Greenheart Group
綠心集團

GREENHEART GROUP LIMITED

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

商界展關懷
caringcompany 2015-18
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Contents

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

AUTHORISED 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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Hong Kong
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INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Troutman Sanders
Sit, Fung, Kwong & Shum

Corporate Information

PRINCIPAL BANKERS

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

PRINCIPAL REGISTRAR & TRANSFER OFFICE IN BERMUDA

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

BRANCH SHARE REGISTRAR & TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 22
Hopewell Centre
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Hong Kong

WEBSITE

http://www.greenheartgroup.com/

INVESTOR RELATIONS

info@greenheartgroup.com

Chairman's Statement

Dear Shareholders,

On behalf of my fellow members of the board (the "Board") of directors (the "Directors") of Greenheart Group Limited ("Greenheart" or the "Company"), I am pleased to announce the annual results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2017 (the "Year").

The improved market conditions in global wood industry, particularly in China and the concerted efforts to reduce the operating costs and strengthen the operation efficiency, enable us to record a much enhanced operating profit for the Year.

Although the Group's result was negatively impacted by the provision of impairment for the Suriname division, reflecting the delay of the full production capacity caused by the prolonged concession renewed process, we successfully delivered a net profit of HK$40.3 million (2016: net loss of HK$27.8 million) and EBITDA of HK$258.5 million (2016: HK$179.5 million) for the Year. The profit attributable to the owners of the Company increased substantially by HK$77,716,000 to HK$86,451,000 (2016: HK$8,735,000). Basic earnings per share was HK cents 5.6 (2016: HK cents 0.6).

Other than the improvement of the operating results, 2017 has also been a year of meaningful progress in Greenheart's strategic evolution. During the Year, the Company has successfully completed a placement of 200 million shares with the total net proceeds of approximately HK$169,827,000. A portion of the proceeds was used to acquire a forestry right over the land in North Auckland, New Zealand (the "Rototuna Meridian Forest") in September 2017. Following that, in October 2017, the Group entered into a joint venture agreement in relation to the formation of a joint venture company in China with the scope of business principally engaged in the provision of environmental restoration and greening services in China.

Near the Year end and soon after that, the Group entered into two separate cooperation framework agreements, which provide the Group exclusive rights to review two potential investment opportunities, one in China and the other one in Gabon. The Company believes that based on the preliminary assessment and subject to further detailed due diligence review, these two potential investment opportunities fit into the Group's strategy in broadening our business horizons to other regions and business area which can bring high growth potential and add on value to the Group's existing business. We will discuss these two potential investment opportunities further in the following section.

BUSINESS PERFORMANCE

New Zealand Division

China's demand for New Zealand radiata pine remained firm throughout the Year. Although there were some minor fluctuations, mainly in relation to the shipping rates, other factors affecting the log prices held constant and therefore the export price for A-grade New Zealand radiata pine on cost and freight ("CFR") basis to China stayed at around US$137.9 per m^3 (2016: US$124.6 per m^3) during the Year.

During the Year, the Group harvested a total of 589,000 m^3 of New Zealand radiata pine and generated revenue of approximately HK$585,356,000, a 13.6% year-on-year increase. As a result of the increase of the average selling price, the Adjusted EBITDA, which excluded the fair value gain on plantation forest assets, of New Zealand division increased by HK$30,417,000, or 15.3%, to HK$228,838,000 for the Year.

At present, the usual fundamentals underpinning the New Zealand radiata pine market are almost all positive. China sentiment in the industry is very bullish towards the future log prices. As a result, a total of HK$94,177,000 fair value gain, after netting off the related deferred tax, was recorded for the Group's plantation forest assets in New Zealand.

Suriname Division

Notwithstanding that the value of the tropical logs and lumber, including those from Suriname, in China continuously improved in the recent years and the Group has successfully promoted several lesser known species of Suriname wood to China over the years, Suriname division's result remained disappointing during the Year.

Due to a number of reasons, such as the uncertainty of local government policies, shortage of skilled labour, underdeveloped infrastructure, Suriname division was still struggling and not able to turnaround its performance according to the original schedule. During the Year, the productivity of Suriname division was seriously hampered by the prolonged renewal process of its largest forest concession in the west. As a result, the revenue generated by Suriname division decreased substantially by 24.3% to HK$21,540,000 during the Year. A provision of impairment on timber concessions and cutting rights of HK$43,502,000 was made for west Suriname due to the negative adjustment on the timing for the fully implementation of the proposed recovery plan.

Chairman's Statement

The poor performance of Suriname division has significantly lower the Group's overall result. While the Group still believed in the potentials in Suriname's timber industry, actions must be taken as soon as possible to restore the profitability of Suriname division and ensure the Group's capital and resources are used in areas which can generate growth and best result. A strategy review is underway and various options (including but not limited to the subcontracting of certain activities to seasoned operators) are under considerations. The Company will keep the shareholders and market informed should there be any significant progress or recommendation arise.

THE WAY FORWARD

China's imports of wood and wood products continues to increase in 2017. The increase is in response to the stable economy and a decline in domestic production, caused mainly by the restrictions on harvest of natural forest. The demand of wood in China is expected to remain strong over the medium to longer term. Therefore, China will need to import more wood as a result of the strong domestic demand and a decline in domestic productions.

New Zealand continues to be China's largest softwood importing country. Given the successful track record of our New Zealand business and our established network and knowledge, the Group will place priorities in developing or investing in New Zealand's plantation assets to accelerate our business growth. The Company has identified several potential acquisition targets in New Zealand and anticipated to consummate one or two acquisitions during the 2018, should the terms of the transactions are suitable. The Group is also actively searching for other appropriate overseas wood or wood related assets to fill the large wood deficit in China. Subsequent to the year end, in January 2018, a non-binding agreement was signed which granted the Group an exclusive right to review an opportunity to tap into a sizeable wood resources in Gabon, Africa.

As I have outlined over the past year, Greenheart has been transitioning the Group from a traditional wood and wood products supplier business into ones we believe will generate attractive return in the years ahead as the wood industry adopt to change as a result of economy growth, increasing concern of environmental protection, government policies etc.

Following the gradual shift of China's economic center of gravity to inland provinces, the wood consumption in China expanded from the coastal provinces in South East to middle inland provinces. Such move has created opportunities for inland river ports, warehousing and fulfillment related business. Given that, the Group has entered into a cooperation framework agreement in relation to a possible investment opportunity in a company in Jiangxi Province, China, with its principal business engaged in timber trading, timber port investment and operations, logistics service, timber industrial park investment etc.

Taking all of the aforementioned into consideration, the Board is confident that the Company is on the right track turning Greenheart into a unique asset owner and operator which not only owns precious wood fibre resources but also provide infrastructure and solutions to bring overseas wood fibre to China which we believed can provide sustainable remarkable return to its shareholders and healthy cashflow to support the future growth.

BONUS ISSUE OF SHARES

The Directors propose to make a bonus issue of one new share for every ten existing shares held by shareholders whose names are on the register of members of the Company as at 7 June 2018. The necessary resolution will be proposed at the forthcoming annual general meeting on 30 May 2018 (the "2018 AGM"), and if passed, share certificates will be posted on 15 June 2018.

APPRECIATION

On behalf of the Board of Directors, I wish to extend my sincere gratitude to every management and staff at all levels for their contributions and efforts over the Year. I would also like to thank all my fellow directors for their incisive contributions as we continue our efforts on positioning the Group for future growth.

Last but not least, on behalf of the Board of Directors, I wish to express our sincere appreciation to all our new and existing shareholders for your confidence and steadfast support.

I am confident that our business ambitions and concerted efforts are geared towards making further strides and delivering sustainable long term shareholders value in the years ahead.

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

27 March 2018

Management Discussion and Analysis

BUSINESS REVIEW

The Group produced a good result for the Year due to the strong performance of New Zealand division. In 2017, a net profit of HK$40,338,000, compared with a net loss of HK$27,829,000 in 2016, was recorded. The remarkable performance of the New Zealand division was mainly due to improved underlying operating profit (i.e. Adjusted EBITDA) and a substantial increase of the fair value gain on the plantation forest assets benefited mainly from the increased forecasted selling price. Negative contributions were, however, still seen from Suriname division. A substantial non-cash impairment on timber concessions and cutting rights in Suriname of HK$43,502,000 was recorded for west Suriname as the recovery plan was far lagging behind the original schedule.

