Greenheart Group
綠心集團

ANNUAL REPORT 2016

GREENHEART GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

商界展關懷
caringcompany 2015-17
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

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Corporate Information

BOARD OF DIRECTORS

Cheng Chi-Him, Conrad#
(Non-executive Chairman)
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

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Dah Sing Financial Centre
108 Gloucester Road, Wanchai
Hong Kong
Tel: (852) 2877 2989
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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

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

Chairman's Statement

Dear Shareholders,

In 2016, Greenheart Group Limited ("Greenheart" or the "Company", and together with its subsidiaries, the "Group") made a net loss of HK$27,829,000, compared to a loss of HK$633,242,000 in 2015 which included an impairment loss of HK$407,157,000 in relation to the timber concessions and other assets of our Suriname division. As previously reported in our Group's interim report in August 2016, while there was significant reduction of overall loss, the performance of our Group's two divisions was mixed. This situation continued in the second half of 2016.

Our New Zealand division delivered another year of good performance and contributed operating profit ("Adjusted EBITDA") of more than 1.5 times over that of 2015. The turnaround of Suriname division however still lagged behind its schedule and remained challenging. In spite of that, due to stringent cost control measures, the operating loss of Suriname division has been reduced by approximately 32.0% during the year ended 31 December 2016 (the "Year").

FINANCIAL PERFORMANCE

New Zealand Division

Driven by the growing demand from China's construction industry, the logs export to China continued to grow during 2016. China's import of softwood logs rose in 2016 compared to 2015, up 13.0% to 28.2 million tonnes. Following the drastic price correction in 2016, the export price for A-grade New Zealand radiata pine on cost and freight basis to China bounced back by US$13.6 per m^3, or 11.5%, during the Year, reaching US$131.4 per m^3 by the end of 2016.

As the New Zealand radiata pine market seemed to have stabilized, our management team decided to resume harvesting from our own plantation back to its normal level at around 600,000 m^3 per annum. Nonetheless, the sales volume in 2016 was 111,000 m^3 less than that for 2015 (2016: 617,000 m^3; 2015: 728,000 m^3).

Despite the reduction of the volume, the increase in sales price has largely offset the impact, and the revenue from sales of logs contributed by New Zealand division only reduced slightly by 3.3% to HK$510,706,000 (2015: HK$528,045,000) for the Year.

In addition to the Group's traditional income from sales of logs, the newly acquired Northland Forest Managers (1995) Limited ("NFM") contributed approximately HK$4,552,000 forest management service fee income to the Group during the Year.

Benefiting from the low shipping rates, together with the increased sales price as mentioned above, the Adjusted EBITDA, which excluded the fair value gain on plantation assets, of New Zealand division increased by HK$75,038,000, or 60.8%, to HK$198,421,000.

To reflect the overall improvement of the New Zealand radiata pine business, a fair value gain of HK$46,878,000, after netting off the related deferred tax, was recorded this Year.

Suriname Division

Revenue in Suriname division declined due to low sales volume in both of our concessions in west and central Suriname. The sales volume was impacted by the prolonged restructuring, which was caused by the extended duration of importing skilled labour and downtime from the country's wet season effect on the infrastructure resulting in logistical bottlenecks. For the Year, Suriname division recorded a total revenue of HK$28,450,000, down HK$34,917,000 or 55.1% and a negative Adjusted EBITDA of HK$39,339,000, reduced by HK$18,483,000 or 32.0% compared to last year.

To turnaround the business, it is vital that we go further and faster on rationalizing costs across our Suriname division, strengthening our marketing and sales ability for lesser known species, stepping up our production capabilities, and rolling out a program to further streamline the total supply chain solution and improving the operation efficiency. In the meantime, we are also actively looking for collaboration opportunities with other industry participants for expanding our sales network and improving our production knowhow and efficiency.

OUTLOOK

China imported record-high volumes of softwood lumber in 2016 and softwood logs import reached their second highest level on record. China's huge wood demand along with limited domestic forest products will increase wood import in the following years. Our Group remains optimistic about the long-term prospects of the wood industry and will actively pursue new opportunities that fit our strategy.

Chairman's Statement

At the beginning of 2017, New Zealand radiata pine market has continued the pattern established in 2016 with some marginal upward movement in price. Shipping rates were largely in line with the previous months, however it is widely expected that the shipping rate will increase in the range of 30% over the next 12 months. Greenheart, being one of the few key forest owners and exporters in Northland of New Zealand, who has adequate volume for a full vessel from a single port, enjoys a more favorable rate offered by ship owners than other exporters. To leverage our edge on shipping rates, subsequent to the Year end, we are going to sign collaborative shipping service agreements with certain New Zealand radiata pine exporters to combine log export volume, which can strengthen our position in chartering rate negotiation, thereby minimize the shipping costs and earn a fee or margin from the other parties at the same time. We will also actively expand our sourcing capabilities for third party logs to increase our revenue and return at a faster pace.

We continue to see good performance in our New Zealand division, and will strive to further invest in bolt-on acquisitions or in the organic growth of its existing business. The acquisition of NFM has enabled us to add our current foothold in New Zealand's forest service industry. In the foreseeable future, we will continue to focus on various opportunities in New Zealand.

On the other hand, our Group has undertaken a thorough strategic review to determine what will be required to generate satisfactory returns in our Suriname division in the future, considering the new dynamics regarding the progress of the restructuring of our Suriname operation, and Suriname's political and regulatory environment, etc. In this regard, our management team has been in discussion with several parties to explore different possible collaborative solutions, which can result in reduced cost and higher return while at the same time accommodate each party's interest. Prior to any solution becoming materialized, we will continue to push hard on all avenues to rationalize costs and improve efficiency with an aim to reduce our cash outlay and loss in this division as soon as possible.

APPRECIATION

I take this opportunity to thank all my fellow directors for their valuable contributions to our Group. I would also like to express my deepest appreciation to our shareholders, customers and business associates and partners, as well as our staff, for their commitment and diligence during the Year. I look forward to their continuous support and dedication to our Group.

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

24 March 2017

BUSINESS REVIEW

In 2016, Greenheart made a net loss of HK$27,829,000, a year-on-year reduction of HK$605,413,000. The substantial improvement was largely a result of the uplift of the operating profit and the fair value gain on the plantation forest assets of the New Zealand division, reflecting largely the stronger export prices and low shipping rates. Suriname division's performance, however, was undermined by the prolonged restructuring. Nevertheless, stringent cost-reduction measures implemented in Suriname helped to negate the impact and reduce the operating loss of Suriname division by 32.0% during the Year.

Revenue

The Group's total revenue slightly reduced to HK$543,708,000, a reduction of HK$47,704,000 or 8.1%, compared with last year. Such reduction was due to the decline of sales volume in both New Zealand and Suriname divisions for the Year.

During the Year, revenue contributed by New Zealand division reported a modest decrease of 2.4% to HK$515,258,000 from HK$528,045,000 in 2015. The decline in revenue was mainly due to the decrease in sales volume of 111,000 m^3, a decrease of 15.2%, as a result of lower harvesting volume. The impact was largely offset by the increase in average selling price from US$93.0 per m^3 in 2015 to US$106.0 per m^3 for the Year. A new stream of income, being forest management service fee income contributed by NFM, of HK$4,552,000 was recorded during the Year.

Revenue contributed by Suriname division recorded a steep decline, falling by HK$34,917,000 or 55.1% to HK$28,450,000 for the Year. The decrease was due to the lower sales volume and selling prices of both logs and lumber products as a result of the protracted restructuring and different species mix as well as the logistic bottleneck caused by prolonged wet season.

Gross profit

The Group's gross profit increased by 22.9% to HK$139,720,000 for the Year. New Zealand division contributed a gross profit of HK$185,932,000 (2015: HK$192,788,000), while Suriname division reported a gross loss of HK$46,212,000 (2015: HK$79,063,000).

The Group's gross profit margin for the Year was 25.7% as compared to 19.2% in 2015. The gross profit margin for the Group's New Zealand division for the Year was 36.1% (2015: 36.5%) while Suriname division recorded a gross loss margin of 162.4% (2015: 124.8%).

Although the non-cash forest depletion cost increased due to the increase in fair value of the plantation assets, the gross profit margin for New Zealand division remained stable during the Year. This is because the impact of the increase in depletion cost is largely offset by the improvement in average selling price of New Zealand radiata pine and the reduction of operating costs due to the depreciation of New Zealand dollars during the Year.

The gross loss margin for Suriname division deteriorated further during the Year, which was principally because of higher unit fixed costs, reflecting low production volume during the restructuring period, and less favourable species mix of harvested logs during the Year.

Other income and gains

Other income and gains amounted to HK$2,469,000 (2015: HK$19,819,000) for the Year, mainly representing rental income received from subcontractors in Suriname for the lease of plant and equipment of HK$925,000 (2015: HK$2,906,000), 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 assets, the insurance claim received for a damaged machinery of HK$546,000 (2015: nil) and bank interest income of HK$31,000 (2015: HK$40,000).

Other income and gains for the year ended 31 December 2015 included two one-off items: (i) reversal of accrued forest concession levy from Suriname division of HK$13,441,000 and (ii) a gain on disposal of carbon credit from New Zealand division of HK$2,999,000. No such events happened during the Year.

Fair value gain on plantation forest assets

The fair value gain on the plantation forest assets in New Zealand amounted to HK$65,109,000 (2015: fair value loss of HK$45,600,000) for the Year. The gain was primarily attributable to the lower forecasted unit harvesting costs and the change of the near-term wood flow.

Selling and distribution costs

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

During the Year, selling and distribution costs amounted to HK$120,710,000, representing a 32.5% decrease from HK$178,727,000 in 2015. The decrease resulted mainly from the reduction of sales volume and depressed ocean freight rate.

Administrative expenses

Administrative expenses decreased by HK$18,550,000 to HK$52,029,000 for the Year, driven mainly by various cost reduction measures, which included the reduction of rental expenses, other office expenses and other related expenses of HK$6,665,000 as a result of the relocation of Hong Kong office in late 2015, the decrease of staff costs of HK$3,742,000, and lower legal and professional fees of HK$2,777,000.

Provisions for impairment

During the Year, provisions for impairment was made for trade receivables of HK$6,000,000 (2015: HK$400,000) as a result of a dispute regarding the quality of certain low grade Suriname lumber sold. In 2015, provisions for impairment on timber concessions and cutting rights of HK$278,940,000, property, plant and equipment of HK$110,429,000, prepaid land lease payments of HK$8,389,000, goodwill of HK$7,624,000 and prepayments, deposits and other receivables of HK$1,375,000 were recorded. No additional provision for impairment relating to these assets is considered necessary for the Year.

Non-cash share option expenses

Share option expenses incurred for the Year of HK$8,488,000 (2015: HK$8,444,000) were non-cash in nature and represented the amortization of the fair value of share options granted during the Year.

Finance costs

Finance costs represented (i) interest on loans from Newforest Limited ("Newforest" or "Immediate Holding Company"), the former intermediate holding company and the former immediate holding company of HK$8,951,000 (2015: HK$17,767,000 in aggregate); (ii) interest on a loan from Chow Tai Fook Enterprises Limited ("CTFE" or "Ultimate Holding Company") of HK$3,911,000 (2015: HK$1,101,000); (iii) interest on interest-bearing bank borrowings of HK$7,406,000 (2015: HK$7,432,000); (iv) interest on finance leases of HK$1,212,000 (2015: HK$1,070,000); and (v) interest on convertible bonds of nil (2015: HK$9,203,000).

The substantial reduction in finance costs by HK$15,093,000 to HK$21,480,000 for the Year was due to savings on interest expense following 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.

Tax

Tax charges incurred for the Year mainly represented a tax provision of HK$11,549,000 (2015: HK$12,244,000) for New Zealand division, a deferred tax charge of HK$14,036,000 (2015: HK$3,193,000), and withholding tax of HK$1,039,000 (2015: HK$7,013,000) 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 deferred tax charge of HK$13,021,000 (2015: deferred tax credit of HK$19,774,000) and HK$1,015,000 (2015: HK$22,967,000) in New Zealand and Suriname divisions, respectively.

The deferred tax in New Zealand division was mainly due to the taxable temporary differences arising from the fair value gain on New Zealand plantation forest assets, utilization of tax losses and the year-end foreign currency translation adjustment for United States dollars denominated term loans.

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 the decrease in tax losses recognized following the reforecast of future profits during the Year.

