

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Forest harvested as agricultural produce (note 11)	48,925	35,970
Amount capitalized in inventories	(7,135)	(958)
Forest depletion cost as a result of harvesting*	41,790	35,012
Amortization of timber concessions and cutting rights (note 10)	1,457	9,482
Amount released from/(capitalized in) inventories	954	(5,446)
Current period expenditure*	2,411	4,036
Fair value loss on derivative financial instruments*	-	3,385

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

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

No New Zealand income tax has been provided during the Period as the subsidiaries operating in New Zealand have available tax losses brought forward to offset the assessable profits during the Period based on existing legislation, interpretations and practices in respect thereof. New Zealand income tax has been provided at the rate of 28% on the estimated assessable profits arising in New Zealand during the period ended 30 June 2015.

Subsidiaries established in Suriname and New Zealand are subject to relevant tax rules and regulations of Suriname and New Zealand at the statutory tax rate of 36% and 28%, respectively. One of the Company's major subsidiaries in Suriname is currently enjoying a local income tax exemption for an original period of nine years from 2007 to 2016, which, subject to the approval by the Suriname authorities, may be renewed or extended for a further period upon expiry.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

8. TAX (continued)

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 period ended 30 June 2016. During the Period, the tax audit is completed and there is no material additional income tax or shortfall penalty is resulted.

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the Period	5,299	4,386
Current – Elsewhere		
Charge for the Period	–	942
Foreign exchange difference on income tax payable/recoverable	(124)	130
Deferred	11,497	(22,300)
Foreign exchange difference on deferred tax liabilities	1,437	(5,188)
Withholding	508	–
	<hr/>	<hr/>
Tax expense/(credit)	18,617	(22,030)

9. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic profit/(loss) per share amount is based on the profit/(loss) for the Period attributable to equity holders of the Company, and the weighted average of 1,253,097,988 (2015: 793,414,659) ordinary shares in issue during the Period.

In respect of the diluted profit/(loss) per share amounts presented, no adjustment has been made to the basic profit/(loss) per share amounts presented for the six months ended 30 June 2016 and 2015 as the impact of the share options and convertible bonds outstanding during these periods had either no dilutive effect or had an anti-dilutive effect on the basic profit/(loss) per share amounts presented.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

10. TIMBER CONCESSIONS AND CUTTING RIGHTS

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
At beginning of the Period/year:		
Cost	880,459	880,459
Accumulated amortization and impairment	(414,930)	(121,752)
Net carrying amount	465,529	758,707
Net carrying amount:		
At beginning of the Period/year	465,529	758,707
Impairment during the Period/year	-	(278,940)
Amortization provided during the Period/year (note 7)	(1,457)	(14,238)
At the end of the Period/year	464,072	465,529
At the end of Period/year:		
Cost	880,459	880,459
Accumulated amortization and impairment	(416,387)	(414,930)
Net carrying amount	464,072	465,529

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 terms ranging from 10 to 20 years.

As at 30 June 2016, the Group's total forest concessions and cutting rights under management in Suriname covered a total land area of approximately 366,000 hectares (31 December 2015: 366,000 hectares).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. PLANTATION FOREST ASSETS

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Net carrying amount at beginning of the Period/year	357,907	466,231
Additions	4,731	10,035
Harvested as agricultural produce (<i>note 7</i>)	(48,925)	(72,759)
Changes in fair value less costs to sell (recognised in profit or loss)	45,857	(45,600)
Net carrying amount at the end of Period/year	359,570	357,907

As at 30 June 2016, the Group managed radiata pine plantation forest assets in the Northland region of New Zealand, 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 productive 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 30 June 2016. 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 of the Company, Indufor is independent and competent to determine the fair value of the Group's plantation forest assets.

Indufor has applied a net present value approach. This combines both a sales comparison approach and an income approach (as defined by the relevant valuation standards). The methodologies require the use of key assumptions and estimates in determining the fair value of the plantation assets. Indufor and the management review these assumptions and estimates periodically to identify any significant change in the fair value.