Revenue

The Group recorded total revenue of HK$606,896,000, an increase of HK$63,188,000 or 11.6% as compared with that of last year. The increase was mainly attributable to the improvement in the selling prices in the New Zealand division during the Year.

Revenue contributed by the New Zealand division increased by 13.6% to HK$585,356,000 from HK$515,258,000 as compared with that of last year. Such increase was largely a result of the stronger export prices of New Zealand radiata pine. In particular, the average selling price increased to US$114.7 per m^3 for the Year, as compared to US$106.0 per m^3 for the same period last year. Meanwhile, the sales volume was little changed at 627,000 m^3 (2016: 617,000 m^3).

Apart from sales of logs, revenue generated from forest management service increased by 33.4% year-on-year to HK$6,072,000. Further, the Group recorded a new stream of shipping service fee income of HK$18,187,000 during the Year.

Revenue contributed by Suriname division dropped sharply by 24.3%, falling from HK$28,450,000 to HK$21,540,000 during the Year as no production in west Suriname for five months, awaiting for the approval of the renewal of one of its largest concession.

Gross profit

Gross profit was HK$120,639,000 for the Year, representing a decrease of approximately HK$19,081,000 or 13.7% year-on-year. New Zealand division contributed a gross profit of HK$184,682,000 (2016: HK$185,932,000), while Suriname division reported a gross loss of HK$64,043,000 (2016: HK$46,212,000).

During the Year, gross profit margin was 19.9% compared with 25.7% in 2016. The gross profit margin for the Group's New Zealand division for the Year was 31.6% (2016: 36.1%) while Suriname division recorded a gross loss margin of 297.3% (2016: 162.4%).

Management Discussion and Analysis

In addition to the increased non-cash forest depletion cost due to the increase in fair value of the plantation forest assets, the increased cartage and logging cost also reduced the gross profit margin for New Zealand division slightly during the Year.

The gross loss margin for Suriname division deteriorated substantially further during the Year, which was principally because of higher unit fixed costs as a result of low production volume and the cease of the pallet business during the Year.

Other income

Other income amounted to HK$696,000 (2016: HK$2,469,000) for the Year, mainly representing rental income received from subcontractors in Suriname for the lease of plant and machinery of HK$252,000 (2016: HK$925,000) and bank interest income of HK$39,000 (2016: HK$31,000).

Other income for the year ended 31 December 2016 included two one-off items: (i) the compensation received for early termination of a forest management contract of HK$702,000 due to the change of ownership of the related forest assets and (ii) the insurance claim received for a damaged machinery of HK$546,000. No such events happened during the Year.

Other gains and losses

Other gains and losses comprised of (i) impairment on timber concessions and cutting rights of HK$43,502,000 (2016: nil); (ii) impairment on trade receivables of HK$62,000 (2016: HK$6,000,000); (iii) reversal of impairment of prepaid lease payments of HK$3,801,000 (2016: nil); and (iv) gain on disposal of property, plant and equipment of HK$5,053,000 (2016: HK$429,000).

The impairment on timber concessions and cutting rights for the Year was mainly attributable to the west Suriname in which the carrying value of cash-generating unit of the forestry and timber business was in excess of its recoverable amount. Accordingly, impairment was allocated to timber concessions and cutting rights of the cash-generating unit.

Reversal of impairment of prepaid lease payments for the Year was primarily due to the increase in fair value less costs of disposal of certain leasehold land in Suriname based on the valuation reports at the end of the Year prepared by an independent valuer.

The gain on disposal of property, plant and equipment for the Year was due to the disposal of certain idle vehicles in Suriname during the Year.

The impairment on trade receivables for 2016 was made as a result of a dispute regarding the quality of certain low grade Suriname lumber sold.

Management Discussion and Analysis

Fair value gain on plantation forest assets

The fair value gain on the plantation forest assets in New Zealand amounted to HK$130,801,000 (2016: HK$65,109,000) for the Year. The gain was calculated based on the valuation report at the end of the Year prepared by an independent valuer, and was primarily attributable to the increase in the forecasted near term selling price of most log grades. Additional information in relation to these independent valuations is set out in the note to this management discussion and analysis section.

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$104,292,000, representing a 13.6% decrease from HK$120,710,000 in 2016. The decrease was mainly attributable to the decrease in freight cost as a result of the reduction of the volume of New Zealand radiata pine sold under the CFR term. Such effect was partially offset by the increase in per unit freight charge from US$13.3/$m^3$ to US$18.9/$m^3$, reflecting the recovery of global crude oil price and surge on freight demand during the Year.

Administrative expenses

Administrative expenses decreased by 13.6% or HK$8,209,000 for the Year. This was mainly due to the decrease in share-based payment expenses by HK$8,390,000, which were non-cash in nature and represented the amortisation of the fair value of share option granted in September 2016.

Finance costs

Finance costs represented (i) interest on loans from Newforest Limited ("Newforest" or "Immediate Holding Company") of HK$6,491,000 (2016: HK$8,951,000); (ii) interest on loan from Chow Tai Fook Enterprises Limited ("CTFE" or "Ultimate Holding Company") of HK$3,900,000 (2016: HK$3,911,000); (iii) interest on bank borrowings of HK$8,253,000 (2016: HK$7,406,000); and (iv) interest on finance leases of HK$1,366,000 (2016: HK$1,212,000).

The decrease in finance costs by HK$1,470,000 to HK$20,010,000 for the Year was primarily the result of the savings on interest expenses subsequent to the capitalisation of loan from Newforest of HK$312,000,000 (i.e. US$40,000,000) on 22 March 2016, which was partly offset by the increase in interest on bank borrowings following the general rise in London Interbank Offered Rates ("LIBOR") throughout 2017.

Income tax expense

Income tax expense for the Year mainly represented a tax provision of HK$23,045,000 (2016: HK$11,491,000) for New Zealand division, a deferred tax credit of HK$23,768,000 (2016: a deferred tax charge of HK$14,319,000), and withholding tax of HK$1,201,000 (2016: HK$1,039,000) resulting from the intercompany interest.

The deferred tax for the Year comprised of deferred tax charge of HK$22,420,000 (2016: HK$13,304,000) and deferred tax credit of HK$46,188,000 (2016: deferred tax charge of HK$1,015,000) in New Zealand and Suriname divisions, respectively.

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

The deferred tax credit in Suriname division represented the net movement of taxable temporary differences arising from amortisation of fair value adjustments in previous years' acquisition of subsidiaries and the recognition of tax losses during the Year.

EBITDA

The EBITDA of the Group increased by HK$78,982,000 to HK$258,469,000 for the Year.

The improvement in EBITDA of the Group was primarily contributed by New Zealand division. The EBITDA of New Zealand division increased from HK$263,555,000 last year to HK$359,675,000 for the Year as a result of the improvement in underlying operating results together with the increase in fair value gain on plantation forest assets.

Due to the substantial impairment on timber concessions and cutting rights made for the Year as mentioned above, the negative EBITDA of Suriname division was increased from HK$51,093,000 last year to HK$76,580,000.

Management Discussion and Analysis

Profit for the Year attributable to owners of the Company

As a result of the aforementioned, the profit attributable to owners of the Company increased to HK$86,451,000 for the Year from HK$8,735,000 for 2016.

Equity attributable to owners of the Company

The equity attributable to owners of the Company increased by HK$265,505,000 to HK$1,148,446,000 as at 31 December 2017 from HK$882,941,000 as at 31 December 2016. Such increase was mainly contributed by the completion of the subscription of new shares under general mandate by China Forestry International Resource Company Limited and Hong Kong Genghis Khan Group Limited on 22 August 2017 and 28 September 2017, respectively, where 200,000,000 new shares were issued for HK$169,827,000 net cash consideration.

Additional information related to valuations of plantation forest assets

The Group's plantation forest assets were independently valued by Indufor Asia Pacific Limited ("Indufor") as at 31 December 2017 and 2016, except for the McInnes Forestry Right with a total land area of approximately 23 hectares, which was newly acquired in December 2017. Indufor is an independent professional forest specialist consulting firm. The key valuers involved in the 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.