EBITDA

The EBITDA of the Group changed from negative EBITDA of HK$440,969,000 for 2015 to positive EBITDA of HK$179,487,000 for the Year. In particular, the EBITDA of New Zealand division and Suriname division recorded for the Year was HK$263,555,000 (2015: HK$77,815,000) and a loss of HK$51,093,000 (HK$475,102,000), respectively.

Excluding the one-off provisions of impairment of HK$407,157,000 made in Suriname division last year, the improvement of the Group's EBITDA is driven mainly by the fair value gain on plantation assets of our New Zealand division of HK$65,109,000 (2015: loss of HK$45,600,000) and the improvement of the underlying operating results of both New Zealand and Suriname during the Year.

Profit for the Year attributable to equity holders of the Company

As a result of the aforementioned, the profit attributable to equity holders of the Company increased to HK$8,735,000 for the Year from a loss of HK$436,933,000 for 2015.

Equity attributable to equity holders of the Company

The equity attributable to equity holders of the Company increased by HK$345,136,000 to HK$925,624,000 as at 31 December 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 31 December 2016, the Group's current assets and current liabilities were HK$277,268,000 and HK$202,405,000 (2015: HK$246,551,000 and HK$577,032,000), respectively, of which the Group maintained cash and bank balances of approximately HK$79,312,000 (2015: HK$121,851,000). The Group's outstanding borrowings as at 31 December 2016 represented the loans from the Immediate Holding Company amounting to HK$121,844,000 (2015: HK$432,206,000), the loan from the Ultimate Holding Company amounting to HK$78,000,000 (2015: HK$78,000,000), interest-bearing bank borrowings amounting to HK$195,000,000 (2015: HK$195,000,000) and finance lease payables of HK$8,778,000 (2015: HK$9,853,000). 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 43.6% (2015: 123.2%).

As at 31 December 2016, there were 1,486,277,506 ordinary shares of the Company in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in United States dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

Most of the Group's sales are denominated in United States dollars, to which the Hong Kong dollars is pegged. All the Group's outstanding borrowings, and the majority of costs and expenses incurred in Hong Kong and Suriname are also denominated in United States dollars. The domestic sales generated from the New Zealand plantation assets and the forest management fee income from New Zealand division are denominated in New Zealand dollars, which helps to partially offset the Group's operating expenses payable in New Zealand dollars. During the Year, the Group did not use any instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 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

China will continue to be the major market of the Group's products. The gross domestic product ("GDP") growth target set by the Chinese government is around 6.5% for 2017, which is similar to that for 2016 and this shows that China is now pursuing a stable and sustainable growth pattern. Real estate and related industries accounted for nearly 20% of GDP in 2016. China is still relying on the property sector to maintain its economic growth. It is expected that if housing market continuously cools down in the first half of 2017, a new loosening cycle may begin in the second half as the Chinese government seeks to support the sector. In contrast to the strong growth of the real estate market in China in 2016, the real estate market is expected to enter into a stable period in 2017. We are optimistic about the demand of New Zealand radiata pine in China in 2017, which should maintain the demand level in 2016. With the growth of the real estate market in 2016, the A-grade New Zealand radiata pine export price on cost and freight basis gradually increased from US$117.8 per m^3 at the beginning of 2016 to US$131.4 per m^3 toward the end of 2016, and the price level remains stable and grows to US$134.5 per m^3 in March 2017.

2017 will be another challenging year for our Suriname division. Despite our continuing conscientious efforts in turning around the Suriname operations, the external political and country risks are still unavoidable. As disclosed in the Company's announcement on 9 February 2017, due to the changes to certain new minsters in Suriname, one of the Group's concession rights of a total forest area of approximately 44,000 hectares was withdrawn pursuant to the relevant Suriname laws and regulations. The Group is aware of these risks and is currently considering to partner with different parties to mitigate risk by better understanding the latest changes in the operational environment and drawing a wider pool of expertise, experiences, skills and network to strength our positions.

The Group will continue to place a heavy focus on New Zealand division. We will be looking for opportunities to expand our forest assets and services foothold in New Zealand, with attention focused on the southern part of North Island, where the country forest industry expects substantial growth in the next few years. In parallel, we will be sourcing more local logs to increase our log export dominance in Northport of New Zealand, and will explore global log trading opportunities. We are also considering to involve further in the export logistics by leveraging our advantage gained over years as key forest owner and operator to minimize our shipping costs and earn a fee or margin from third parties by sub-letting the vessel space.

With the completion of capitalization of the US$40,000,000 loan from Newforest in March 2016 and the extension of principals repayment for loans from Newforest and CTFE in March 2017, the Group's financial position has strengthened, which, as a result enables us to explore more new development opportunities and to enhance the Group's business portfolio with a steady and healthy growth in profit attributable to shareholders as well as cash returns.

CHARGE ON ASSETS

As at 31 December 2016 and 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$99,858,000 (2015: HK$91,272,000) ("Forestry Land");

b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$320,682,000 (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.

CAPITAL EXPENDITURE

During the Year, the Group incurred capital expenditure of approximately HK$14,047,000 (2015: approximately HK$33,082,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

On 7 January 2016, Greenheart NZ Forestry Holding Company Limited (as the purchaser), an indirectly 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 Year.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 37 to the consolidated financial statements.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2016, the total number of employees of the Group was 354 (2015: 353). Employment costs (including Directors' emoluments) amounted to approximately HK$72,711,000 for the Year (2015: HK$87,646,000). 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.

DIRECTORS

Mr. Cheng Chi-Him, Conrad, aged 38, has been a non-executive Director of the Company since 4 June 2015 and non-executive Chairman of the Board since 22 March 2016. Mr. Cheng is a member of the nomination committee of the Company. Mr. Cheng graduated from University of Toronto in Canada with a Bachelor of Arts degree in Statistics and has been specializing in project management of property projects in China since 2005. Mr. Cheng is the cousin-in-law of Mr. Tsang On-Yip, Patrick, who is a non-executive Director of the Company. Mr. Cheng was appointed as an executive director of International Entertainment Corporation (stock code: 1009), a listed public company in Hong Kong, in January 2008 and is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He formerly served as an executive director of New Times Energy Corporation Limited (formerly known as "New Times Group Holdings Limited") (stock code: 166) from February 2008 to October 2009.

Mr. Wu Wai Leung, Danny, aged 56, has been an executive Director and Chief Executive Officer of the Company since 14 May 2015. Mr. Wu graduated from the University of Hong Kong with a Bachelor's degree in social sciences in 1985. He 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 was an independent non-executive director of Newton Resources Limited (stock code: 1231), a company listed in Hong Kong, from January 2011 to May 2015 and is currently a non-executive director of Newton Resources Limited. Mr. Wu is also an independent non-executive director of another Hong Kong listed company, Qianhai Health Holdings Limited (formerly known as "Hang Fat Ginseng Holdings Company Limited") (stock code: 911), since February 2016.

Mr. Lim Hoe Pin, aged 48, has been an executive Director of the Company since 4 June 2015. Mr. Lim graduated from Nanyang Technological University in Singapore with a Bachelor's 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. He has over 24 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. He was an 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 from 2000 to 2002. 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 investment 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 45, has been a non-executive Director of the Company since 4 June 2015. Mr. Tsang is a member of the audit committee and remuneration committee of the Company. Mr. Tsang obtained a Bachelor's degree in Economics from Columbia College of Columbia University in New York, the United States of America and has over 20 years of international capital markets experience. 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. Mr. Tsang is currently a director of Cheng Yu Tung Foundation Limited and Chow Tai Fook Enterprises Limited. He was appointed as a non-executive director of Integrated Waste Solutions Group Holdings Limited (formerly known as "Fook Woo Group Holdings Limited") (stock code: 923) in November 2012, an executive director of Melbourne Enterprises Limited (stock code: 158) in April 2015 and an executive director of UMP Healthcare Holdings Limited (stock code: 722) in August 2015, all being listed public companies in Hong Kong.

Mr. Simon Murray, aged 77, has been a non-executive Director of the Company since August 2010. Mr. Murray is the non-executive chairman of General Enterprise Management Services Limited, a private equity fund management company. Mr. Murray served as the group managing director of Hutchison Whampoa Ltd. from 1984 to 1993 and an executive chairman of Asia Pacific for the Deutsche Bank group from 1994 to 1997. Mr. Murray was formerly a 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; the chairman and independent non-executive director of Gulf Keystone Petroleum Ltd. from July 2013 to March 2015; a member of the board of directors of Vodafone Group Plc from July 2007 to July 2010; Hutchison Whampoa Ltd from August 1984 to May 2007; Arnhold Holdings Ltd from October 1993 to March 2011; and Sino-Forest Corporation from June 1999 to January 2013, all mentioned above are listed in Hong Kong or overseas. 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. Currently, Mr. Murray is 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) and IRC Limited (stock code: 1029) and a non-executive director of China LNG Group Limited (stock code: 931), all being listed public companies in Hong Kong. He is also an independent non-executive director of Spring Asset Management Limited (manager of Spring Real Estate Investment Trust which is listed in Hong Kong) and a non-executive director of Compagnie Financière Richemont SA, a company listed in Switzerland.

Mr. Nguyen Van Tu, Peter, aged 73, has been an independent non-executive Director of the Company since 2 July 2015. Mr. Nguyen is the chairman of the nomination committee and a member of the remuneration committee and audit committee of the Company. 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 twenty 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. Currently, Mr. Nguyen is an independent non-executive director of Integrated Waste Solutions Group Holdings Limited (stock code: 923), Goldlion Holdings Limited (stock code: 533), Combest Holdings Limited (stock code: 8190) and Pacific Andes International Holdings Limited (stock code: 1174), all being listed public companies in Hong Kong. Mr. Nguyen was formerly an independent non-executive director of IPE Group Limited (stock code: 929) and Mayer Holdings Limited (stock code: 1116), both being listed public companies in Hong Kong.

Mr. Tang Shun Lam, Steven, aged 61, has been an independent non-executive Director of the Company since 2 July 2015. Mr. Tang is the chairman of the remuneration committee and a member of audit committee and nomination committee of the Company. 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 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. 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 worked for Warburg Pincus LLP as a senior consultant from January 2007 to January 2016. He was also an executive chairman of RDA Microelectronics Limited (a company listed on NASDAQ Stock Market) from 2010 to 2015. From 1999 to 2007, Mr. Tang was the president, Asia Pacific for Viasystems Group Inc. (a company listed on NASDAQ Stock Market). He was also a director of China Eco-Farming Limited (a company listed in Hong Kong) from 2008 to 2009; an independent non-executive director of Asia Coal Limited (a company listed in Hong Kong) from 2003 to 2005 and the chief executive officer and a director of Coolsand Holdings Co., Ltd from 2008 to 2012. Mr. Tang was appointed as a non-executive director of Vital Mobile Holdings Limited (stock code: 6133), a Hong Kong listed company which specializes in mobile phone business and is the world leader in ODM and own-brand cell phones, in March 2015 and was re-designated as an executive director in March 2016.

Mr. Wong Man Chung, Francis, aged 52, has been an independent non-executive Director of the Company since 2 July 2015. Mr. Wong is the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company. Mr. Wong holds a Master Degree in Management conferred by Guangzhou Jinan University, the People's Republic of China. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Society of Chinese Accounts and Auditors and a Certified Tax Advisor of the Taxation Institute of Hong Kong. He is a Certified Public Accountant (Practising) and has over 25 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory, corporate restructuring and liquidation, family trust and wealth management. 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 currently an independent non-executive director of Integrated Waste Solutions Group Holdings Limited (stock code: 923), China Oriental Group Company Limited (stock code: 581), Digital China Holdings Limited (stock code: 861), Wai Kee Holdings Limited (stock code: 610), GCL-Poly Energy Holdings Limited (stock code: 3800), Hilong Holding Limited (stock code: 1623), Kunming Dianchi Water Treatment Co., Ltd (stock code: 3768) and China New Higher Education Group Limited (stock code: 2001), all being listed public companies in Hong Kong.

SENIOR MANAGEMENT

Ms. Tse Nga Ying, Daphne, aged 44, 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's 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.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") 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 a minor deviation 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 shareholder value; to ensure 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 2015 and six months ended 30 June 2016, 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 (2015: four meetings). The Board has delegated responsibility for day-to-day management of the Group to the executive Directors and Ms. Tse Nga Ying, Daphne, the Chief Financial Officer, a member of the Executive Management Committee and the Company Secretary of the Company. Board meetings for granting 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 and general meetings attended by each Director during the Year is set out in the following table.