For the valuation of plantation forest assets in New Zealand as at 30 June 2016, Indufor updated the values from the full narrative valuation as at 31 December 2015 and relied on the field inspection results and base values provided in the valuation as at 31 December 2015. The plantation forest assets have not been re-inspected for valuation as at 30 June 2016, but the stock area, log prices, production and transport costs have been updated for the valuation as at 30 June 2016.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. PLANTATION FOREST ASSETS (continued)

The key inputs in the valuation of the plantation forest assets in New Zealand as at 30 June 2016 comprised of yield, current and forecast log prices, current and forecast production costs, current and forecast transport costs and discount rate. Below is a quantitative summary of the key inputs to the valuation of plantation forest assets under discounted cash flow technique:

	Range	Average/Applied
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$69-72/m ³	US\$71/m ³
Significant observable inputs		
Yield (m ³ /ha)	569-714	606
Production costs	US\$28-32/m ³	US\$31/m ³
Transport costs	US\$12-15/m ³	US\$13/m ³
Discount rate	8.5%	8.5%

A pre-tax discount rate of 8.5% (31 December 2015: 8.5%) was used in the valuation of the plantation forest assets in New Zealand as at 30 June 2016, 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. Rates implied by forest transactions were given the greatest weighting and were the principal means of incorporating transaction evidence or a sales comparison approach.

Because of the increasing proportion of recently replanted young stands, Indufor has given some recognition this Period 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.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. 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 profit 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 profit before tax HK\$'000
If the production cost increases	5	(34,500)
If the production cost decreases	(5)	34,500
Change in transport cost	Increase/ (decrease) in transport cost %	Increase/ (decrease) in profit before tax HK\$'000
If the transport cost increases	5	(11,574)
If the transport cost decreases	(5)	11,574
Change in log price	Increase/ (decrease) in log price %	Increase/ (decrease) in profit before tax HK\$'000
If the log price increases	5	51,973
If the log price decreases	(5)	(51,973)
Change in discount rate	Increase/ (decrease) in discount rate %	Increase/ (decrease) in profit before tax HK\$'000
If the discount rate increases	1	(10,016)
If the discount rate decreases	(1)	11,407

All the Group's plantation forest assets were pledged to secure bank loan facilities granted to the Group as at 30 June 2016 and 31 December 2015 (note 14).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

12. TRADE RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables	28,219	46,009
Less: impairment	(6,617)	(786)
	21,602	45,223

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 others. 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.

An aged analysis of the trade receivables as at the end of the Period, based on invoice date and net of impairment, is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 1 month	14,631	33,845
From 1 to 3 months	29	8,732
Over 3 months	6,942	2,646
	21,602	45,223

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. TRADE PAYABLES

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 1 month	38,154	28,486
From 1 to 3 months	1,032	2,679
Over 3 months	3,006	1,541
	42,192	32,706

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

14. INTEREST-BEARING BANK BORROWINGS

At as 30 June 2016 and 31 December 2015, 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 rate at the base rate determined by Bank, plus 1.65% per annum and repayable on 28 February 2017.

The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank. During the Period, none of the financial covenants relating to the bank loan facilities had been breached.

As at 30 June 2016 and 31 December 2015, the Group's bank loan facilities are secured by:

- (i) all the Personal Property of the Selected Group Companies; and
- (ii) a Fixed Charge over:
 - a. the Group's Forestry Land (located in New Zealand) with a net carrying amount of approximately HK\$95,320,000 (31 December 2015: HK\$91,272,000);
 - b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK\$359,570,000 (31 December 2015: HK\$357,907,000) (note 11) 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

15. FINANCE LEASE PAYABLES

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

At 30 June 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 30 June 2016 (Unaudited) HK\$'000	Minimum lease payments 31 December 2015 (Audited) HK\$'000	Present value of minimum lease payments 30 June 2016 (Unaudited) HK\$'000	Present value of minimum lease payments 31 December 2015 (Audited) HK\$'000
Amounts payable:				
Within one year	8,913	10,306	8,778	9,853
In the second year	-	-	-	-
In the third to fifth years, inclusive	-	-	-	-
Total minimum finance lease payments	8,913	10,306	8,778	9,853
Future finance charges	(135)	(453)		
Total net finance lease payables	8,778	9,853		
Portion classified as current liabilities	(8,778)	(9,853)		
Non-current portion	-	-		