As part of the independent valuation, 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 2017 and 2016. In addition, a high level area validation exercise using satellite imagery was performed for Mangakahia Forest, the Group's largest radiata pine plantation forest assets located in the Northland region of New Zealand with a total area of 12,700 hectares. The area verification covered the entire planted forest area in Mangakahia Forest.

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

(a) Reliance on the forest health surveillance report prepared by an independent third party specialising in forest health for Mangakahia Forest and health survey prepared by the Group for Rototuna Meridian Forest with a total land area of approximately 500 hectares, which was newly acquired in 2017. 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 actual yield data for the full extent of the harvesting was considered; and (ii) the yield tables prepared by the previous owners of the plantation forest assets which the Group obtained during due diligence works in respective years.

(c) Comparing the forest planted area maps provided by the forest manager with a sample of newly planted stands inspected by Indufor during the field inspection.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2017, the Group's current assets and current liabilities were HK$481,710,000 and HK$129,167,000 (2016: HK$277,268,000 and HK$202,405,000), respectively, of which the Group maintained cash and bank balances of approximately HK$174,435,000 (2016: HK$79,312,000). The Group's outstanding borrowings as at 31 December 2017 represented the loans from immediate holding company amounting to HK$134,965,000 (2016: HK$121,844,000), the loan from ultimate holding company amounting to HK$78,000,000 (2016: HK$78,000,000), bank borrowings amounting to HK$195,000,000 (2016: HK$195,000,000) and obligations under finance lease of HK$10,229,000 (2016: HK$8,778,000). Accordingly, the Group's gearing ratio, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 36.4% (2016: 45.7%).

As at 31 December 2017, there were 1,686,337,506 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 forest 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 financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2017. 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.

The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank of New Zealand (the "Bank"). During the Year, one of the financial covenants was not complied with, therefore, resulted in an event of review 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 the date of this annual report, all financial covenants related to the bank loan facilities were met.

TRADE RECEIVABLES REVIEW

The trade receivables of the Group as at 31 December 2017 and the subsequent settlement after the end of the reporting period are as follows:

	As at 31 December 2017	After the end of the reporting period	
	Trade receivables balance HK$'000	Subsequent settlement HK$'000	Outstanding amount HK$'000
Neither past due nor impaired	**21,665**	21,665	–
Less than 3 months past due	**113,769**	9,915	103,854*
Over 3 months past due	**103,021**	54,828	48,193*
	238,455	86,408	152,047*

* The entire overdue trade receivables after the end of the reporting period is owed by a major customer of the Group (the "Major Customer").

The Major Customer advised that more time is required to collect the sales proceeds from its customers and therefore there is a large percentage of trade receivables from the Major Customer.

The Group has taken the following measures to receive the overdue trade receivables from the Major Customer, including:

a. continuing to review and monitor the development of collecting trade receivables from the Major Customer;

b. the Group will closely monitor the progress of the payment from the Major Customer and will take necessary actions to protect the Group's interests in those receivables;

c. the sole beneficial owner of the Major Customer has provided personal guarantee to the Group to guarantee the repayment of the trade receivables owed by the Major Customer;

d. the management of the Group has been constantly monitoring the status of the Major Customer and keep the Board informed the aging of the trade receivables from the Major Customer through the monthly management report; and

e. reminder was sent to the Major Customer weekly to follow up the payment.

Based on the measures mentioned above, the trade receivables of the Group as at 31 December 2017 has been further reduced with the subsequent settlement after the end of the reporting period and the Directors are of the view that further recovery of the overdue trade receivables is positive and are of the view that no impairment assessment is required at this stage.

PROSPECTS

China remains the key market for the Group's major wood products, with only minor volumes for South East Asia, Europe and India. China closed for year 2017 with an actual gross domestic product ("GDP") growth of 6.9%, up 0.3% with the real estate sector contributing to 6.5% to the GDP growth, excluding the construction sector. The combination sector accounts for over 13% of the GDP growth. The Chinese Government has announced the GDP growth target would be 6.5% for 2018.

New Zealand logs and wood products (mainly New Zealand radiata pine) exported to China in 2017 reached a record high of US$2.33 billion, US$519 million higher than in 2016. China continues to be New Zealand's major destination for log exports, making up 83% of New Zealand logs exports for the 11 months ended 30 November 2017.

So far, all the information coming of China has pointed towards or better demand for New Zealand radiata pine in the short to medium term. The latest announcement about the building regulations in China has included New Zealand radiata pine in the Chinese Code of Design, allowing buildings to be designed using New Zealand wood grade and sizing. CFR prices closed at US$141-143 per m^3 for A-grade log in December 2017 and it is expected that February/March 2018 prices will have a further US$1-2 per m^3 increase.

Management Discussion and Analysis

2017 was a momentous year for our New Zealand division in terms of financial results. As we look to 2018 and beyond, we will continue the efforts in the acquisitions of New Zealand radiata pine assets through either short term stumpage and/or long term land and tree acquisitions and expand our radar from Northlands to other parts of New Zealand.

While New Zealand division's developments are encouraging, the performance of Suriname division continued to be disappointing and was a drag on the Group's results and shareholders value. A strategic review is underway to determine the actions needed to reduce further cash and resources poured into Suriname division and to restore a balanced profitability of those business divisions within the Group.

Having said that, through the operation team's concerted efforts, Suriname division did achieve several key milestones in 2017, i.e. successful extensions of our largest west forest concession of 127,000 hectares, signed collaboration with in-country harvesting experts in the operations on our east concessions, and the successful marketing of high volume lesser known species to the export market. From operation perspective, the local management will remain disciplined and focused in returning log harvesting and sawmill production volumes to highest possible levels through further collaboration projects with proven log harvesting companies, outsourcing of our processing plants to successful Asia operators and upscaling in-housing marketing capabilities beyond the current established markets and wood products to enhance conversion yield, especially in the recovery product space.

On the corporate level, the Company has announced two separate non-binding cooperation framework agreements for two potential investments towards and after the end of the Year. The Group also entered into a joint venture agreement in relation to the formation of a joint venture company in China to be principally engaged in the provision of environmental restoration and greening services in China during the Year. In order to sustain further growth, the Group will continue to actively explore various form of strategic business opportunities, and will develop or invest in new business whenever it generates attractive return to the Group and the shareholders.

CHARGE ON ASSETS

As at 31 December 2017 and 2016, 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$108,447,000 (2016: HK$99,858,000) ("Forestry Land");

b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$333,831,000 (2016: HK$320,682,000) 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$9,249,000 (2016: approximately HK$14,047,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

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

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 45 to the consolidated financial statements.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the total number of employees of the Group was 317 (2016: 354). Employment costs (including Directors' emoluments) amounted to approximately HK$59,705,000 for the Year (2016: HK$72,711,000). Remuneration of employees includes salary and discretionary bonus, based on the Group's results and individual performance. Medical and retirement benefits schemes are made available to all levels of personnel.

Biographical Details of Directors and Senior Management

DIRECTORS

Mr. Cheng Chi-Him, Conrad, aged 39, 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 specialising 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 previously 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 and an executive director of International Entertainment Corporation (stock code: 1009) from January 2008 to June 2017, both of which are listed public companies in Hong Kong.

Mr. Wu Wai Leung, Danny, aged 57, 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 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 (stock code: 911), since February 2016.

Biographical Details of Directors and Senior Management

Mr. Lim Hoe Pin, aged 49, 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 25 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 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 46, 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, a non-executive director of i-CABLE Communications Limited (stock code: 1097) in September 2017, 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.

Biographical Details of Directors and Senior Management

Mr. Simon Murray, aged 78, 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 organisations, including The China Coast Community Association. Currently, Mr. Murray is an independent non-executive director of 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). Mr. Murray formerly served as an independent non-executive director of CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited (stock code: 1113) from February 2015 to May 2017 and was a non-executive director of Compagnie Financière Richemont SA, a company listed in Switzerland from October 2003 to September 2017.

Mr. Nguyen Van Tu, Peter, aged 74, 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.

Biographical Details of Directors and Senior Management

Mr. Tang Shun Lam, Steven, aged 62, 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 specialises 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 53, 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 Accountants 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.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Tse Nga Ying, Daphne, aged 45, 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 19 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.