Name of Director	Number of Board meetings attended	Number of general meetings attended
Executive Directors		
Mr. Wu Wai Leung, Danny	4/4	2/2
Mr. Lim Hoe Pin	4/4	2/2
Non-executive Directors		
Mr. Simon Murray	3/4	1/2
Mr. Cheng Chi-Him, Conrad	3/4	2/2
Mr. Tsang On-Yip, Patrick	3/4	2/2
Independent Non-executive Directors		
Mr. Nguyen Van Tu, Peter	4/4	1/2
Mr. Tang Shun Lam, Steven	3/4	2/2
Mr. Wong Man Chung, Francis	4/4	2/2

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

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

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

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

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

The Directors are committed to complying with the code provision A.6.5 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	**Read Materials and/or Attended Seminars in relation to Corporate Governance/ Updates on Laws, Rules & Regulations**
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, the Chairman of the Board and the Chief Executive Officer are Mr. Cheng Chi-Him, Conrad and Mr. Wu Wai Leung, Danny, respectively. The Chairman's responsibility is to provide leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Office is responsible for formulating the Group's strategies, and focuses on implementing objectives, policies and strategies approved and delegated by the Board, and is in charge of the Company's day-to-day management and operations.

NON-EXECUTIVE DIRECTORS

All non-executive Directors (including the INEDs) have been appointed for a specific term of three years, subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Bye-laws of the Company and the Listing Rules.

In compliance with Rules 3.10(1) and (2) and 3.10A of the Listing Rules, the Company has appointed at least three INEDs, who represent more than one-third of the Board and one INED possesses appropriate professional qualifications, or accounting or related financial management expertise. 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.

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

Members of Nomination Committee	Number of Meeting(s) Attended
Mr. Nguyen Van Tu, Peter *(Chairman)*	1/1
Mr. Tang Shun Lam, Steven	1/1
Mr. Wong Man Chung, Francis	1/1
Mr. Cheng Chi-Him, Conrad	1/1

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

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

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") has four members comprising three INEDs, namely Mr. 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	**Number of Meeting(s) Attended**
Mr. Tang Shun Lam, Steven *(Chairman)*	1/1
Mr. Nguyen Van Tu, Peter	1/1
Mr. Wong Man Chung, Francis	1/1
Mr. Tsang On-Yip, Patrick	1/1

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has four members comprising three INEDs, 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, reviewing and monitoring financial reporting and the judgment contained therein; reviewing financial and internal controls, accounting policies and practices with the management and the 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 the management and the external auditors the consolidated financial statements for the Year. During the Year, two meetings were held by the Audit Committee, one of which was attended by the external auditors. Attendance of the members is set out below:

Members of Audit Committee	**Number of Meeting(s) Attended**
Mr. Wong Man Chung, Francis *(Chairman)*	2/2
Mr. Tang Shun Lam, Steven	2/2
Mr. Nguyen Van Tu, Peter	2/2
Mr. Tsang On-Yip, Patrick	2/2

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the 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 as 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 financial statements of the Group for the Year have been reviewed by the Audit Committee and audited by the external auditors, 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$22,700. 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 headed "Independent Auditor's Report".

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective risk management and internal control systems for the Group. The Group's risk management and internal control systems featured with a well-defined management structure with limited authority of each operational unit. Internal control policies and procedures are in place to safeguard assets against unauthorized use or disposition, and ensure maintenance of proper records, reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or loss.

The Board oversees the Group's risk management and internal control policies, which are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Group's business environment and risk appetite. The Board has delegated to the management the implementation of such systems of internal controls as well as the annual 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 has 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 systems of risk management and internal control was effective. The Board is satisfied that there are adequate resources with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

The Group has adopted procedure for the handling and dissemination of inside information in order to ensure the Group is in compliance with the regulatory requirements.

The Group does not have an internal audit function. The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time.

CONSTITUTIONAL DOCUMENTS

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

INVESTOR RELATIONS

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

SHAREHOLDERS' RIGHTS

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

Bye-laws of the Company

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

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

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

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

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

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

Putting Forward Proposals at General Meetings

Companies Act

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

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

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

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

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

(b) not less than one hundred Shareholders.

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

2.4 Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph 2.1 above unless:

(a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph 2.1 above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

With respect to proposing a person for election as a Director, the procedures can be found on the Company's website at www.greenheartgroup.com.

Making Enquiries to the Board

Shareholders may send written enquiries, either by post, facsimile or email, together with their contact details, such as postal address, email or fax, addressed to the head office of the Company at the following address, facsimile number or via email:

Address: Suites 1706-10, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong
Fax: (852) 2511 8998
Email: investor@greenheartgroup.com

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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 and provision of forest management service. In February 2016, the Group has acquired NFM, a company incorporated in New Zealand principally engaging in the provision of forest management service in New Zealand. Save as disclosed, there were no other 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 an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 7 to 14 of this annual report. This discussion forms part of this directors' report.

PRINCIPAL RISK 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 35 to the consolidated financial statements.

As the Group conducts substantial business operations around the world, and holds 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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to conducting its business in an environmentally conscious manner and minimizing the adverse effects caused by its operations on the environment. The Group continues to make endeavors in saving energy and reducing unnecessary waste by adopting various green measures in its workplace. Such measures include using energy-efficient light tubes, encouraging the use of recycle papers and both sides of papers for printing and copying and keeping office temperature at a reasonable level. The Group reviews the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's business.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board paid attention to the Group's policies and practices on compliance with all significant legal and regulatory requirements essential to is business operations. The Group would seek professional advice from its external legal advisers and consultants to ensure that transactions and business to be performed by the Group are in compliance with applicable environmental policies, laws and regulations. During the reporting period, as far as the Company is aware, it has complied in all material respects of the laws or regulations that have a significant impact on the Group's business and operation.

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

The Group believes that 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 its competitiveness in the market. The Group has developed a desirable working environment and provided a variety of benefits and career development to its employees. Share Options may also be granted for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

The Group also recognizes that maintaining a good and stable relationship with its existing and potential customers, suppliers and other stakeholders is the key to the sustainable development of the Group. Accordingly, the management has kept good communication with its suppliers and customers in order to monitor the credit quality of the customers and to make timely adjustments to its operating strategies to conform to the market trends. In addition, the Group places effort in building up and maintaining 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.

RESULTS AND DIVIDENDS

The Group's loss for the Year and the Group's financial position at Year end are set out in the consolidated financial statements on pages 58 to 170.

The Directors do not recommend the payment of any dividend for the Year (2015: 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				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**543,708**	591,412	673,604	724,583	495,226
Loss for the year	**(27,829)**	(633,242)	(189,913)	(60,297)	(144,377)
Attributable to:					
Equity holders of the Company	**8,735**	(436,933)	(133,303)	(5,739)	(76,777)
Non-controlling interests	**(36,564)**	(196,309)	(56,610)	(54,558)	(67,600)
	(27,829)	(633,242)	(189,913)	(60,297)	(144,377)

	31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities and non-controlling interests					
Total assets	**1,430,997**	1,437,765	1,987,871	2,162,539	2,006,240
Total liabilities	**(664,652)**	(979,992)	(1,041,911)	(1,022,345)	(813,343)
Non-controlling interests	**159,279**	122,715	(73,594)	(130,204)	(184,762)
	925,624	580,488	872,366	1,009,990	1,008,135

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 27 and 28 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 2016, 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$1,925,429,000 may be distributed in the form of fully paid bonus shares (2015: HK$1,611,573,000).

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 Directors' and officers' liabilities in respect of legal action against its Directors and senior management arising out of corporate activities.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 93.1% of the total gross revenue before export tax for the Year and sales to the largest customer included therein amounted to 50.1%. Purchases from the Group's five largest suppliers accounted for 38.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to 12.7%.

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 or suppliers.

DIRECTORS

The Directors of the Company during the Year and up to the date of this annual report were:

Mr. Cheng Chi-Him, Conrad#
Mr. Wu Wai Leung, Danny*
Mr. Lim Hoe Pin*
Mr. Tsang On-Yip, Patrick#
Mr. Simon Murray#
Mr. Nguyen Van Tu, Peter**
Mr. Tang Shun Lam, Steven**
Mr. Wong Man Chung, Francis**

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

In accordance with the Company's Bye-laws, Messrs. Wu Wai Leung, Danny, Simon Murray and Tang Shun Lam, Steven will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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 15 to 19 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 connecting transactions

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

On 14 May 2008, Greenheart Resources Holdings Limited ("Greenheart Resources"), a 60.39% indirect subsidiary of the Company, and Silver Mount Group Limited ("Silver Mount"), an indirect wholly-owned subsidiary of the Company, entered into a facility agreement in relation to the provision of a revolving loan facility of up to HK$50 million (the "Facility Limit") by Silver Mount to Greenheart Resources (the "Facility"). The Facility is unsecured, bears interest at prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong & Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount) and was due on 14 May 2011 or such later 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 the Listing Rules and the provision of the Facility from Silver Mount to Greenheart Resources constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

On 22 November 2010, Silver Mount entered into a supplemental facility agreement with Greenheart Resources pursuant to which the parties agreed to increase the Facility Limit to HK$215 million and extend the drawdown period and repayment date of the Facility to 22 November 2013 or such later day as Silver Mount and Greenheart Resources may agree in writing.

On 4 November 2013, Silver Mount entered into a 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.

On 12 December 2016, Silver Mount entered into a third 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 2019; and (b) extend the drawdown period. This renewal of continuing connected transaction was approved by the independent shareholders at the special general meeting of the Company held on 23 January 2017.

As at 31 December 2016, a total of HK$214,983,000 has been drawn down by Greenheart Resources from the Facility and the related interest incurred for the Year amounted to HK$10,564,000.

Connected transaction

ii. 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 agreed to subscribe for, and the Company 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").

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. This connected transaction was approved by the independent shareholders at the special general meeting of the Company held on 16 March 2016. 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 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.

The INEDs have reviewed the continuing connected transactions set out above and have confirmed that the continuing connected transaction 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 auditors, 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 transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In respect of each related party transaction disclosed in note 34 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 mentioned below 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 34 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. The principal amount and the interest payable were capitalized on 22 March 2016. 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 constituted a related party transaction as disclosed in note 34(a)(i) to the consolidated financial statements.

(ii) Pursuant to five 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, a loan facility of an aggregate principal amount of US$911,000 and a loan facility of an aggregate principal amount of US$792,000 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 34(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 facility, 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 transactions contemplated thereunder constitute a related party transaction as disclosed in note 34(a)(iv) to the consolidated financial statements.

(iv) The Group has granted to its fellow subsidiary (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 recharges 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 34(a)(vi) to the consolidated financial statements.

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

As at 31 December 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 SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) 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	5,000,000 *(Note 1)*	0.34
Lim Hoe Pin	Beneficial owner	6,000,000 *(Note 1)*	0.40
Simon Murray	Beneficial owner	3,035,889 *(Note 2)*	0.20
Nguyen Van Tu, Peter	Beneficial owner	2,000,000 *(Note 1)*	0.13
Tang Shun Lam, Steven	Beneficial owner	2,000,000 *(Note 1)*	0.13
Tsang On-Yip, Patrick	Beneficial owner	5,000,000 *(Note 1)*	0.34
Wong Man Chung, Francis	Beneficial owner	2,000,000 *(Note 1)*	0.13
Wu Wai Leung, Danny	Interest of controlled corporation and Beneficial owner	1,030,105,389 *(Note 3)*	69.31

Notes:

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

2. The number includes 1,000,000 share options granted by the Company.

3. 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 10,100,000 share options granted by the Company.

(b) **Long positions in ordinary shares and underlying shares of Integrated Waste Solutions Group Holdings Limited ("IWS"), an associated corporation of the Company:**

Under the share option scheme of IWS, a fellow subsidiary of the Company, the following Directors of the Company have personal interests in share options to subscribe for the ordinary shares of IWS. Details of the share options of IWS granted to the relevant Directors are as follows:

Name of Director	Capacity	Number of shares held and underlying shares interested	Approximate percentage of the total issued share capital of IWS
			%
Nguyen Van Tu, Peter	Beneficial owner	8,800,000 *(Note 1)*	0.18
Tsang On-Yip, Patrick	Beneficial owner	15,000,000 *(Note 1)*	0.31
Wong Man Chung, Francis	Beneficial owner	8,800,000 *(Note 1)*	0.18

Note:

1. It represents number of share options granted by IWS.

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 at its 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 for 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 which may be issued under the Share Option Scheme as at 31 December 2016 was 162,008,950 Shares (including options for 39,455,000 shares that have been granted but not yet lapsed or exercised), representing 10.90% of the issued share capital of the Company as at 31 December 2016. The maximum number of shares issuable under the Share Option 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.