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

16. SHARE CAPITAL

Shares

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Authorised:		
15,000,000,000 ordinary shares of HK\$0.01 each	150,000	150,000
Issued and fully paid:		
1,486,169,506 (31 December 2015: 962,477,947) ordinary shares of HK\$0.01 each	14,862	9,625

A summary of the movements in the Company's issued share capital during the Period is as follows:

	Number of shares in issue	Issued capital	Share premium account	Total
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 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 and 1 January 2016	962,477,947	9,625	1,611,573	1,621,198
Shares issued upon loan capitalization (c)	523,691,559	5,237	314,739	319,976
Shares issue expenses	-	-	(501)	(501)
At 30 June 2016	1,486,169,506	14,862	1,925,811	1,940,673

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

16. SHARE CAPITAL (continued)

- (a) During the year ended 31 December 2015, 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.
- (c) On 22 March 2016, 523,691,559 shares were allotted and issued to Newforest at the subscription price of HK\$0.611 per share by way of capitalization of the loan from Newforest of HK\$312,000,000 (i.e. US\$40,000,000) and the interest accrued thereon up to the completion date of HK\$7,976,000 (i.e. US\$1,023,000).



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

17. 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 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	5,315	6,026
In the second to fifth years, inclusive	4,607	6,580
	9,922	12,606

18. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the Period:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Land and buildings	2,301	2,301

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. BUSINESS COMBINATION

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 NFM, 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 part of the Group's strategy to expand its New Zealand division. The transaction was completed in February 2016 and total cash consideration of NZ\$1,255,000 (equivalent to HK\$6,379,000) was fully settled during the Period.

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

	(Unaudited) HK\$'000
Property, plant and equipment	547
Other non-current assets	3
Trade receivables	22,543
Prepayments	288
Cash and cash equivalent	336
Trade payables	(21,923)
Other payables and accruals	(1,066)
<hr/>	
Total identifiable net assets at fair value	728
Goodwill on acquisition	5,651
<hr/>	
	6,379

The goodwill of HK\$5,651,000 was attributable to the excess of the consolidation paid over fair values of identifiable assets acquired and liabilities assumed, in relation to the acquisition of the entire issued share capital of NFM. None of the goodwill arising on this acquisition is expected to be deductible for income tax purposes.

Acquisition-related costs amounting to HK\$34,000 have been excluded from the cost of acquisition and have been recognized directly as expenses in the Period and included in the "administrative expenses" line item in the condensed consolidated statement of comprehensive income.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. BUSINESS COMBINATION (continued)

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

	(Unaudited) HK\$'000
Cash consideration	(6,379)
Cash and cash equivalents acquired	336
<hr/>	
Net outflow of cash and cash equivalents included in cash flows from investing activities	(6,043)
Transaction costs of the acquisition included in cash flows from operating activities	(34)
<hr/>	
	(6,077)
<hr/>	

Since the acquisition, HK\$2,189,000 of revenue was contributed to the Group's turnover and HK\$3,136,000 of profit was contributed to the consolidated loss for the Period by NFM.

Had the combination taken place as the beginning of the Period, the proforma revenue of the Group and the consolidated loss of the Group for the Period would have been HK\$228,599,000 and HK\$10,218,000 respectively.

20. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 30 June 2016 and 31 December 2015 are loans and receivables, and financial liabilities stated at amortized cost, respectively.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

21. RELATED PARTY DISCLOSURES

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

Related party	Nature of transaction	Notes	For the six months ended 30 June	
			2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
The Former Intermediate Holding Company	Interest expenses paid and payable on a loan	(i)	-	4,142
The Former Immediate Holding Company	Interest expenses paid and payable on loans	(ii)	-	1,909
The Immediate Holding Company	Interest expenses paid and payable on loans	(i), (ii), (iii)	5,913	2,620
The Ultimate Holding Company	Interest expenses paid and payable on a loan	(iv)	1,945	-
Noteholder	Interest expenses paid and payable on the convertible bonds	(v)	-	9,315
The Former Ultimate Holding Company and a former fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(vi)	-	1,247
Former fellow subsidiary	Reimbursements	(vii)	-	67
Former fellow subsidiary	Sales of logs and timber	(viii)	-	4,366

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

21. RELATED PARTY DISCLOSURES (continued)

- (a) (continued)

Notes:

- (i) On 7 May 2015, EPGL assigned all of its rights 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) and interest rate based on the London Interbank Offered Rate plus 3.5% per annum. The principal amount and the interest payable were capitalized on 22 March 2016.