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the Year except for 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 judgement. 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 organisation 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 2016 and six months ended 30 June 2017, respectively, and has reviewed the Group's internal control environment; as well as participated in other significant operational, financial and compliance matters.

Corporate Governance Report

The Board holds meetings on a regular basis as well as on an ad hoc basis, as required by the Group's needs. The Board held seven meetings during the Year (2016: 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	7/7	2/2
Mr. Lim Hoe Pin	7/7	2/2
Non-executive Directors		
Mr. Simon Murray	2/7	0/2
Mr. Cheng Chi-Him, Conrad	6/7	1/2
Mr. Tsang On-Yip, Patrick	7/7	1/2
Independent Non-executive Directors		
Mr. Nguyen Van Tu, Peter	7/7	2/2
Mr. Tang Shun Lam, Steven	6/7	2/2
Mr. Wong Man Chung, Francis	7/7	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	✔

Corporate Governance Report

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 scrutinise 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	0/1

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.

Corporate Governance Report

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	0/1

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 judgement contained therein; reviewing financial and internal controls, accounting policies and practices with management and the external auditors; and reviewing the Company's compliance with the CG Code.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group, 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 external auditors the consolidated financial statements for the Year. During the Year, three 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)*	3/3
Mr. Tang Shun Lam, Steven	3/3
Mr. Nguyen Van Tu, Peter	3/3
Mr. Tsang On-Yip, Patrick	2/3

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.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the Year.

ACCOUNTABILITY AND AUDIT

Senior management provides explanations and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare financial statements which give a true and fair view of the state of affairs of the Group. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgements 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 auditor, Deloitte Touche Tohmatsu ("Deloitte"). For the Year, the audit fee was HK$1,950,000 and the non-audit service fees paid and payable to Deloitte and Moore Stephens CPA Limited (the preceding auditors) were nil and HK$43,400, respectively. The non-audit services mainly comprised taxation compliance services. The responsibilities of the external auditors with respect to financial reporting are set out in the section "Independent Auditor's Report".

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 unauthorised 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 decided 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 Group's systems of risk management and internal control were 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.

Corporate Governance Report

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 organised, 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: Suite 1706-10, 17/F., Everbright 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.

Directors' Report

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, provision of forest management services and shipping services. The Group started to provide shipping services since March 2017. 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 8 to 17 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 41 to the consolidated financial statements.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to conducting its business in an environmentally conscious manner and minimising the adverse effects caused by its operations on the environment. The Group continues to make endeavours 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 recognises 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 profit for the Year and the Group's financial position at Year end are set out in the consolidated financial statements on pages 62 to 172.

The Directors do not recommend the payment of any dividend for the Year (2016: Nil).

Directors' Report

ISSUE OF BONUS SHARES

The Directors propose to make a bonus issue ("Bonus Issue") of one new shares ("Bonus Shares") credited as fully paid for every ten existing shares held by the shareholders whose names appeared on the register of members of the Company on 7 June 2018. The relevant resolution is subject to (i) approval by the shareholders at the 2018 AGM, and if passed; (ii) upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Bonus Shares; and (iii) compliance with the relevant legal procedures and requirements (if any) under the applicable laws of the Bermuda and the Bye-laws to effect the Bonus Issue. Share certificate(s) for the Bonus Shares will be despatched to the shareholders on or around 15 June 2018, Friday.

The Bonus Shares, upon issuance, will rank pari passu in all respects with the existing shares in issue.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(i) from 25 May 2018 to 30 May 2018, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to attend and vote at the 2018 AGM. In order to qualify for attending and voting at the 2018 AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 24 May 2018; and

(ii) from 6 June 2018 to 7 June 2018, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to the Bonus Shares. In order to qualify for the proposed Bonus Shares, all completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 5 June 2018.

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.

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
Results					
Revenue	**606,896**	543,708	591,412	673,604	724,583
Profit (Loss) for the year	**40,338**	(27,829)	(519,675)	(187,991)	(54,743)
Attributable to:					
Owners of the Company	**86,451**	8,735	(372,165)	(132,142)	(2,385)
Non-controlling interests	**(46,113)**	(36,564)	(147,510)	(55,849)	(52,358)
	40,338	(27,829)	(519,675)	(187,991)	(54,743)

	At 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Assets and liabilities and non-controlling interests					
Total assets	**1,667,088**	1,435,013	1,442,214	2,007,162	2,162,539
Total liabilities	**(745,781)**	(733,098)	(1,048,871)	(1,239,199)	(1,202,264)
Non-controlling interests	**227,139**	181,026	144,462	(3,048)	(58,897)
	1,148,446	882,941	537,805	764,915	901,378

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorised share capital during the Year. Details of movements in the Company's issued share capital and share options during the Year are set out in notes 32 and 33 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 2017, 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$2,093,323,000 may be distributed in the form of fully paid bonus shares (2016: HK$1,925,429,000).

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 93.4% of the total gross revenue before export tax for the Year and sales to the largest customer included therein amounted to 55.5%. Purchases from the Group's five largest suppliers accounted for 46.7% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 15.8%.

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 Directors

Directors' Report

In accordance with the Company's Bye-laws, Messrs. Tsang On-Yip, Patrick, Nguyen Van Tu, Peter and Wong Man Chung, Francis 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 18 to 22 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 report, the Company and the Group had the following connected and continuing connected transactions:

Continuing connecting transactions

Provision of facility by Silver Mount to Greenheart Resources

On 14 May 2008, Greenheart Resources Holdings Limited ("Greenheart Resources"), a 60.39% indirect subsidiary of the Company, and Silver Mount Group Limited ("Silver Mount"), an indirect wholly-owned subsidiary of the Company, entered into a facility agreement in relation to the provision of a revolving loan facility of up to HK$50 million (the "Facility Limit") by Silver Mount to Greenheart Resources (the "Facility"). The Facility is unsecured, bears interest at prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong & Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount) and was due on 14 May 2011 or such later day as Silver Mount and Greenheart Resources agreed in writing. Sino-Forest Corporation ("Sino-Forest") became a substantial shareholder of the Company from 2007 until January 2013. Sino-Capital was a wholly-owned subsidiary of Sino-Forest and holds 39.61% of the issued share capital of Greenheart Resources ("Greenheart Resources Shares") following completion of the acquisition of an aggregate of 2,638,469,000 ordinary shares of Greenheart Resources by Sino-Capital in June 2010. After the completion of such acquisition, Greenheart Resources became a connected person of the Company under Listing Rules and the provision of the Facility from Silver Mount to Greenheart Resources constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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

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

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

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 2017, 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$10,749,000.

Subsequent to the reporting date, on 26 January 2018, Silver Mount entered into a fourth supplemental facility agreement with Greenheart Resources pursuant to which the parties agreed to, among other things, (a) increase the Facility Limit to HK$371 million; (b) extend the repayment date of the outstanding amount drawn under the Facility to 30 November 2020; and (c) 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 12 March 2018.

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.

Deloitte Touche Tohmatsu, the Company's external auditor, was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu 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 39 to the consolidated financial statements, the Company confirms that it has reviewed the transactions 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 exempted 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 39 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 capitalised 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 exempted 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 39(a)(i) to the consolidated financial statements.

(ii) Pursuant to seven 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, a loan facility of an aggregate principal amount of US$792,000, a loan facility of an aggregate principal amount of US$1,100,000 and a loan facility of an aggregate principal amount of US$1,030,000 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 exempted 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 39(a)(ii) 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 exempted 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 39(a)(iii) 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 exempted 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 39(a)(iv) to the consolidated financial statements.