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

Name or category of participant	Number of share options: At 1 January 2016	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As at 31 December 2016	Exercise period of share options	Vesting period	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 share immediately before the exercise date HK$
Directors, chief executive and a substantial shareholder and their associates												
Wu Wai Leung, Danny	3,700,000	–	–	–	–	3,700,000	17 Jul 2015 to 16 Jul 2020	N/A	1.23	17 Jul 2015	1.24	–
	–	6,400,000	–	–	–	6,400,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
Lim Hoe Pin	3,000,000	–			–	3,000,000	17 Jul 2015 to 16 Jul 2020	N/A	1.23	17 Jul 2015	1.24	–
	–	3,000,000	–	–	–	3,000,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
Cheng Chi-Him, Conrad	2,000,000	–	–	–	–	2,000,000	17 Jul 2015 to 16 Jul 2020	N/A	1.23	17 Jul 2015	1.24	–
	–	3,000,000	–	–	–	3,000,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
Tsang On-Yip, Patrick	2,000,000	–	–	–	–	2,000,000	17 Jul 2015 to 16 Jul 2020	N/A	1.23	17 Jul 2015	1.24	–
	–	3,000,000	–	–	–	3,000,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
Simon Murray	–	1,000,000	–	–	–	1,000,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
Nguyen Van Tu, Peter	1,000,000	–	–	–	–	1,000,000	17 Jul 2015 to 16 Jul 2020	N/A	1.23	17 Jul 2015	1.24	–
	–	1,000,000	–	–	–	1,000,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
Tang Shun Lam, Steven	1,000,000	–	–	–	–	1,000,000	17 Jul 2015 to 16 Jul 2020	N/A	1.23	17 Jul 2015	1.24	–
	–	1,000,000	–	–	–	1,000,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
Wong Man Chung, Francis	1,000,000	–	–	–	–	1,000,000	17 Jul 2015 to 16 Jul 2020	N/A	1.23	17 Jul 2015	1.24	–
	–	1,000,000	–	–	–	1,000,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
Employees (other than Directors) In aggregate	–	2,663,000	108,000	–	200,000	2,355,000	13 Sep 2016 to 12 Sep 2021	Note	0.78	13 Sep 2016	0.76	1.21
Others	–	4,000,000	–	–	–	4,000,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
TOTAL	13,700,000	26,063,000	108,000	–	200,000	39,455,000						

Note:

The share options are subject to a vesting schedule and can be exercised in the following manner:

(a) In respect of employees who have joined the Company for more than 2 years as at the date of the grant, all share options granted will be vested on the date of the grant;

(b) In respect of employees who have joined the Company for less than 2 years but more than 1 year as at the date of grant, 50% of the share options granted will be vested on the date of the grant and the other 50% will be vested on the first anniversary of the date of the grant. For example, if the date of the grant is 13 September 2016, the other 50% of the share options will be vested on the first anniversary of the date of the grant, i.e. 13 September 2017; and

(c) In respect of employees who have joined the Company for less than 1 year as at the date of the grant, 50% of the share options granted will be vested on the first anniversary of the date of the grant, and the other 50% will be vested on the second anniversary of the date of the grant. For example, if the date of the grant is 13 September 2016, the other 50% of the share options will be vested on the second anniversary of the date of the grant, i.e. 13 September 2018.

Details of the valuation of the share options granted during the Year are set out in note 28 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 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 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 and beneficial owner *(Notes 1&3)*	1,020,005,389	10,100,000 *(Note 2)*	69.31
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

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 10,100,000 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 31 December 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.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. The corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 20 to 32.

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$114,000 (2015: HK$46,000).

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 37 to the consolidated financial statements.

AUDITORS

During the year ended 31 December 2015, 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.

The independent auditors, Moore Stephens CPA Limited, retires and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operations of the Group in the past years as contained in this annual report are historical in nature and past performance can be no guarantee of future results of the Group. This annual report contains forward looking statements and opinions with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligation to correct or update the forward-looking statements or opinions contained in this annual report; and (b) any liability in the event that any of the forward-looking statements or opinions do not materialize or prove to be incorrect.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to our shareholders, clients and suppliers for their continuous and valuable support and to extend its appreciation to our management and staff for their diligence and dedication, despite the fact that 2016 was a challenging year.

ON BEHALF OF THE BOARD
GREENHEART GROUP LIMITED

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong, 24 March 2017

Independent Auditor's Report

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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)

OPINION

We have audited the consolidated financial statements of Greenheart Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 170, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Hong Kong, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our opinion set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users' understanding of our audit.

Key audit matter	How the matter was addressed in our audit
Impairment review of the recoverable amount of the cash-generating unit of the forestry and timber business in Suriname	
Certain of the Group's property, plant and equipment, prepaid land lease payments and timber concession and cutting rights, presented as "Property, plant and equipment", "Prepaid land lease payments" and "Timber concessions and cutting rights" in the consolidated statement of financial position, were allocated to the cash-generating unit of the forestry and timber business (the "CGU") in Suriname. Such assets represented a significant portion of the net assets and total assets of the Group. With the loss resulted from the operation in Suriname for the year ended 31 December 2016, the directors of the Company concluded that there was an impairment indicator and performed a detailed impairment assessment at 31 December 2016. The Group had engaged an independent external valuer (the "Valuer") to estimate the fair value of the CGU to determine whether an impairment loss is required to be recognised for the year ended 31 December 2016. Impairment assessment of the CGU is subjective and highly judgmental and accordingly we identified the impairment assessment as a key audit matter.	Our procedures to address the matter included: • We obtained the detailed impairment assessment from management of the Company. • We assessed the independence, competence and objectivity of the Valuer to estimate the fair value of the CGU. • We discussed with management of the Company and the Valuer and assessed the reasonableness of the valuation methodology. • We discussed with management of the Company and the Valuer and challenged the reasonableness of key assumptions being used, based on our knowledge of the business and industry, including the discount rate, sale quantity and unit selling price.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How the matter was addressed in our audit
Details of the impairment testing of the CGU in Suriname are included in Note 14 to the consolidated financial statements.	• We checked the input data to the relevant supporting evidence to the extent that they are available.
Valuation of plantation forest assets in New Zealand	
The Group's plantation forest assets that were presented as "Plantation forest assets" in the consolidated statement of financial position represented a significant portion of the net assets and total assets of the Group. The Group's plantation forest assets are biological assets and had been remeasured to their fair value less costs to sell at the end of each reporting date in accordance with HKAS 41 *Agriculture*. The directors of the Company estimated the fair value less costs to sell of the Group's plantation forest assets at HK$320,682,000 as at 31 December 2016, with a revaluation gain of HK$65,109,000 for the year ended 31 December 2016 being recognised in consolidated profit or loss. The Group had engaged the Valuer to support the directors' estimates of the fair value less costs to sell. The variables and parameters used in the fair value model are highly judgmental and have a high degree of estimation uncertainty. We therefore identified the valuation of the plantation forest assets as a key audit matter. The Group's valuation of the plantation forest assets in New Zealand is included in Note 17 to the consolidated financial statements.	Our procedures to address the matter included: • We assessed the independence, competence and objectivity of the Valuer and the appropriateness of methodology used to estimate the fair value of the plantation forest assets. • We discussed with management of the Company and the Valuer and assessed the reasonableness of the valuation methodology. • We discussed with management of the Company and the Valuer and challenged the reasonableness of key assumptions being used, based on our knowledge of the business and industry, including the discount rate, sale quantity and unit selling price. • We checked the input data to the relevant supporting evidence to the extent that they are available.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the Chairman's Statement, Management Discussion and Analysis, Corporate Governance Report and Report of the Directors included in the 2016 Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee, being those charged with governance, is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited
Certified Public Accountants

Rudolf Leung Kwok Man
Practising Certificate Number: P04964

Hong Kong, 24 March 2017

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	**543,708**	591,412
Cost of sales		**(403,988)**	(477,687)
Gross profit		**139,720**	113,725
Other income and gains	5	**2,469**	19,819
Fair value gain/(loss) on plantation forest assets	17	**65,109**	(45,600)
Selling and distribution costs		**(120,710)**	(178,727)
Administrative expenses		**(52,029)**	(70,579)
Provisions for impairment		**(6,000)**	(407,157)
Other operating income/(expenses), net		**429**	(2,119)
Non-cash share option expenses		**(8,488)**	(8,444)
Finance costs	6	**(21,480)**	(36,573)
LOSS BEFORE TAX	7	**(980)**	(615,655)
Tax	10	**(26,849)**	(17,587)
LOSS FOR THE YEAR		**(27,829)**	(633,242)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**1,644**	(15,017)
Item that will not be reclassified subsequently to profit or loss			
Revaluation gain on forestry land		**7,210**	408
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX of NIL		**8,854**	(14,609)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(18,975)**	(647,851)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**8,735**	(436,933)
Non-controlling interests		**(36,564)**	(196,309)
		(27,829)	(633,242)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**17,589**	(451,542)
Non-controlling interests		**(36,564)**	(196,309)
		(18,975)	(647,851)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11		
Basic		**HK$0.006**	HK$(0.506)
Diluted		**HK$0.006**	HK$(0.506)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**341,508**	342,819
Prepaid land lease payments	13	**19,764**	20,992
Goodwill	14	**5,651**	–
Timber concessions and cutting rights	15	**463,750**	465,529
Other intangible assets	16	**98**	376
Plantation forest assets	17	**320,682**	357,907
Prepayments, deposits and other receivables	20	**2,276**	3,591
Total non-current assets		**1,153,729**	1,191,214
CURRENT ASSETS			
Inventories	18	**28,031**	30,114
Trade receivables	19	**122,366**	45,223
Prepayments, deposits and other receivables	20	**44,208**	46,559
Due from a fellow subsidiary	34(b)(iv)	**185**	–
Tax recoverable		**3,166**	2,804
Cash and cash equivalents	21	**79,312**	121,851
Total current assets		**277,268**	246,551
CURRENT LIABILITIES			
Trade payables	22	**36,514**	32,706
Other payables and accruals	23	**49,212**	51,924
Finance lease payables	24	**8,778**	9,853
Loans from the immediate holding company	34(a)(i),34(a)(ii)	**–**	339,300
Loan from the ultimate holding company	34(a)(iv)	**78,000**	78,000
Due to the immediate holding company	34(b)(i)	**461**	15,597
Due to the ultimate holding company	34(b)(iii)	**1,101**	1,101
Tax payable		**28,339**	48,551
Total current liabilities		**202,405**	577,032
NET CURRENT ASSETS/(LIABILITIES)		**74,863**	(330,481)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,228,592**	860,733

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	34(a)(ii), 34(a)(iii)	**121,844**	92,906
Due to the immediate holding company	34(b)(ii)	**16,032**	–
Interest-bearing bank borrowings	25	**195,000**	195,000
Deferred tax liabilities	26	**129,371**	115,054
Total non-current liabilities		**462,247**	402,960
NET ASSETS		**766,345**	457,773
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	**14,863**	9,625
Reserves	29	**910,761**	570,863
		925,624	580,488
Non-controlling interests		**(159,279)**	(122,715)
TOTAL EQUITY		**766,345**	457,773

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

Consolidated Statements of Changes in Equity

		Attributable to equity holders of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 29 (d))	Share option reserve HK$'000 (note 29 (b))	Convertible bond equity reserve HK$'000	Capital reserve HK$'000	Land revaluation reserve HK$'000	Merger reserve HK$'000 (note 29 (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 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 shares upon placement	27(b)	1,600	147,200	–	–	–	–	–	–	–	–	148,800	–	148,800
Shares issue expenses	27(b)	–	(4,001)	–	–	–	–	–	–	–	–	(4,001)	–	(4,001)
Equity-settled share option arrangements	28(a)	–	–	–	8,444	–	–	–	–	–	–	8,444	–	8,444
Issue of new shares upon exercise of options	27(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		–	–	–	–	(4,983)	–	–	–	–	4,983	–	–	–
At 31 December 2015 and 1 January 2016		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 year		–	–	–	–	–	–	–	–	–	8,735	8,735	(36,564)	(27,829)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	1,644	–	1,644	–	1,644
Fair value gain on forestry land		–	–	–	–	–	–	7,210	–	–	–	7,210	–	7,210
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	7,210	–	1,644	8,735	17,589	(36,564)	(18,975)
Issue of new shares upon loan capitalization	27(c)	5,237	314,739	–	–	–	–	–	–	–	–	319,976	–	319,976
Shares issue expenses	27(c)	–	(1,001)	–	–	–	–	–	–	–	–	(1,001)	–	(1,001)
Equity-settled share option arrangements	28(a)	–	–	–	8,488	–	–	–	–	–	–	8,488	–	8,488
Issue of new shares upon exercise of options	27(a)	1	118	–	(35)	–	–	–	–	–	–	84	–	84
Transfer of share option reserve upon the lapse of share options		–	–	–	(227)	–	–	–	–	–	227	–	–	–
At 31 December 2016		14,863	1,925,429*	83,274*	15,002*	–*	846*	19,916*	265*	1,926*	(1,135,897)*	925,624	(159,279)	766,345

* These reserve accounts comprise the consolidated reserves of HK$910,761,000 (2015: HK$570,863,000) in the consolidated statement of financial position.