- (ii) On 7 May 2015, the Former Immediate Holding Company assigned all of its rights 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). On 11 March 2016, a supplemental agreement was signed with the Immediate Holding Company to extend the maturity date of both loan principal and interest payable from 26 January 2017 to 31 March 2018;
- an unsecured loan with principal amount of HK\$27,300,000 (i.e. US\$3,500,000). On 11 March 2016, a supplemental agreement was signed with the Immediate Holding Company to extend the maturity date of both loan principal and interest payable from 28 June 2016 to 31 March 2018; and
- an unsecured loan with principal amount of HK\$23,400,000 (i.e. US\$3,000,000). On 11 March 2016, a supplemental agreement was signed with the Immediate Holding Company to extend the maturity date of both loan principal and interest payable from 19 June 2017 to 31 March 2018.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

21. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes:

- (iii) The interest expenses were charged based on the Hong Kong Prime Rate on an unsecured loan from Immediate Holding Company with principal amount of HK\$7,106,000 (i.e. US\$911,000) which is 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) with interest rate based on the Hong Kong Prime Rate. On 11 March 2016, a supplemental agreement was signed with the Ultimate Holding Company to extend the maturity date of the loan principal from 21 August 2016 to 12 August 2017.
- (v) The amount disclosed above represented 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 was HK\$3,314,000 for the six months period ended 30 June 2015. The convertible bonds were fully redeemed on 17 August 2015.
- (vi) The license fee and administrative expenses were recharged to Emerald Plantation Holdings Limited ("EPHL" or "Former Ultimate Holding Company") and a former fellow subsidiary with reference to the actual costs incurred.
- (vii) 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.
- (viii) 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

21. RELATED PARTY DISCLOSURES (continued)

- (b) Outstanding balances with related parties
- (i) The amounts due to the Immediate Holding Company in current liabilities as at 30 June 2016 and 31 December 2015 represented interest payables in relation to the loans from Immediate Holding Company, which were unsecured and repayable on demand.
- (ii) The amounts due to the Immediate Holding Company in non-current liabilities as at 30 June 2016 represented interest payables in relation to the loans from Immediate Holding Company, which were unsecured and repayable on 31 March 2018.
- (iii) The amounts due to the Ultimate Holding Company as at 30 June 2016 and 31 December 2015 represented interest payables in relation to the loan from Ultimate Holding Company, which were unsecured and repayable within one year.
- (c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short-term employee benefits	6,072	6,600
Equity-settled share options	-	964
Pension scheme contributions	36	20
	6,108	7,584

22. CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, the Group did not have any significant contingent liabilities.

23. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on 26 August 2016.

OTHER INFORMATION

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

As at 30 June 2016, 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 Hong Kong Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company %
Cheng Chi-Him, Conrad	Beneficial owner	2,000,000 (Note 1)	0.13
Lim Hoe Pin	Beneficial owner	3,000,000 (Note 1)	0.20
Simon Murray	Beneficial owner	2,035,889	0.14
Nguyen Van Tu, Peter	Beneficial owner	1,000,000 (Note 1)	0.07
Tang Shun Lam, Steven	Beneficial owner	1,000,000 (Note 1)	0.07
Tsang On-Yip, Patrick	Beneficial owner	2,000,000 (Note 1)	0.13
Wong Man Chung, Francis	Beneficial owner	1,000,000 (Note 1)	0.07
Wu Wai Leung, Danny	Interest of controlled corporation and Beneficial Owner	1,023,705,389 (Note 2)	68.88

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 Mr. Wu Wai Leung, Danny). As such, Mr. 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 Period 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.

OTHER INFORMATION (continued)

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company at the special general meeting held on 28 June 2012 in compliance with Chapter 17 of the Listing Rules. The Share Option Scheme is valid and effective for a period of 10 years ending on the tenth anniversary of the date of adoption of the Share Option Scheme, i.e. 28 June 2022.