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

As at 31 December 2017, 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)*	0.30
Lim Hoe Pin	Beneficial owner	6,000,000 *(Note 1)*	0.36
Simon Murray	Beneficial owner	3,035,889 *(Note 2)*	0.18
Nguyen Van Tu, Peter	Beneficial owner	2,000,000 *(Note 1)*	0.12
Tang Shun Lam, Steven	Beneficial owner	2,000,000 *(Note 1)*	0.12
Tsang On-Yip, Patrick	Beneficial owner	5,000,000 *(Note 1)*	0.30
Wong Man Chung, Francis	Beneficial owner	2,000,000 *(Note 1)*	0.12
Wu Wai Leung, Danny	Interest of controlled corporation and beneficial owner	1,030,105,389 *(Note 3)*	61.09

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 Limited 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 Limited 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 authorised, 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 2017 was 187,822,750 Shares (including options for 39,195,000 shares that have been granted but not yet lapsed or exercised), representing 11.14% of the issued share capital of the Company as at 31 December 2017. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the INEDs. In addition, any share options granted to a substantial shareholder or an INED, 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 2017	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As at 31 December 2017	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 shares 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	2,355,000	–	60,000	–	200,000	2,095,000	13 Sep 2016 to 12 Sep 2021	Note	0.78	13 Sep 2016	0.76	1.05
Others	4,000,000	–	–	–	–	4,000,000	13 Sep 2016 to 12 Sep 2021	N/A	0.78	13 Sep 2016	0.76	–
TOTAL	39,455,000	–	60,000	–	200,000	39,195,000						

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 grant, all share options granted will be vested on the date of 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 grant and the other 50% will be vested on the first anniversary of the date of grant. For example, if the date of 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 grant, 50% of the share options granted will be vested on the first anniversary of the date of grant and the other 50% will be vested on the second anniversary of the date of grant. For example, if the date of 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 33 to the consolidated 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 2017, 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 Limited	Beneficial owner *(Notes 1, 3, 4&5)*	1,020,005,389	–	60.49
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation *(Note 1)*	1,020,005,389	–	60.49
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation *(Note 1)*	1,020,005,389	–	60.49
Wu Wai Leung, Danny	Interest of controlled corporation and beneficial owner *(Notes 1&3)*	1,020,005,389	10,100,000 *(Note 2)*	61.09
Chow Tai Fook (Holding) Limited	Interest of controlled corporation *(Notes 1&5)*	1,020,005,389	–	60.49
Chow Tai Fook Capital Limited	Interest of controlled corporation *(Note 1)*	1,020,005,389	–	60.49
Chow Tai Fook Enterprises Limited	Interest of controlled corporation *(Notes 1&5)*	1,020,005,389	–	60.49
Gateway Asia Resources Limited	Interest of controlled corporation *(Notes 1&3)*	1,020,005,389	–	60.49
Sharpfield Holdings Limited	Interest of controlled corporation *(Notes 1, 4&5)*	1,020,005,389	–	60.49

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company %
China Forestry Group Corporation	Interest of controlled corporation *(Note 6)*	100,000,000	–	5.93
Hong Kong Genghis Khan Group Limited	Beneficial owner *(Note 7)*	100,000,000	–	5.93
Ge Jian	Interest of controlled corporation *(Note 7)*	100,000,000	–	5.93

Notes:

1. Newforest Limited 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 Chow Tai Fook Enterprises Limited). Chow Tai Fook Enterprises Limited is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, an 81.03% 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 Limited 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 Limited and Gateway Asia Resources Limited.

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

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

6. The 100,000,000 shares are held by China Forestry International Resource Company Limited which is wholly owned by China Forestry Group Corporation. By virtue of the SFO, China Forestry Group Corporation is deemed to be interested in the 100,000,000 shares.

7. The 100,000,000 shares are held by Hong Kong Genghis Khan Group Limited which is wholly owned by Mr. Ge Jian. By virtue of the SFO, Mr. Ge Jian is deemed to be interested in the 100,000,000 shares.

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 2017 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.

Directors' Report

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 23 to 35.

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$414,000 (2016: HK$114,000).

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 45 to the consolidated financial statements.

AUDITORS

During the Year, Deloitte Touche Tohmatsu had been appointed as the auditor of the Company following the resignation of Moore Stephens CPA Limited with effect from 15 November 2017. During the year ended 31 December 2015, Moore Stephens resigned as auditor of the Company due to the reorganisation 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.

Deloitte Touche Tohmatsu 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 materialise 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 2017 was a challenging year.

ON BEHALF OF THE BOARD
GREENHEART GROUP LIMITED

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong, 27 March 2018

Independent Auditor's Report

Deloitte. 德勤

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 (collectively referred to as the "Group") set out on pages 62 to 172, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other 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 2017, 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"), and we have fulfilled our other ethical responsibilities in accordance with 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 judgement, 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.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of the timber concessions and cutting rights in Suriname	
We identified the impairment assessment of the timber concessions and cutting rights ("Concessions") in Suriname as a key audit matter as it is significant to the consolidated financial statements and significant judgements and estimates are involved in the impairment assessment of the Concessions. As disclosed in note 19 to the consolidated financial statements, the carrying amount of the Concessions at 31 December 2017 was HK$394,990,000, which represented 23.7% of the Group's total assets. With the segment losses resulted from the operations in Suriname for the year ended 31 December 2017 as disclosed in note 6 to the consolidated financial statements, the directors of the Company considered that there was an impairment indicator. For the impairment assessment, the recoverable amounts of the relevant cash-generating units ("CGUs)" in which the Concessions are included are determined at fair value less costs of disposal by the directors of the Company with reference to a valuation carried out by an independent professional valuer (the "Valuer"). As detailed in note 19 to the consolidated financial statements, the determination of the fair value less costs of disposal of the Concessions is dependent on certain key inputs, including harvest volume, discount rates, budgeted profit margins and revenue during the forecast period with reference to the respective Concession terms, which are highly judgemental. Based on the impairment assessment of the Concessions, an impairment loss of HK$43,502,000 was made for the Concessions and recognised in profit or loss during the year ended 31 December 2017.	Our procedures in relation to assessing impairment assessment of the Concessions included: • Assessing the management's process of identifying the CGUs and the determination of the carrying amounts of CGUs; • Assessing the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work; • Obtaining the valuation report from the management for the calculation of the fair value less costs of disposal and comparing with the carrying amount of the Concessions; • Obtaining the detailed work of the Valuer, particularly the key inputs to the valuation including harvest volume, discount rates, budgeted profit margins and revenue during the forecast period with reference to the respective Concession terms; and • Working with our internal valuation expert and evaluating the appropriateness of the Valuer's valuation approach, accuracy and relevance of key data inputs underpinning the valuation and assessing the reasonableness of the key assumptions applied based on available market data and our knowledge of the business and industry.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How the matter was addressed in our audit
Valuation of plantation forest assets in New Zealand	
We identified the valuation of plantation forest assets in New Zealand as a key audit matter as it is significant to the consolidated financial statements and significant judgements and estimates are involved in the valuation of the plantation forest assets. As disclosed in note 21 to the consolidated financial statements, the carrying amount of the plantation forest assets at 31 December 2017 was HK$400,837,000, which represented 24.0% of the Group's total assets. The Group engaged the Valuer to estimate the fair value less costs to sell of the plantation forest assets. As detailed in note 21 to the consolidated financial statements, the determination of the fair value of the plantation forest assets is dependent on certain key inputs, including discount rate, log price projections, production and transport costs and yield, which are highly judgemental.	Our procedures in relation to assessing the valuation of the plantation forest assets in New Zealand included: • Assessing the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work; • Obtaining the valuation report provided by the management for the determination of the fair value less costs to sell of plantation forest assets; • Obtaining the detailed work of the Valuer, particularly the key inputs to the valuation including discount rate, log price projections, production and transport costs and yield; and • Working with our internal valuation expert and evaluating the appropriateness of the Valuer's valuation approach, accuracy and relevance of key data inputs underpinning the valuation and assessing the reasonableness of the key assumptions applied based on available market data and our knowledge of the business and industry.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 24 March 2017.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are 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, 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

The engagement partner on the audit resulting in the independent auditor's report is Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	**606,896**	543,708
Cost of sales		**(486,257)**	(403,988)
Gross profit		**120,639**	139,720
Other income	8	**696**	2,469
Other gains and losses	8	**(34,710)**	(5,571)
Fair value gain on plantation forest assets	21	**130,801**	65,109
Selling and distribution costs		**(104,292)**	(120,710)
Administrative expenses		**(52,308)**	(60,517)
Finance costs	9	**(20,010)**	(21,480)
Profit (loss) before tax	10	**40,816**	(980)
Income tax expense	13	**(478)**	(26,849)
Profit (loss) for the year		**40,338**	(27,829)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**2,855**	1,644
Item that will not be reclassified to profit or loss			
Revaluation gain on forestry land		**6,228**	7,210
Other comprehensive income for the year, net of income tax of nil		**9,083**	8,854
Total comprehensive income (expense) for the year		**49,421**	(18,975)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**86,451**	8,735
Non-controlling interests		**(46,113)**	(36,564)
		40,338	(27,829)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**95,534**	17,589
Non-controlling interests		**(46,113)**	(36,564)
		49,421	(18,975)
Earnings per share			
Basic	15	**HK$0.056**	HK$0.006
Diluted	15	**HK$0.056**	HK$0.006