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(980)**	(615,655)
Adjustments for:			
Finance costs	6	**21,480**	36,573
Bank interest income	5	**(31)**	(40)
(Gain)/Loss on disposal of property, plant and equipment	7	**(429)**	2,052
Gain on disposal of carbon credits	5	**–**	(2,999)
Fair value loss on derivative financial instruments	7	**–**	500
Depreciation	4	**24,123**	34,983
Amortization of:			
Forest depletion cost	4	**108,043**	74,662
Harvest roading	4	**21,480**	17,788
Prepaid land lease payments	4	**1,228**	1,587
Other intangible assets	4	**278**	278
Timber concessions and cutting rights	4	**3,835**	8,815
Write-down of inventories to net realizable value	4	**5,760**	23,572
Impairment of:			
Trade receivables	4	**6,000**	400
Property, plant and equipment	4	**–**	110,429
Timber concessions and cutting rights	4	**–**	278,940
Goodwill	4	**–**	7,624
Prepayments, deposits and other receivables	4	**–**	1,375
Prepaid land lease payments	4	**–**	8,389
Reversal of accrued forest concession levy	4	**–**	(13,441)
Equity-settled share option expense	4	**8,488**	8,444
Fair value (gain)/loss on plantation forest assets	4	**(65,109)**	45,600
		134,166	29,876
Increase in inventories		**(2,817)**	(6,962)
Increase in trade receivables		**(60,600)**	(6,602)
Increase in prepayments, deposits and other receivables		**(18,639)**	(18,791)
(Decrease)/Increase in trade payables		**(18,115)**	103
Increase in other payables and accruals		**1,787**	8,241
Decrease in amount due to the immediate holding company		**(79)**	–
Increase in amount due from a fellow subsidiary		**(185)**	–
Cash generated from operations		**35,518**	5,865
Interest received		**31**	40
Overseas taxes paid		**(8,382)**	(22)
Hong Kong taxes paid		**(31,289)**	–
Interest paid		**(11,317)**	(17,674)
Net cash flows used in operating activities		**(15,439)**	(11,791)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(14,515)**	(30,709)
Proceeds from disposal of property, plant and equipment		**830**	2,228
Proceeds from disposal of carbon credit		**–**	4,634
Additions of plantation forest assets	17	**(7,509)**	(10,035)
Acquisition of subsidiary	31	**(6,043)**	–
Net cash flows used in investing activities		**(27,237)**	(33,882)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	**84**	155,221
Share issue expenses	27	**(1,001)**	(4,001)
Capital element of finance lease rental payments		**(1,076)**	(8,980)
Interest paid on finance lease		**(89)**	(1,311)
Loans from the immediate holding company	34(a)(ii),(iii)	**1,638**	15,164
Loan from the ultimate holding company	34(a)(iv)	**–**	78,000
Repayment of convertible bonds		**–**	(172,870)
Net cash flows (used in)/from financing activities		**(444)**	61,223
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(43,120)**	15,550
Cash and cash equivalents at beginning of year		**121,851**	108,056
Effect of foreign exchange rate change, net		**581**	(1,755)
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**79,312**	121,851
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**78,938**	120,873
Non-pledged time deposits with original maturity of less than three months when acquired		**374**	978
Cash and cash equivalents as stated in the consolidated statement of cash flows		**79,312**	121,851

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.

As at 31 December 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. The ultimate holding company of the Company is Chow Tai Fook Enterprises Limited, 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	Indirect	Principal activities
Silver Mount Group Limited	BVI/Hong Kong	US$1	100	–	Investment holding
Greenheart Resources Holdings Limited	BVI/Hong Kong	–	–	60.39	Investment holding
Superb Able Industrial Limited	BVI/Hong Kong	US$1,155	–	60.39	Provision of corporate service
Greenheart Resources (Hong Kong) Company Limited	Hong Kong	HK$1	–	60.39	Provision of administrative and management services
Topwood Holdings Limited	BVI/Hong Kong	US$1	–	60.39	Provision of administrative and management services
Greenheart (Suriname) N.V.	Suriname	Surinamese dollar ("SRD") 1,000	–	60.39	Timber concession holding, harvesting and sale of logs and timber products

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
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
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

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
Forest Technologies N.V.	Suriname	SRD10,000	–	60	Administration of forestry operations
Caribbean Pallet Company N.V.	Suriname	SRD1,000	–	60	Manufacturing and sale of pallet
Greenheart Forest Suriname Suma Limited	BVI/Hong Kong	US$1	–	100	Investment holding
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

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
Northland Forest Managers (1995) Limited*	New Zealand	–	–	100	Provision of forest management
Apex Forest Management Limited*	New Zealand	–	–	100	Provision of forest management
Forest Management Services (NZ) Limited*	New Zealand	–	–	100	Provision of forest management
Pouto Forest Managers Limited*	New Zealand	–	–	100	Provision of forest management

* These subsidiaries were acquired during the year ended 31 December 2016. Further details of the acquisition are included in note 31 to the consolidated financial statements.

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.

2.1 BASIS OF PREPARATION

These consolidated financial statements were 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 were prepared under the historical cost convention, except for plantation forest assets and forestry land. Plantation forest assets were measured at fair value less costs to sell, and forestry land was 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.

2.1 BASIS OF PREPARATION *(continued)*

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 2016.

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.

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation (continued)

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/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time in preparing for this Year's consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiatives*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*

Other than as explained below regarding the impact of the amendments to HKAS 16 and HKAS 41, the adoption of the above new and revised HKFRSs has had no significant financial effect on these consolidated financial statements.

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

The amendments to HKAS 16 and HKAS 41 change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants are within the scope of HKAS 16 instead of HKAS 41. After initial recognition, bearer plants are measured under HKAS 16 at accumulated cost before maturity. After the bearer plants mature, they are measured either using the cost model or revaluation model in accordance with HKAS 16. The amendments also require that produce growing on the bearer plants remains in the scope of HKAS 41 and is measured at fair value less costs to sell. Government grants relating to bearer plants are accounted for in accordance with HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Although the Group is engaged in agricultural activities, the Group's biological assets do not meet the definition of a bearer plant as defined in HKAS 41. Accordingly, the amendments have had no impact on the Group's consolidated financial statements.

2.3 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 consolidated financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDRADS *(continued)*

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

(a) The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

(b) 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDRADS *(continued)*

(c) 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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

(d) HKFRS 15 establishes a new five-step model to 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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDRADS *(continued)*

(e) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

(f) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017 and is currently assessing the impact of HKAS 7 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDRADS *(continued)*

(g) Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017 and is currently assessing the impact of HKAS 12 upon adoption.

2.4 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 at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill (continued)

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its plantation forest assets at fair value less costs 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), 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 of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

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 of 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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties (continued)

or

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

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

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

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

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

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

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

(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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Plantation forest assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Plantation forest assets (continued)

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

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

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

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.

2.4 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.

2.4 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, 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.

2.4 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, 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.

2.4 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 profit or loss.

2.4 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 (i.e. removed from the Group's consolidated statement of financial position) 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 Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. 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.

2.4 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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and 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.

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 write-off is later recovered, the recovery is credited to other operating income/(expenses) in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, loans from the immediate holding company, loan 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.

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 nonds, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (continued)

Convertible Bonds (continued)

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 recognised 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.4 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.

2.4 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 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

- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax (continued)

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.

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) forest management fee income, when the relevant service has been rendered;

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (continued)

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

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 28 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 period 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments (continued)

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 the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

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

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 profit or loss as they become payable in accordance with the rules of the mandatory general pension scheme.

Certain employees of the Group's subsidiaries which operate in New Zealand participate in pension schemes regulated by the Financial Markets Authority, a New Zealand government agency. These subsidiaries are required to contribute a percentage of the employees' remuneration to the scheme. The contributions are recognised as employee benefits expense when they are due.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in 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 prevailing at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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

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

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

3. 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 their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

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

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

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

The management reviews the assumptions and estimates periodically to identify any significant change in the fair value of the forestry land and the plantation forest assets. The carrying amounts of the Group's forestry land and plantation forest assets as at 31 December 2016 were HK$99,858,000 and HK$320,682,000 (2015: HK$91,272,000 and HK$357,907,000), respectively. Further details of which are set out in notes 12 and 17 to the financial statements.

3. 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).

Year ended 31 December 2016

Change in production cost	Increase/(decrease) in production cost %	(Increase)/decrease in loss before tax HK$'000
If the production cost increases	5	(29,422)
If the production cost decreases	(5)	29,422

Change in transport cost	Increase/(decrease) in transport cost %	(Increase)/decrease in loss before tax HK$'000
If the transport cost increases	5	(10,871)
If the transport cost decreases	(5)	10,871

Change in log price	Increase/(decrease) in log price %	(Increase)/decrease in loss before tax HK$'000
If the log price increases	5	44,728
If the log price decreases	(5)	(44,728)

Change in discount rate	Increase/(decrease) in discount rate %	(Increase)/decrease in loss before tax HK$'000
If the discount rate increases	1	(9,411)
If the discount rate decreases	(1)	10,871

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

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

Year ended 31 December 2015

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

3. 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 2.4 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. When value in use calculations are undertaken, management estimates the expected future cash flows from the assets or cash-generating unit and chooses a discount rate in order to calculate the present value of those cash flows.

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

(e) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2016 was HK$5,651,000 (2015: Nil). Further details are given in note 14 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 26 to the 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 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 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

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

4. 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 2016

	Suriname^ HK$'000	New Zealand^ HK$'000	Unallocated HK$'000	Total HK$'000
SEGMENT REVENUE	**28,450**	**515,258**	**–**	**543,708**
SEGMENT RESULTS (“Adjusted EBITDA”)	**(39,339)**	**198,421**	**(24,487)**	**134,595**
Reconciliation of the segment results:				
Items other than finance costs, tax, forest depletion cost as a result of harvesting, depreciation and amortization				
Fair value gain on plantation forest assets	**–**	**65,109**	**–**	**65,109**
Interest income	**6**	**25**	**–**	**31**
Impairment of trade receivables***	**(6,000)**	**–**	**–**	**(6,000)**
Write-down of inventories, net*	**(5,760)**	**–**	**–**	**(5,760)**
Non-cash share option expenses	**–**	**–**	**(8,488)**	**(8,488)**

4. OPERATING SEGMENT INFORMATION *(continued)*

	Suriname^ HK$'000	New Zealand^ HK$'000	Unallocated HK$'000	Total HK$'000
SEGMENT RESULTS ("EBITDA")	(51,093)	263,555	(32,975)	179,487
Finance costs	(11,158)	(10,322)	–	(21,480)
Forest depletion cost as a result of harvesting*	–	(108,043)	–	(108,043)
Depreciation	(19,706)	(3,482)	(935)	(24,123)
Amortization of harvest roading*	–	(21,480)	–	(21,480)
Amortization of timber concessions and cutting rights*	(3,835)	–	–	(3,835)
Amortization of prepaid land lease payments**	(1,228)	–	–	(1,228)
Amortization of other intangible assets*	(278)	–	–	(278)
LOSS BEFORE TAX				(980)
SEGMENT ASSETS	659,526	764,017	7,454	1,430,997
SEGMENT LIABILITIES	371,266	291,251	2,135	664,652
Other segment information				
Capital expenditures#	(4,706)	(45,769)	(32)	(50,507)

^ Reportable Segments

Capital expenditures consist of additions to property, plant and equipment, prepaid land lease payments, timber concessions and cutting rights, harvest roading and plantation forest assets, and exclude assets from acquisition of subsidiaries.

* 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.