Movements of the share options of the Company during the Period are as follows:—

Name or category of participant	Number of share options			Exercise price of share options HK\$	Exercise period of share options	Date of grant of share option	Closing price of the Company's share immediately before the date of grant of share option HK\$	Weighted average closing price of the Company's shares immediately before the exercise date HK\$
	At 1 January 2016	Granted during the Period	Exercised during the Period					
Wu Wai Leung, Denny	3,700,000	-	-	-	17 July 2015 to 16 July 2020	17 July 2015	1.24	-
Lim Hoe Pin	3,000,000	-	-	-	17 July 2015 to 16 July 2020	17 July 2015	1.24	-
Cheng Chi-Him, Conrad	2,000,000	-	-	-	17 July 2015 to 16 July 2020	17 July 2015	1.24	-
Tsang On-Yip, Patrick	2,000,000	-	-	-	17 July 2015 to 16 July 2020	17 July 2015	1.24	-
Nguyen Van Vu, Peter	1,000,000	-	-	-	17 July 2015 to 16 July 2020	17 July 2015	1.24	-
Tang Shun Lam, Steven	1,000,000	-	-	-	17 July 2015 to 16 July 2020	17 July 2015	1.24	-
Wong Man Chung, Francis	1,000,000	-	-	-	17 July 2015 to 16 July 2020	17 July 2015	1.24	-
	13,700,000	-	-	-				

Directors, chief executive and a substantial shareholder and their associates

OTHER INFORMATION (continued)

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 30 June 2016, 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 the total issued share capital of the Company %
Newforest	Beneficial owner (Notes 1, 3, 4 & 5)	1,020,005,389	–	68.63
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation (Note 1)	1,020,005,389	–	68.63
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation (Note 1)	1,020,005,389	–	68.63
Wu Wai Leung, Danny	Interest of controlled corporation (Notes 1 & 3)	1,020,005,389	3,700,000 (Note 2)	68.88
Chow Tai Fook (Holding) Limited	Interest of controlled corporation (Notes 1 & 5)	1,020,005,389	–	68.63
Chow Tai Fook Capital Limited	Interest of controlled corporation (Note 1)	1,020,005,389	–	68.63
CTFE	Interest of controlled corporation (Notes 1 & 5)	1,020,005,389	–	68.63
Gateway Asia Resources Limited	Interest of controlled corporation (Notes 1 & 3)	1,020,005,389	–	68.63
Sharpfield Holdings Limited	Interest of controlled corporation (Notes 1, 4 & 5)	1,020,005,389	–	68.63

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

1. Newforest is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Mr. Wu Wai Leung, Danny) and as to 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, Mr. 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.
2. It represents 3,700,000 share options granted by the Company.
3. Mr. Wu Wai Leung, Danny is a director of Newforest and Gateway Asia Resources Limited.
4. Mr. Cheng Chi-Him, Conrad is a director of Newforest and Sharpfield Holdings Limited.
5. Mr. 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 30 June 2016 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.

OTHER INFORMATION (continued)

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "Audit Committee") has four members comprising three independent non-executive Directors, namely Mr. Wong Man Chung, Francis (Chairman), Mr. Nguyen Van Tu, Peter and Mr. Tang Shun 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 that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and; to review the Company's compliance with the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with the management the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 CG Code throughout the six months ended 30 June 2016 except for a minor deviation as explained below:

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

OTHER INFORMATION (continued)

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 set out in the Model Code for Securities Transactions by Directors of Listed Issuers 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 six months ended 30 June 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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

By Order of the Board
Greenheart Group Limited
Wu Wai Leung, Danny

Chief Executive Officer and Executive Director

Hong Kong, 26 August 2016

As at the date hereof, the Board comprises two executive Directors, namely Messrs. Wu Wai Leung, Danny and Lim Hoe Pin, three non-executive Directors, namely Messrs. Cheng Chi-Him, Conrad, Tsang On-Yip, Patrick and Simon Murray, and three independent non-executive Directors, namely Messrs. Nguyen Van Tu, Peter, Tang Shun Lam, Steven and Wong Man Chung, Francis.

Website: <http://www.greenheartgroup.com>