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000 (Restated)	1 January 2016 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	16	**336,951**	341,508	342,819
Prepaid lease payments	17	**21,985**	19,764	20,992
Goodwill	18	**5,651**	5,651	–
Timber concessions and cutting rights	19	**394,990**	463,750	465,529
Other intangible assets	20	**23**	98	376
Plantation forest assets	21	**400,837**	320,682	357,907
Prepayments, deposits and other receivables	24	**585**	2,276	3,591
Deferred tax assets	31	**24,356**	4,016	4,449
		1,185,378	1,157,745	1,195,663
CURRENT ASSETS				
Inventories	22	**23,939**	32,309	35,889
Trade receivables	23	**238,455**	122,366	45,223
Prepayments, deposits and other receivables	24	**41,245**	39,930	40,784
Amount due from a fellow subsidiary	39(b)(iv)	**500**	185	–
Tax recoverable		**–**	3,166	2,804
Pledged bank deposit	25	**3,136**	–	–
Cash and cash equivalents	26	**174,435**	79,312	121,851
		481,710	277,268	246,551
CURRENT LIABILITIES				
Trade payables	27	**30,168**	36,514	32,706
Other payables and accruals	28	**45,427**	48,427	44,911
Obligations under finance lease				
- amount due within one year	29	**10,229**	8,778	9,853
Loan from ultimate holding company	39(a)(iii)	**–**	78,000	78,000
Loan from immediate holding company	39(a)(ii)	**8,580**	–	339,300
Amount due to immediate holding company	39(b)(i)	**202**	461	15,597
Amount due to ultimate holding company	39(b)(iii)	**1,101**	1,101	1,101
Tax payable		**33,460**	29,124	55,564
		129,167	202,405	577,032
NET CURRENT ASSETS (LIABILITIES)		**352,543**	74,863	(330,481)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,537,921**	1,232,608	865,182

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000 (Restated)	1 January 2016 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Loan from ultimate holding company	39(a)(iii)	**78,000**	–	–
Loans from immediate holding company	39(a)(ii)	**126,385**	121,844	92,906
Amount due to immediate holding company	39(b)(ii)	**22,860**	16,032	–
Bank borrowings	30	**195,000**	195,000	195,000
Deferred tax liabilities	31	**194,369**	197,817	183,933
		616,614	530,693	471,839
NET ASSETS		**921,307**	701,915	393,343
CAPITAL AND RESERVES				
Equity attributable to owners of the Company				
Share capital	32	**16,863**	14,863	9,625
Reserves		**1,131,583**	868,078	528,180
		1,148,446	882,941	537,805
Non-controlling interests	34	**(227,139)**	(181,026)	(144,462)
TOTAL EQUITY		**921,307**	701,915	393,343

The consolidated financial statements on pages 62 to 172 were approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

WU WAI LEUNG, DANNY	**LIM HOE PIN**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (b)	Share option reserve HK$'000 (note 33)	Capital reserve HK$'000	Land revaluation reserve HK$'000	Merger reserve HK$'000 (a)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016												
As originally stated	9,625	1,611,573	83,274	6,776	846	12,706	265	282	(1,144,859)	580,488	(122,715)	457,773
Prior year adjustments (note 2)	–	–	–	–	–	–	–	–	(42,683)	(42,683)	(21,747)	(64,430)
As restated	9,625	1,611,573	83,274	6,776	846	12,706	265	282	(1,187,542)	537,805	(144,462)	393,343
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
Revaluation gain on forestry land	–	–	–	–	–	7,210	–	–	–	7,210	–	7,210
Total comprehensive income (expense) for the year	–	–	–	–	–	7,210	–	1,644	8,735	17,589	(36,564)	(18,975)
Issue of new shares upon loan capitalisation	5,237	314,739	–	–	–	–	–	–	–	319,976	–	319,976
Shares issue expenses	–	(1,001)	–	–	–	–	–	–	–	(1,001)	–	(1,001)
Recognition of equity-settled share-based payments	–	–	–	8,488	–	–	–	–	–	8,488	–	8,488
Issue of new shares upon exercise of share options	1	118	–	(35)	–	–	–	–	–	84	–	84
Transfer upon the lapse of share options	–	–	–	(227)	–	–	–	–	227	–	–	–
At 31 December 2016 (Restated)	14,863	1,925,429	83,274	15,002	846	19,916	265	1,926	(1,178,580)	882,941	(181,026)	701,915
Profit (loss) for the year	–	–	–	–	–	–	–	–	86,451	86,451	(46,113)	40,338
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	2,855	–	2,855	–	2,855
Revaluation gain on forestry land	–	–	–	–	–	6,228	–	–	–	6,228	–	6,228
Total comprehensive income (expense) for the year	–	–	–	–	–	6,228	–	2,855	86,451	95,534	(46,113)	49,421
Issue of new shares upon subscription of new shares	2,000	168,000	–	–	–	–	–	–	–	170,000	–	170,000
Shares issue expenses	–	(173)	–	–	–	–	–	–	–	(173)	–	(173)
Recognition of equity-settled share-based payments	–	–	–	98	–	–	–	–	–	98	–	98
Issue of new shares upon exercise of share options	–	67	–	(21)	–	–	–	–	–	46	–	46
Transfer upon the lapse of share options	–	–	–	(64)	–	–	–	–	64	–	–	–
At 31 December 2017	16,863	2,093,323	83,274	15,015	846	26,144	265	4,781	(1,092,065)	1,148,446	(227,139)	921,307

Notes:

(a) 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.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before tax		**40,816**	(980)
Adjustments for:			
Finance costs		**20,010**	21,480
Bank interest income		**(39)**	(31)
Gain on disposal of property, plant and equipment		**(5,053)**	(429)
Depreciation		**21,918**	24,123
Amortisation of:			
Forest depletion cost		**120,214**	108,043
Harvest roading included in prepayments		**28,950**	21,480
Prepaid lease payments		**1,228**	1,228
Other intangible assets		**75**	278
Timber concessions and cutting rights		**25,258**	3,835
Write-down of inventories		**8,031**	5,760
Impairment (reversal of impairment) of:			
Timber concessions and cutting rights		**43,502**	–
Trade receivables		**62**	6,000
Prepaid lease payments		**(3,801)**	–
Share-based payment expenses		**98**	8,488
Fair value gain on plantation forest assets		**(130,801)**	(65,109)
Operating cash flows before movements in working capital		**170,468**	134,166
Decrease (increase) in inventories		**633**	(2,437)
Increase in trade receivables		**(116,151)**	(60,600)
Increase in prepayments, deposits and other receivables		**(24,529)**	(19,019)
Decrease in trade payables		**(6,346)**	(18,115)
(Decrease) increase in other payables and accruals		**(2,050)**	1,787
Increase in amount due from a fellow subsidiary		**(315)**	(185)
Cash generated from operations		**21,710**	35,597
Interest received		**39**	31
Overseas taxes paid		**(2,935)**	(8,382)
Hong Kong taxes paid		**(13,817)**	(31,289)
Net cash from (used in) operating activities		**4,997**	(4,043)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(9,249)**	(14,515)
Proceeds from disposal of property, plant and equipment		**1,860**	830
Additions of plantation forest assets		**(7,252)**	(7,509)
Acquisition of plantation forest assets		**(62,610)**	–
Acquisition of a subsidiary	36	**–**	(6,043)
Addition of pledged bank deposit		**(3,136)**	–
Net cash used in investing activities		**(80,387)**	(27,237)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**170,046**	84
Shares issue expenses		**(173)**	(1,001)
Repayment of obligations under finance lease		**(528)**	(1,076)
Interest paid on finance lease		**(182)**	(89)
Interest paid		**(12,308)**	(11,317)
Advance from (repayment to) immediate holding company		**78**	(79)
Loans from immediate holding company		**13,121**	1,638
Net cash from (used in) financing activities		**170,054**	(11,840)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**94,664**	(43,120)
Cash and cash equivalents at the beginning of year		**79,312**	121,851
Effect of foreign exchange rate changes		**459**	581
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	26	**174,435**	79,312

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Newforest Limited ("Newforest"), a company incorporated in Cayman Islands and its ultimate parent is Chow Tai Fook Enterprises Limited ("CTFE"), a company incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is different from the functional currency of the Company, United States dollars. The Company is a public company with principal place of business in Hong Kong with its shares listed on the Stock Exchange, where most of its investors are located and therefore, the directors of the Company (the "Directors") consider that Hong Kong dollars is preferable in presenting the operating results and financial position of the Group.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 47.