4. OPERATING SEGMENT INFORMATION *(continued)*

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 cost 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 option expenses	–	–	(8,444)	(8,444)
Reversal of accrued forest concession levy	13,441	–	–	13,441

4. 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 expenditures consist 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.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical Information

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

	2016	2015
	HK$'000	HK$'000
Mainland China	**459,228**	484,322
New Zealand	**56,663**	42,405
Suriname	**8,599**	16,090
The Netherlands	**5,766**	5,305
India	**5,459**	23,908
Belgium	**3,413**	16,459
Hong Kong	**–**	111
Other countries	**4,580**	2,812
	543,708	591,412

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

	2016	2015
	HK$'000	HK$'000
Suriname	**622,344**	641,963
New Zealand	**528,276**	544,909
Hong Kong	**3,109**	4,342
	1,153,729	1,191,214

4. OPERATING SEGMENT INFORMATION *(continued)*

Information on major customers

During the Year, the Group had transactions with three (2015: three) 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:

	2016	2015
	HK$'000	HK$'000
Customer 1	**273,097**	N/A*
Customer 2	**121,388**	131,547
Customer 3	**64,122**	N/A*
Customer 4	**N/A***	143,103
Customer 5	**N/A***	73,070
	458,607	347,720

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

5. 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:

	2016 HK$'000	2015 HK$'000
Revenue		
Sales of logs and timber products	**539,156**	591,412
Forest management fee	**4,552**	–
	543,708	591,412
Other income and gains		
Bank interest income	**31**	40
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	**925**	2,906
Reversal of accrued forest concession levy	**–**	13,441
Others	**265**	433
	2,469	19,819

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest on loans from the Immediate Holding Company	**8,951**	11,716
Interest on a loan from the Ultimate Holding Company	**3,911**	1,101
Interest on finance leases	**1,212**	1,070
Interest on interest-bearing bank borrowings	**7,406**	7,432
Interest on convertible bonds	**–**	9,203
Interest on a loan from the former intermediate holding company	**–**	4,142
Interest on loans from the former immediate holding company	**–**	1,909
	21,480	36,573

7. LOSS BEFORE TAX

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

	Notes	**2016 HK$'000**	2015 HK$'000
Cost of inventories sold*		**238,667**	292,973
Cost of services rendered*		**1,931**	–
Amortization of timber concessions and cutting rights	15	**1,779**	14,238
Amount released from/(capitalized in) inventories		**2,056**	(5,423)
Current year expenditure*		**3,835**	8,815
Forest harvested as agricultural produce	17	**109,843**	72,759
Amount (capitalized in)/released from inventories		**(1,800)**	1,903
Forest depletion cost as a result of harvesting*		**108,043**	74,662
Depreciation	12	**24,123**	34,983
Amortization of			
harvest roading*		**21,480**	17,788
prepaid land lease payments**	13	**1,228**	1,587
other intangible assets*	16	**278**	278

7. LOSS BEFORE TAX *(continued)*

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

	Notes	2016 HK$'000	2015 HK$'000
Impairment of			
property, plant and equipment***	12	–	110,429
goodwill***	14	–	7,624
timber concessions and cutting rights***	15	–	278,940
trade receivables***	19(b)	**6,000**	400
prepayments, deposits and other receivables***	20(b)	–	1,375
prepaid land lease payments***	13	–	8,389
Write-down of inventories, net*		**5,760**	23,572
(Gain)/loss on disposal of items of property, plant and equipment		**(429)**	2,052
Fair value loss on derivative financial instruments*		–	500
Minimum lease payments under operating leases for land and buildings		**5,412**	9,621
Auditor's remuneration		**1,620**	1,620
Employee benefits expense (including directors' remuneration):			
Wages and salaries		**63,592**	78,646
Equity-settled share option expenses		**8,488**	8,444
Pension scheme contributions (defined contribution scheme)		**631**	556
		72,711	87,646
Foreign exchange differences, net****		**(1,562)**	708

* 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$2,783,000 (2015: HK$2,602,000) and foreign exchange gain of HK$4,345,000 (2015: HK$1,894,000) are included in "Cost of sales" and "Administrative expenses" in the consolidated statement of comprehensive income, respectively.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the Year, disclosed pursuant to the Listing Rules on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 HK$'000	2015 HK$'000
Fees	**1,785**	1,846
Other emoluments:		
Salaries, allowances and benefits in kind	**4,020**	3,162
Equity-settled share option expenses	**6,252**	7,228
Pension scheme contributions	**36**	23
	10,308	10,413
	12,093	12,259

During the current and prior years, share options with or without a vesting period were granted to eight (2015: seven) directors in respect of their services to the Group, further details of which are included in the disclosures in note 28 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.

8. 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 expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2016					
Executive directors:					
Mr. Wu Wai Leung, Danny*	240	2,760	2,063	18	5,081
Mr. Lim Hoe Pin**	240	1,260	967	18	2,485
	480	4,020	3,030	36	7,566
Non-executive directors:					
Mr. Cheng Chi-Him, Conrad**	240	–	967	–	1,207
Mr. Tsang On-Yip, Patrick**	240	–	967	–	1,207
Mr. Simon Murray	105	–	322	–	427
	585	–	2,256	–	2,841
Independent non-executive directors:					
Mr. Nguyen Van Tu, Peter***	240	–	322	–	562
Mr. Tang Shun Lam, Steven***	240	–	322	–	562
Mr. Wong Man Chung, Francis***	240	–	322	–	562
	720	–	966	–	1,686
Total	1,785	4,020	6,252	36	12,093

8. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expenses 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

8. DIRECTORS' REMUNERATION *(continued)*

Mr. Paul Jeremy 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.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2016 and 2015.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Year included two (2015: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2015: three) non-director, highest paid employees for the Year are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**6,275**	7,739
Equity-settled share option expenses	**387**	603
Pension scheme contributions	**36**	36
	6,698	8,378

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	Number of employees	
	2016	2015
HK$1,000,001 to HK$1,500,000	**1**	–
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**	1
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	1
	3	3

No bonus (2015: nil) was paid to the remaining three (2015: three) non-director, highest paid employees. There were no payment (2015: nil) made by the Group to the remaining three (2015: three) non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

During the current and prior years, share options with or without a vesting period were granted to three (2015: none) of non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the consolidated 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.

10. 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 Year.

New Zealand income tax has been provided at the rate of 28% (2015: 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 has enjoyed a local income tax exemption for an original period of nine years from 2007 to 2016, which, has expired during the Year.

In 2014, the New Zealand Inland Revenue 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 towards implementing changes to the withholding tax rules which will require the Company to pay withholding tax regularly, the related withholding tax was provided during the years ended 31 December 2016 and 2015. During the Year, the audit was completed, and there was no material additional income tax or shortfall penalty.

	Notes	**2016** **HK$'000**	2015 HK$'000
Current – Hong Kong			
Charge for the Year		**11,175**	11,005
(Over)/Under-provision in prior years		**(98)**	297
		11,077	11,302
Current – Elsewhere			
Charge for the Year		**472**	942
Foreign exchange difference on income tax recoverable/payable		**(58)**	81
Deferred	26	**14,036**	3,193
Foreign exchange difference on deferred tax liabilities	26	**283**	(4,944)
Withholding		**1,039**	7,013
		26,849	17,587

10. TAX *(continued)*

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

	2016	2015
	HK$'000	HK$'000
Loss before tax	**(980)**	(615,655)
Tax at the Hong Kong statutory tax rate of 16.5% (2015: 16.5%)	**(162)**	(101,583)
Difference in tax rates of subsidiaries operating in other jurisdictions	**(12,543)**	(94,879)
Expenses not deductible for tax	**14,998**	176,443
Income not subject to tax	**(7,691)**	(8,247)
Tax losses not recognized	**35,067**	39,916
Utilization of tax losses previously not recognized	**(1,167)**	(429)
Increase in opening deferred tax liability resulting from change in applicable tax rate	**582**	8,125
Others	**(2,235)**	(1,759)
Tax expense	**26,849**	17,587

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amount is based on the profit/(loss) for the Year attributable to equity holders of the Company, and the weighted average of 1,370,289,109 (2015: 863,736,974) ordinary shares in issue during the Year.

The calculation of diluted earnings per share amount for the Year is based on the profit for the Year attributable to equity holders of the Company, and the weighted average of 1,371,990,439 ordinary shares in issue during the Year after adjusting for the impact on the deemed exercise of dilutive share options outstanding, calculated as follows:

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,370,289,109**	863,736,974
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,701,330**	–
	1,371,990,439	863,736,974

In respect of the diluted loss per share amount presented for the year ended 31 December 2015, no adjustment was made to the basic loss per share amount presented, as the impact of the share options and convertible bonds outstanding had neither dilutive effect nor anti-dilutive effect on the basic loss per share amount presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Forestry land HK$'000 (note (a))	Buildings and capital roadings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000 (note (b))	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2016								
At 1 January 2016:								
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
Net carrying amount:								
At 1 January 2016	91,272	138,794	3,233	91,894	3,125	2,720	11,781	342,819
Additions	–	8,924	–	104	161	262	4,596	14,047
Acquisition of a subsidiary (note 31)	–	–	–	119	340	88	–	547
Gain on revaluation	7,210	–	–	–	–	–	–	7,210
Transfers	–	4,852	–	2,390	–	–	(7,242)	–
Depreciation provided during the year (note 7)	–	(8,262)	(1,206)	(11,797)	(1,902)	(956)	–	(24,123)
Disposals	–	–	–	(254)	(88)	(59)	–	(401)
Exchange realignment	1,376	1	–	7	22	3	–	1,409
At 31 December 2016	99,858	144,309	2,027	82,463	1,658	2,058	9,135	341,508
At 31 December 2016:								
Cost or valuation	99,858	193,864	5,136	228,141	13,396	7,081	23,737	571,213
Accumulated depreciation and accumulated impairment	–	(49,555)	(3,109)	(145,678)	(11,738)	(5,023)	(14,602)	(229,705)
Net carrying amount	99,858	144,309	2,027	82,463	1,658	2,058	9,135	341,508

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

	Forestry land HK$'000 (note (a))	Buildings and capital roadings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000 (note (b))	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'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 7)	–	(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

12. 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 2016				
Recurring fair value measurement for:				
Forestry land	**–**	**99,858**	**–**	**99,858**
As at 31 December 2015				
Recurring fair value measurement for:				
Forestry land	–	91,272	–	91,272

During the years ended 31 December 2016 and 2015, 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 2016 and 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 2016 and 2015.

At 31 December 2016 and 2015, all the Group's forestry land with a net carrying amount of approximately HK$99,858,000 (2015: HK$91,272,000) was pledged to secure bank loan facilities granted to the Group (note 25).

12. 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 2016 amounted to HK$19,053,000 (2015: HK$22,602,000).

(c) In 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, 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 14 to the financial statements.

Accordingly, provision for impairment of HK$110,429,000 was recognized in profit or loss under "Provisions for Impairment" in 2015. No additional provision for impairment is considered necessary in 2016.

13. PREPAID LAND LEASE PAYMENTS

	Notes	**2016** **HK$'000**	2015 HK$'000
Carrying amount at beginning of year		**22,223**	32,199
Impairment during the year	7/(a)	**–**	(8,389)
Amortization provided during the year	7	**(1,228)**	(1,587)
Carrying amount at end of year		**20,995**	22,223
Current portion included in current portion of prepayments, deposits and other receivables	20	**(1,231)**	(1,231)
Non-current portion		**19,764**	20,992

13. PREPAID LAND LEASE PAYMENTS *(continued)*

Note:

(a) As at 31 December 2015, the carrying amount of the cash-generating unit of the forestry and timber business in the west Suriname, which certain prepaid land lease payments were allocated, was in excess of its recoverable amount following the Change of Operation Plan. Accordingly, provisions for impairment of HK$8,389,000 was allocated to prepaid land lease payments and recognized in profit or loss under "Provisions for impairment" in 2015. Further details of the impairment testing of such cash-generating unit are disclosed in note 14 to the consolidated financial statements. No additional provision for impairment is considered necessary in 2016.

14. GOODWILL

	Notes	**2016** **HK$'000**	2015 HK$'000
At beginning of year:			
Cost		**36,779**	36,779
Accumulated impairment		**(36,779)**	(29,155)
Net carrying amount		**–**	7,624
Net carrying amount:			
At beginning of year		**–**	7,624
Acquisition of a subsidiary	31	**5,651**	–
Impairment during the year	7	**–**	(7,624)
At end of year		**5,651**	–
At end of year:			
Cost		**42,430**	36,779
Accumulated impairment		**(36,779)**	(36,779)
Net carrying amount		**5,651**	–

14. 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.

	2016	2015
	HK$'000	HK$'000
Cost (before impairment):		
Logs and timber products business		
West Suriname	**7,624**	7,624
Central Suriname	**27,854**	27,854
Pallets business	**1,301**	1,301
Forest management business	**5,651**	–
	42,430	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 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.

14. GOODWILL *(continued)*

Logs and timber products business (continued)

The key assumptions on which management based its cash flow projections for the fair value less costs 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 division'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% (2015: 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. Accordingly, a full provision for impairment of HK$7,624,000 was allocated to the goodwill and charged to profit or loss in 2015.

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 Company N.V. 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.

14. GOODWILL *(continued)*

Pallets business

As at 31 December 2011, the Directors of the Company 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.

Forest management business

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 NFM.

Management allocated goodwill and certain property, plant and equipment to the cash-generating unit of the forest management business. The recoverable amount of cash-generating unit of the forest management business is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the management. The growth rate used to extrapolate the cash flows beyond the five-year period was 2%. The growth rate does not exceed long-term average growth rate for the business in which the cash-generating unit operates.

The key assumptions are based upon the discount rates, budgeted profit margins and revenues during the forecast period. The key assumptions on which management based its cash flow projections for the value in use are as follows:

Revenues and budgeted gross margins	–	The basis used to determine the value assigned is based on past performance and management expectation on NFM's ability to progress and to generate economic income stream through provision of forest management service.
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 was 8.5%.

The values assigned to key assumptions are consistent with external information sources.

As at 31 December 2016, the Directors of the Company are of the opinion that, based on the value in use prepared in accordance with the above key assumptions, no impairment loss provision against the goodwill allocated to forest management business is considered necessary.

15. TIMBER CONCESSIONS AND CUTTING RIGHTS

	Notes	2016 HK$'000	2015 HK$'000
At beginning of 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 year		**465,529**	758,707
Impairment during the year	7	**–**	(278,940)
Amortization provided during the year	7	**(1,779)**	(14,238)
At end of year		**463,750**	465,529
At end of year:			
Cost		**880,459**	880,459
Accumulated amortization and impairment		**(416,709)**	(414,930)
Net carrying amount		**463,750**	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 the terms ranging from 10 to 20 years.

During the year ended 31 December 2015, 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.

One of the Group's forest concessions in west Suriname with land area of approximately 127,000 hectares will expire in June 2017, where according to the relevant concession license, it is renewable for another 20 years. The Group has prepared the renewal application and will make the submission within the time specified by the relevant local government authority in Suriname.

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

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

Subsequent to the year end, on 19 January 2017, the Suriname Ministry of Environmental Planning, Land and Forest Management (the "Ministry of RGB") withdrew the concession right of a total forest area of approximately 44,000 hectares which was held by a wholly-owned subsidiary of the Company ("Concession") pursuant to the relevant Suriname laws and regulations (the "Withdrawal"). After the Withdrawal and as at the date of this report, total area of the forest concessions in Suriname held by the Group reduced to approximately 322,000 hectares. No revenue has ever been contributed by the Concession and the book value of the Concession has been fully written off in the financial year ended 31 December 2014. The Group further confirmed with the independent valuer that the Withdrawal will not have material impact on the valuation of the Group's other forest concessions and related processing assets in Suriname. Further details were set out in the Company's announcement dated 9 February 2017.

As at 31 December 2015, the carrying amount of the cash-generating unit of the forestry and timber business in the west Suriname, 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 was allocated to certain timber concessions and cutting rights and recognized in profit or loss under "Provisions for impairment" in 2015. Further details of the impairment testing of such cash-generating unit are disclosed in note 14 to the consolidated financial statements. No additional provision for impairment is considered necessary in 2016.

16. OTHER INTANGIBLE ASSETS

	Note	Deferred development costs HK$'000
Year ended 31 December 2016		
At 1 January 2016:		
Cost		**1,299**
Accumulated amortization and impairment		**(923)**
Net carrying amount		**376**
Net carrying amount:		
At 1 January 2016		**376**
Amortization of other intangible assets	7	**(278)**
At 31 December 2016		**98**
At 31 December 2016:		
Cost		**1,299**
Accumulated amortization and impairment		**(1,201)**
Net carrying amount		**98**

16. OTHER INTANGIBLE ASSETS *(continued)*

	Note	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
Amortization of other intangible assets	7	–	(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

During the years ended 31 December 2016 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. In 2015, 142,000 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.

17. PLANTATION FOREST ASSETS

As at 31 December 2016, 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 productive area was owned by the Group 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 2016 and 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 3(a) to the financial statements.

As at 31 December 2016 and 2015, all the Group's plantation forest assets were pledged to secure bank loan facilities granted to the Group (note 25).

17. 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)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016				
Recurring fair value measurement for:				
Plantation forest assets	**–**	**–**	**320,682**	**320,682**
As at 31 December 2015				
Recurring fair value measurement for:				
Plantation forest assets	–	–	357,907	357,907

During the years ended 31 December 2016 and 2015, 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:

	Note	**2016 HK$'000**	2015 HK$'000
Net carrying amount at 1 January		**357,907**	466,231
Transfer to/(from) Level 3		**–**	–
Additions		**7,509**	10,035
Harvested as agricultural produce	7	**(109,843)**	(72,759)
Changes in fair value less costs to sell (recognized in profit or loss)		**65,109**	(45,600)
Net carrying amount at 31 December		**320,682**	357,907

17. 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;

17. 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 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
As at 31 December 2016		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US$64-69/$m^3$	US$66/$m^3$
Significant observable inputs		
Yield (m^3/ha) (stands planted prior to 1997)	555-646	604
Yield (m^3/ha) (including Young Stands)	498-646	545
Production costs	US$27-30/$m^3$	US$28/$m^3$
Transport costs	US$12-14/$m^3$	US$13/$m^3$
Discount rate	8.5%	8.5%
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) (stands planted prior to 1997)	558-725	608
Yield (m^3/ha) (including Young Stands)	498-725	557
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%

17. PLANTATION FOREST ASSETS *(continued)*

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

Because of the increasing proportion of recently replanted young stands ("Young Stands"), Indufor has given some recognition to the cost of establishing these Young Stands (this was also done in 2015). 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 2015 and 2016. 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 ensure it was 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 or 2015. Given the time since the last area verification exercise, the process was repeated in 2016. This confirmed the mapping was of a consistently high standard.

The area verification sample in 2016 was approximately 25% (i.e. 2,413 hectares) of the planted 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.

17. PLANTATION FOREST ASSETS *(continued)*

The quality of the radiata pine is 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 2016 is around 6,757 hectares (2015: 4,999 hectares) or 60% (2015: 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.

18. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Logs	**11,726**	18,105
Timber products	**16,305**	12,009
	28,031	30,114

19. TRADE RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**128,904**	46,009
Less: impairment	**(6,538)**	(786)
	122,366	45,223

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

(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:

	2016 HK$'000	2015 HK$'000
Within 1 month	**43,591**	33,845
From 1 to 3 months	**76,019**	8,732
Over 3 months	**2,756**	2,646
	122,366	45,223

19. TRADE RECEIVABLES *(continued)*

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

	Note	**2016** HK$'000	2015 HK$'000
At beginning of year		**786**	436
Provision for impairment	7	**6,000**	400
Amounts written off during the year as uncollectible		**(248)**	(50)
At end of year		**6,538**	786

Included in the above provision for impairment of trade receivables are allowances for individually impaired trade receivables of HK$6,538,000 (2015: HK$786,000). The individually impaired receivables related to customers in disputes or were in default in payments.

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**43,685**	42,081
Less than 3 months past due	**76,537**	2,267
Over 3 months past due	**2,144**	875
	122,366	45,223

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

Receivables that were past due but not impaired relate to 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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

	Notes	2016 HK$'000	2015 HK$'000
Rental deposits		**1,094**	1,094
Prepayments		**1,182**	2,497
		2,276	3,591

Current portion

		2016 HK$'000	2015 HK$'000
Current portion of prepaid land lease payments	13	**1,231**	1,231
Prepayments		**41,714**	38,190
Deposits		**394**	470
Other receivables		**869**	6,668
	(a)	**44,208**	46,559

Notes:

(a) Current portion

	2016 HK$'000	2015 HK$'000
Prepayments, deposits and other receivables	**44,208**	46,559
Less: impairment	**–**	–
	44,208	46,559

20. 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:

	Note	**2016** **HK$'000**	2015 HK$'000
At beginning of year		**–**	4,851
Provision for impairment	7	**–**	1,375
Amount written off		**–**	(6,226)
At end of year		**–**	–

21. CASH AND CASH EQUIVALENTS

	2016 **HK$'000**	2015 HK$'000
Cash and bank balances other than time deposits	**78,938**	120,873
Time deposits with original maturity of less than three months when acquired	**374**	978
Cash and cash equivalents	**79,312**	121,851

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.

22. 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:

	2016	2015
	HK$'000	HK$'000
Within 1 month	**32,996**	28,486
From 1 to 3 months	**613**	2,679
Over 3 months	**2,905**	1,541
	36,514	32,706

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

23. OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	HK$'000
Other payables	**13,307**	17,748
Deposits received	**23,671**	23,492
Accruals	**12,234**	10,684
	49,212	51,924

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

24. FINANCE LEASE PAYABLES

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

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

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

25. INTEREST-BEARING BANK BORROWINGS

During the Year, the Group's bank loan facilities were renegotiated with the final maturity date extended to 28 February 2019. Accordingly, as at 31 December 2016, the Group's entire bank borrowings of HK$195,000,000 (equivalent to US$25,000,000) was classified as non-current liabilities in the consolidated statement of financial position.

As at 31 December 2016 and 2015, the Group's bank borrowings were denominated in United States dollars, bearing interest at the base rate determined by the Bank of New Zealand ("Bank") plus 1.65% per annum and repayable on 28 February 2019 (2015: 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 year ended 31 December 2016, one of the financial covenants was not complied with, therefore caused a review of the 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 2016, all financial covenants relating to the bank loan facilities were met.

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

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

(ii) a Fixed Charge over:

  (a) the Group's Forestry Land (located in New Zealand) with a net carrying value of approximately HK$99,858,000 (2015: HK$91,272,000) (note 12);

  (b) the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$320,682,000 (2015: HK$357,907,000) (note 17) 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.

26. 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 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 10)	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 10)	–	(4,441)	930	(1,137)	(301)	5	(4,944)
Exchange difference charged/(credited) to other comprehensive income during the Year	–	–	72	(2)	–	–	70
At 31 December 2015 and 1 January 2016	100,096	29,217	(19,424)	12,035	(6,876)	6	115,054
Deferred tax charge/ (credited) to the profit or loss during the Year (note 10)	582	(1,955)	9,350	1,785	4,316	(42)	14,036
Exchange difference charge/(credited) to the profit or loss during the Year (note 10)	–	443	(231)	179	(108)	–	283
Exchange difference charged/(credited) to other comprehensive income during the Year	–	–	(2)	–	–	–	(2)
As at 31 December 2016	100,678	27,705	(10,307)	13,999	(2,668)	(36)	129,371

26. DEFERRED TAX *(continued)*

As at 31 December 2016, the Group had aggregate tax losses arising in Hong Kong of approximately HK$97,052,000 (2015: HK$96,443,000) 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$182,245,000 (2015: HK$218,008,000) 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.

27. SHARE CAPITAL

Shares

	2016	2015
	HK$'000	HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
1,486,277,506 (2015: 962,477,947) ordinary shares of HK$0.01 each	**14,863**	9,625

27. SHARE CAPITAL *(continued)*

Shares (continued)

A summary of the movements in the Company's issued share capital during the years ended 31 December 2016 and 2015 is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
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 issued upon exercise of share options	(a)	108,000	1	118	119
Shares issue expenses		–	–	(1,001)	(1,001)
At 31 December 2016		1,486,277,506	14,863	1,925,429	1,940,292

27. SHARE CAPITAL *(continued)*

Notes:

(a) During the year, the subscription rights attaching to 108,000 (2015: 12,588,843) share options were exercised at the subscription price HK$0.78 (2015: HK$0.51) per share, resulting in the issue of 108,000 (2015: 12,588,843) ordinary shares of the Company for a total cash consideration of HK$84,000 (2015: HK$6,421,000). As a result of the exercise of these share options, their fair value of HK$35,000 (2015: 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 22 March 2016 of HK$7,976,000 (i.e. US$1,023,000) (Note 34(a)(i)).