2. PRIOR YEAR ADJUSTMENTS

In previous years, deferred tax liabilities in respect of fair value adjustments arising from acquisition of subsidiaries in Suriname were measured and recognised at a rate different from the statutory income tax rate of 36% of the relevant subsidiaries.

As required under HKAS 8, the revision in measurement of deferred tax liabilities in respect of fair value adjustments arising from acquisition of subsidiaries has been applied retrospectively. Comparative figures have been restated accordingly. In addition, a reclassification adjustment was made between deferred tax assets and deferred tax liabilities.

The effects of the adjustments as described above on the Group's performance for the years ended 31 December 2017 and 31 December 2016 are as follows:

The comparative figures in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 have not been restated as the amounts involved were immaterial.

2. PRIOR YEAR ADJUSTMENTS *(continued)*

Consolidated statement of profit or loss and other comprehensive income

	2017 HK$'000	2016 HK$'000 (Restated)
Decrease in income tax expense	**11,967**	–
Increase in profit and total comprehensive income for the year	**11,967**	–
Increase in profit and total comprehensive income for the year attributable to owners of the Company	**7,504**	–
Decrease in loss and total comprehensive expense for the year attributable to non-controlling interests	**4,463**	–
Increase in profit and total comprehensive income for the year	**11,967**	–
Increase in earnings per share		
– Basic	**HK$0.005**	–
– Diluted	**HK$0.005**	–

2. PRIOR YEAR ADJUSTMENTS *(continued)*

The effects of adjustments described above on the Group's financial positions as at 31 December 2017 and 31 December 2016 are as follows:

Consolidated statement of financial position

	31 December 2017 HK$'000	31 December 2016 HK$'000 (Restated)
Increase in deferred tax assets	**–**	4,016
Increase in deferred tax liabilities	**(52,463)**	(68,446)
Effects on net assets	**(52,463)**	(64,430)
Increase in accumulated losses	**(35,179)**	(42,683)
Decrease in non-controlling interests	**(17,284)**	(21,747)
Effects on total equity	**(52,463)**	(64,430)

The effects of adjustments described above on the financial position of the Group as at the beginning of the comparative period, i.e. 1 January 2016, are as follows:

Consolidated statement of financial position as at 1 January 2016

	As originally stated HK$'000	Adjustments HK$'000	As restated HK$'000
Deferred tax assets	–	4,449	4,449
Deferred tax liabilities	(115,054)	(68,879)	(183,933)
Effects on net assets		(64,430)	
Accumulated losses	(1,144,859)	(42,683)	(1,187,542)
Non-controlling interests	(122,715)	(21,747)	(144,462)
Effects on total equity		(64,430)	

2. PRIOR YEAR ADJUSTMENTS *(continued)*

The effects of adjustments described above on the financial position of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2016, are as follows:

Consolidated statement of financial position as at 31 December 2016

	As originally stated HK$'000	Adjustments HK$'000	As restated HK$'000
Deferred tax assets	–	4,016	4,016
Deferred tax liabilities	(129,371)	(68,446)	(197,817)
Effects on net assets		(64,430)	
Accumulated losses	(1,135,897)	(42,683)	(1,178,580)
Non-controlling interests	(159,279)	(21,747)	(181,026)
Effects on total equity		(64,430)	

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments in the first time in the current year. The amendments require an entity to provide disclosures enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 42. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for prior year. Apart from the additional disclosure in note 42, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015 – 2017 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 *Financial Instruments* (continued)

Classification and measurement

Except for financial assets that are subject to expected credit losses measurement, all financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group at 1 January 2018 may be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable the expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model may increase the opening accumulated losses and deferred tax assets at 1 January 2018.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15 *Revenue from Contracts with Customers* (continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group currently recognises revenue from sale of logs and timber products upon transfer of risks and rewards. Upon application of HKFRS 15, revenue will be recognised when control of goods and services underlying the relevant performance obligations is transferred. The Group's contracts with customers for the sales of logs and timber products with different shipping terms may have multiple performance obligations and may affect the timing and amounts of revenue recognition upon passing control of relevant goods to customers.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, among others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised assets and related finance lease liabilities for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Company presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 *Leases* (continued)

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$26,730,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$1,495,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amount of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments and would be included in the initial measurement of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above. Upon application of HKFRS 16, the Directors will consider the measurement model to be applied to the Group's leases under HKFRS 16, specially, the potential election of revaluation model to certain right-of-use assets that relate to the class of property, plant and equipment in which the Group currently applies revaluation model. A reasonable estimate of the financial effect, if any, will be provided upon completion of a detailed review by the Directors.

The Directors anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The consolidated financial statements have been prepared on the historical cost basis except for plantation forest assets and forestry land that are measured at fair values less costs to sell or revalued amounts at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles are passed.

Forest management fee income is recognised when the services are provided.

Other service income is recognised when services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (continued)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Plantation forest assets

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

Plantation forest assets are stated at fair value less costs to sell at the end of each reporting period and the gain or loss arising from the changes in the fair value less costs to sell of the plantation forest assets is recognised 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 and forest health, certain inputs such as 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 log is measured at its fair value less costs to sell at the point of harvest, which will be accounted for as depletion of the plantation forest assets (non-current assets) with corresponding increase in 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than forestry land and properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Forestry land of the Group is freehold land, which is stated in the consolidated statement of financial position at revalued amount, being the fair value less subsequent accumulated impairment losses, if any at the date of revaluation.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Any revaluation increase arising from revaluation of forestry land is recognised in other comprehensive income and accumulated in land revaluation reserve, except to the extent that it reverses a revaluation decrease of the forestry land previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of forestry land is recognised in profit or loss to the extent that it exceeds the balance, if any, on the land revaluation reserve relating to a previous revaluation of the forestry land. On the subsequent sale or retirement of the forestry land, the attributable revaluation surplus is transferred to accumulated losses.

Depreciation is recognised so as to write off the cost of assets (other than forestry land and properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing (continued)

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted for as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Intangible assets (other than goodwill)

The Group's intangible assets include timber concessions and cutting rights and research and development costs.

Timber concessions and cutting rights

Timber concessions and cutting rights with finite useful lives, which give the Group rights to harvest trees in the allocated concession forests in designated areas in the Republic of Suriname ("Suriname"), are carried at costs less accumulated amortisation and any accumulated impairment losses. In prior years, timber concessions and cutting rights are amortised on a unit-of-production basis. They are amortised on a straight-line basis starting from 1 January 2017, over the terms of license of respective timber concessions and cutting rights.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) (continued)

Research and development costs

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

Expenditures incurred on projects for Forest Stewardship Council ("FSC") certification and computer software programs are capitalised 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 capitalised as part of the assets include the staff costs and an appropriate portion of relevant overheads.