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. 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 total number of the shares of the Company available for issue under the Share Option Scheme as at 31 December 2016 was 162,008,950 shares (including options for 39,455,000 shares that have been granted but not yet lapsed or exercised) which represented 10.90% of the issued share capital of the Company as at 31 December 2016. 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.

28. SHARE OPTION SCHEME *(continued)*

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

	Notes	2016 Weighted average exercise price HK$ per share	2016 Number of options '000	2015 Weighted average exercise price HK$ per share	2015 Number of options '000
At beginning of year		**1.23**	**13,700**	0.51	17,488
Granted during the year	(a)	**0.78**	**26,063**	1.23	13,700
Lapsed/cancelled/ forfeited during the year		**0.78**	**(200)**	0.51	(4,899)
Exercised during the year	(b)	**0.78**	**(108)**	0.51	(12,589)
At end of the year	(c)	**0.94**	**39,455**	1.23	13,700

Notes:

(a) The exercise period of share options granted during the Year is from 13 September 2016 to 12 September 2021 (2015: 17 July 2015 to 16 July 2020) and the fair values of the options were calculated using the Binomial Option Pricing Model. The inputs to the model are as follows:

	13 September 2016	17 July 2015
Share price at the date of grant	**HK$0.78**	HK$1.22
Exercise price per share	**HK$0.78**	HK$1.23
Expected volatility (%)	**84.33**	78.78
Risk-free interest rate (%)	**0.666**	1.185

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

26,063,000 share options were granted during the Year (2015: 13,700,000), and the Group recognized a share option expense of HK$8,488,000 during the Year (2015: HK$8,444,000).

(b) During the Year, 108,000 (2015: 12,588,843) share options were exercised, resulted in the issue of 108,000 (2015: 12,588,843) ordinary shares of the Company and new share capital of HK$1,000 (2015: HK$126,000) and share premium of HK$118,000 (2015: HK$9,142,000) (before issue expenses), as further detailed in note 27 to the consolidated financial statements.

28. SHARE OPTION SCHEME *(continued)*

Notes (continued):

(c) At the end of the Year, the Company had 39,455,000 (2015: 13,700,000) 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 39,455,000 (2015: 13,700,000) additional ordinary shares of the Company and additional share capital of approximately HK$395,000 (2015: HK$137,000) and share premium of approximately HK$36,545,000 (2015: HK$16,714,000) (before issue expenses). These share options had exercise price of HK$1.23 and HK$0.78 (2015: HK$1.23) per share and a weighted average remaining contractual life of 4.30 years (2015: 4.55 years).

29. 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 2.4 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/accumulated losses 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.

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

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

	2016	2015
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%

	2016 **HK$'000**	2015 HK$'000
Loss for the year allocated to non-controlling interests:		
Greenheart (Suriname) N.V.	**16,949**	51,698
Greenheart Forest Technologies N.V.	**4,448**	5,594

30. 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:

2016	Greenheart (Suriname) N.V. HK$'000	Greenheart Forest Technologies N.V. HK$'000
Revenue	18,653	–
Total expenses	(61,442)	(11,119)
Loss for the Year	(42,789)	(11,119)
Total comprehensive loss for the Year	(42,789)	(11,119)
Current assets	46,739	26,546
Non-current assets	90,093	21,217
Current liabilities	(641,553)	(152,207)
Net liabilities	(504,721)	(104,444)
Accumulated balances of non-controlling interests	(199,920)	(41,778)
Net cash flows used in operating activities	(28,615)	(284)
Net cash flows (used in)/from investing activities	(3,882)	313
Net cash flows from financing activities	31,459	–
Net (decrease)/increase in cash and cash equivalents	(1,038)	29

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

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)
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)

31. BUSINESS COMBINATION

On 7 January 2016, Greenheart NZ Forestry Holding Company Limited (as the purchaser), an indirectly 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 Year.

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

	Notes	HK$'000
Property, plant and equipment	12	547
Other non-current assets		3
Trade receivables		22,543
Prepayments		288
Cash and cash equivalents		336
Trade payables		(21,923)
Other payables and accruals		(1,066)
Total identifiable net assets at fair value		728
Goodwill on acquisition	14	5,651
		6,379

The fair values of trade receivables as at the date of acquisition represented the gross contractual amounts of the receivables. No receivables are expected to be uncollectible.

The goodwill of HK$5,651,000 was attributable to the excess of the consideration 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.

31. BUSINESS COMBINATION *(continued)*

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 Year and included in the "administrative expenses" line item in the consolidated statement of comprehensive income.

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

	HK$'000
Cash consideration	(6,379)
Cash and cash equivalents acquired	336
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)
	(6,077)

Since the acquisition, total revenue of HK$14,505,000 has been generated by NFM, of which HK$4,552,000 (after elimination on consolidation) was contributed to the Group's turnover and HK$5,391,000 of profit was contributed to the consolidated loss for the Year by NFM.

Had the combination taken place as the beginning of the Year, the proforma revenue of the Group and the consolidated loss of the Group for the Year would have been HK$543,901,000 and HK$27,141,000 respectively.

32. 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 the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**4,558**	6,026
In the second to fifth years, inclusive	**2,876**	6,580
	7,434	12,606

33. CAPITAL COMMITMENTS

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

	2016	2015
	HK$'000	HK$'000
Contracted, but not provided for:		
Land and buildings	**2,301**	2,301

34. 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	2016 HK$'000	2015 HK$'000
Former intermediate holding company	Interest expenses paid and payable on a loan	(i)	–	4,142
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)	**8,951**	11,716
The Ultimate Holding Company	Interest expenses paid and payable on a loan	(iv)	**3,911**	1,101
Noteholder	Interest expenses paid and payable on the convertible bonds	(v)	–	9,203
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(vi)	**180**	–
Former ultimate holding company and a former fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(vii)	–	1,247
Former fellow subsidiary	Sales of logs and timber products	(viii)	–	4,366
Former fellow subsidiary	Reimbursements	(ix)	–	67

34. RELATED PARTY DISCLOSURES *(continued)*

(a) (continued)

Notes:

(i) On 7 May 2015, the former intermediate holding company 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) 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 (Note 27).

(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.

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

- an unsecured loan with principal amount of HK$7,106,000 (i.e. US$911,000) which is repayable on 27 May 2018; and
- an unsecured loan with principal amount of HK$1,638,000 (i.e. US$210,000) which was drawn during the Year and is repayable on 25 October 2019.

34. RELATED PARTY DISCLOSURES *(continued)*

(a) (continued)

Notes: (continued)

(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 issued to Greater Sino Holdings Limited (the "Noteholder"), a company in which a director of the Company has an indirect interest. The actual coupon, calculated based on the coupon rate of 5% per annum as set out in the terms and conditions of the convertible bonds issued in August 2010, was HK$3,314,000 in 2015. The convertible bonds were fully redeemed on 17 August 2015.

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

(vii) The license fee and administrative expenses were recharged to the former ultimate holding company and a former fellow subsidiary with reference to the actual costs incurred.

(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.

(ix) 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.

34. RELATED PARTY DISCLOSURES *(continued)*

(b) Outstanding balances with related parties

(i) The amounts due to the Immediate Holding Company in current liabilities as at 31 December 2016 and 2015 represented the interest payables in relation to the loans from the 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 31 December 2016 represented the interest payables in relation to the loans from the Immediate Holding Company, which were unsecured and repayable on 31 March 2018 and 25 October 2019.

(iii) The amounts due to the Ultimate Holding Company as at 31 December 2016 and 2015 represented interest payables in relation to the loan from Ultimate Holding Company, which were unsecured and repayable within one year.

(iv) The amount due from a fellow subsidiary as at 31 December 2016 was unsecured, interest-free and repayable within one year.

(c) Compensation of key management personnel of the Group

	2016	2015
	HK$'000	HK$'000
Short-term employee benefits	**12,080**	12,747
Equity-settled share option expenses	**6,639**	7,831
Pension scheme contributions	**72**	59
	18,791	20,637

35. 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 25), loan from the Ultimate Holding Company (note 34(a)(iv)) and loans from the Immediate Holding Company (note 34(a)(i),(ii)&(iii)).

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) and accumulated losses.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax and accumulated losses HK$'000
Year ended 31 December 2016	**100**	**4,261**
	(100)	**(4,261)**
Year ended 31 December 2015	100	6,670
	(100)	(6,670)

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

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

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. The domestic sales generated from the New Zealand plantation assets and the forest management fee income from New Zealand division are denominated in New Zealand dollars which helps to partly offset the Group's operating expenses payable in New Zealand dollars. During the Year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2016. However, the Directors will continue to closely monitor all possible exchange rate risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

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 has concentration of credit risk as 91.2% of the Group's trade receivables was due from the Group's largest customer within New Zealand division (2015: no concentration of credit risk from the Group's largest customer), and 94.7% (2015: 67.6%) 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 19 to these financial statements.

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

Cash is held with financial institutions of good standing.

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

Liquidity risk

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

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

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

	2016			
	On demand HK$'000	Within One year HK$'000	In the second to fifth years, inclusive HK$'000	Total HK$'000
Trade payables	–	36,514	–	36,514
Other payables	1,077	12,230	–	13,307
Loans from the Immediate Holding Company	–	355	129,265	129,620
Loan from the Ultimate Holding Company	–	80,393	–	80,393
Due to the Immediate Holding Company	461	–	16,032	16,493
Due to the Ultimate Holding Company	–	1,101	–	1,101
Interest-bearing bank borrowings	–	4,802	200,576	205,378
Finance lease payables	8,778	–	–	8,778
	10,316	135,395	345,873	491,584

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

Liquidity risk (continued)

	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

Fair value risk

All financial assets and liabilities were carried at amounts not materially different from their fair values as at 31 December 2016 and 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 2016 and 2015.

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

Capital risk management (continued)

The Group 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 50% (2015: 40%) of the aggregate value of plantation forest assets and forestry land. For the debt service cover ratio, it is the ratio of free cash flow from the New Zealand division to the debt service requirement which shall not exceed 1.5 times. As at 31 December 2016 and 2015, such ratios were met as the aforementioned third party debts ratio and debt service cover ratio were at all times below 50% (2015: 40%) and exceeded 1.5 times, respectively.

In addition to the abovementioned third party debt ratio and debt service cover ratio, up to 17 August 2015 (date of maturity date of convertible bonds), the Group also monitored 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, such ratio, being less than 1.2 at all times, was not exceeded.

36. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 31 December 2016 and 2015 were loans and receivables, and financial liabilities stated at amortized costs, respectively.

37. EVENTS AFTER THE REPORTING PERIOD

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

(a) On 10 March 2017, supplemental agreements relating to the loan agreements with principal amounts of HK$62,400,000, HK$27,300,000, HK$23,400,000 and HK$7,106,000 were signed with the Immediate Holding Company, pursuant to which the Immediate Holding Company agreed to extend the maturity date of repayments of both loan principal and interest payables to 31 March 2019.

(b) On 10 March 2017, a supplemental agreement relating to a 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 31 March 2019.

38. CONTINGENT LIABILITIES

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

39. 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:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**882,758**	559,363
Prepayments, deposits and other receivables	**771**	1,101
Total non-current assets	**883,529**	560,464
CURRENT ASSETS		
Prepayments, deposits and other receivables	**454**	673
Cash and cash equivalents	**2,789**	3,268
Total current assets	**3,243**	3,941
CURRENT LIABILITIES		
Accruals	**1,470**	1,730
Total current liabilities	**1,470**	1,730
NET CURRENT ASSETS	**1,773**	2,211
TOTAL ASSETS LESS CURRENT LIABILITIES	**885,302**	562,675
NET ASSETS	**885,302**	562,675
EQUITY		
Issued capital	**14,863**	9,625
Reserves	**870,439**	553,050
TOTAL EQUITY	**885,302**	562,675

Director
Wu Wai Leung, Danny

Director
Lim Hoe Pin

39. 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 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 and 1 January 2016	1,611,573	125,376	6,776	–	(1,190,675)	553,050
Loss and total comprehensive loss for the Year	–	–	–	–	(4,920)	(4,920)
Issue of new shares upon loan capitalization	314,739	–	–	–	–	314,739
Share issue expenses	(1,001)	–	–	–	–	(1,001)
Equity-settled share option arrangements	–	–	8,488	–	–	8,488
Issue of new shares upon exercise of options	118	–	(35)	–	–	83
Transfer of share option reserve upon the lapse of share options	–	–	(227)	–	227	–
At 31 December 2016	1,925,429	125,376	15,002	–	(1,195,368)	870,439

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

Note: (continued)

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 2.4 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/accumulated losses should the related options expire or be forfeited.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 24 March 2017.