Deferred development costs are stated at cost less accumulated amortisation and any impairment losses, and are amortised 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above) (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of impairment loss is treated as a revaluation increase under that standard.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amount due from a fellow subsidiary, pledged bank deposit and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amount due from a fellow subsidiary where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or the amount due from a fellow subsidiary is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, other payables, obligations under finance lease, loans from immediate holding company and ultimate holding company, amounts due to immediate holding company and ultimate holding company and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cost for the Group's logs and timber products in Suriname is determined on the weighted average cost basis, comprises direct materials, direct labour and an appropriate proportion of overheads and amortisation 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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit (loss) before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of the 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 asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax liabilities or assets for non-depreciable assets (i.e. freehold land), the carrying amounts of such assets are presumed to be recovered entirely through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-based payments

Share options granted to directors and employees

Equity-settled share-based payments to directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects with the revised estimate, with a corresponding adjustment to share option reserve. For the options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments (continued)

Share options granted to consultants

Where share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or service received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Other employee benefits

Pension scheme

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalisation. All other borrowing costs are recognised in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, (i) the assets and liabilities of the Group's foreign operations are translated into United States dollars; and (ii) the assets and liabilities of the Group denominated or translated into United States dollars are then translated into the presentation currency of the Group (i.e., Hong Kong dollars), using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve. Exchange differences arising on translation of foreign operations are reclassified to profit or loss upon disposal of the foreign operation.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

The Group's forestry land and plantation forest assets are stated at revaluated amount 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, yield and production and transport costs. Some weighting has also been given to a cost-based approach for young stands, where the cost of establishing and tending those stands is considered. The professional valuer of the underlying forestry land has carried out the fair value assessment by using sales comparison approach.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

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

The valuers of forestry land and plantation forest assets 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 where 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 2017 were HK$108,447,000 and HK$400,837,000 (2016: HK$99,858,000 and HK$320,682,000), respectively. Further details of these are set out in notes 16 and 21.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

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

Year ended 31 December 2017

Change in production costs	Increase (decrease) in production costs %	(Decrease) increase in profit before tax HK$'000
If the production costs increase	5	(25,104)
If the production costs decrease	(5)	25,104

Change in transport costs	Increase (decrease) in transport costs %	(Decrease) increase in profit before tax HK$'000
If the transport costs increase	5	(11,325)
If the transport costs decrease	(5)	11,325

Change in log price	Increase (decrease) in log price %	Increase (decrease) in profit before tax HK$'000
If the log price increases	5	46,299
If the log price decreases	(5)	(46,299)

Change in discount rate	Increase (decrease) in discount rate %	(Decrease) increase in profit before tax HK$'000
If the discount rate increases	1	(15,559)
If the discount rate decreases	(1)	18,273

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

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

Year ended 31 December 2016

Change in production costs	Increase (decrease) in production costs	(Increase) decrease in loss before tax
	%	HK$'000
If the production costs increase	5	(29,422)
If the production costs decrease	(5)	29,422

Change in transport costs	Increase (decrease) in transport costs	(Increase) decrease in loss before tax
	%	HK$'000
If the transport costs increase	5	(10,871)
If the transport costs decrease	(5)	10,871

Change in log price	Increase (decrease) in log price	Decrease (Increase) 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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

(b) *Depreciation method, useful lives and depreciation of property, plant and equipment and amortisation of timber concessions and cutting rights*

The Group determines the estimated useful lives and related depreciation/amortisation charges of its property, plant and equipment and timber concessions and cutting rights. These estimates are based on the historical experience of the actual useful lives of assets of similar nature and functions. The depreciation method is selected to better reflect the expected pattern of consumption of the future economic benefits embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits and will change the depreciation method if necessary. The Group 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 such changes will be reflected in depreciation charge in the future periods.

(c) *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 of disposal and its value in use. To calculate the fair value less costs of disposal, 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, the 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.

The timber concessions and cutting rights have been impaired during the year at the amount of HK$43,502,000 and details of the impairment made are set out in note 19.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty (continued)

(d) Net realisable value of inventories

Net realisable 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 analysis of the status of the subsequent sales and the current market price of inventories. 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. At 31 December 2017, the carrying amount of inventories is HK$23,939,000 (2016: HK$32,309,000).

(e) Recognition of deferred tax assets

Deferred tax assets of approximately HK$24,356,000 (2016: HK$10,307,000) mainly in relation to tax losses have been recognised at 31 December 2017 as set out in note 31. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Group for coming years during which the tax losses are expected to be utilised. The Directors will review the assumptions and profit projections by the end of the reporting period. In cases where the actual future profits generated are more or less than expected, an addition or a reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss and other comprehensive income for the period in which such a revision takes place. No deferred tax assets are recognised for the tax losses of certain loss-making subsidiaries due to unpredictability of future profit streams as set out in note 31.

6. 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 key management of the Group (the "Management")) in order to allocate resources to segments and to assess their performance.

The Group manages its businesses by geographical location, and the Management 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 operating and 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, provision of forest management services and shipping services

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment performance is evaluated based on reportable segment profit (loss), which is a measure of profit (loss) before finance costs, income tax expense, depreciation, forest depletion cost as a result of harvesting and amortisation ("EBITDA"). EBITDA is further adjusted to exclude fair value gain on plantation forest assets, interest income, write-down of inventories, impairment losses, reversal of impairment and non-cash share-based payment expenses ("Adjusted EBITDA"), which is the 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.

6. 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 2017

	Suriname HK$'000	New Zealand HK$'000	Segment total HK$'000	Unallocated corporate items HK$'000	Consolidated total HK$'000
SEGMENT REVENUE – EXTERNAL	21,540	585,356	606,896	–	606,896
SEGMENT RESULTS ("Adjusted EBITDA")	(28,789)	228,838	200,049	(24,528)	175,521
Reconciliation of the segment results:					
Items other than finance costs, income tax expense, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	130,801	130,801	–	130,801
Interest income	3	36	39	–	39
Impairment of timber concessions and cutting rights***	(43,502)	–	(43,502)	–	(43,502)
Impairment of trade receivables***	(62)	–	(62)	–	(62)
Reversal of impairment of prepaid lease payments***	3,801	–	3,801	–	3,801
Write-down of inventories*	(8,031)	–	(8,031)	–	(8,031)
Share-based payment expenses**	–	–	–	(98)	(98)

6. SEGMENT INFORMATION *(continued)*

	Suriname HK$'000	New Zealand HK$'000	Segment total HK$'000	Unallocated corporate items HK$'000	Consolidated total HK$'000
EBITDA	(76,580)	359,675	283,095	(24,626)	258,469
Finance costs	(11,757)	(8,253)	(20,010)	–	(20,010)
Forest depletion cost as a result of harvesting*	–	(120,214)	(120,214)	–	(120,214)
Depreciation****	(17,436)	(3,763)	(21,199)	(719)	(21,918)
Amortisation of harvest roading included in prepayments*	–	(28,950)	(28,950)	–	(28,950)
Amortisation of timber concessions and cutting rights*	(25,258)	–	(25,258)	–	(25,258)
Amortisation of prepaid lease payments**	(1,228)	–	(1,228)	–	(1,228)
Amortisation of other intangible assets*	(75)	–	(75)	–	(75)
(LOSS) PROFIT BEFORE TAX	(132,334)	198,495	66,161	(25,345)	40,816
SEGMENT ASSETS	594,194	966,784	1,560,978	106,110	1,667,088
SEGMENT LIABILITIES	430,381	312,523	742,904	2,877	745,781
Other segment information					
Capital expenditures#	(1,690)	(101,349)	(103,039)	–	(103,039)

Capital expenditures consist of additions to property, plant and equipment, harvest roading and plantation forest assets, and acquisition of plantation forest assets.

* Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** Included in "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

**** Depreciation of HK$11,696,000 is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

6. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016

	Suriname HK$'000	New Zealand HK$'000	Segment total HK$'000	Unallocated corporate items HK$'000	Consolidated total HK$'000
SEGMENT REVENUE – EXTERNAL	28,450	515,258	543,708	–	543,708
SEGMENT RESULTS ("Adjusted EBITDA")	(39,339)	198,421	159,082	(24,487)	134,595
Reconciliation of the segment results:					
Items other than finance costs, income tax expense, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	65,109	65,109	–	65,109
Interest income	6	25	31	–	31
Impairment of trade receivables***	(6,000)	–	(6,000)	–	(6,000)
Write-down of inventories*	(5,760)	–	(5,760)	–	(5,760)
Share-based payment expenses**	–	–	–	(8,488)	(8,488)

6. SEGMENT INFORMATION *(continued)*

	Suriname HK$'000	New Zealand HK$'000	Segment total HK$'000	Unallocated corporate items HK$'000	Consolidated total HK$'000
EBITDA	(51,093)	263,555	212,462	(32,975)	179,487
Finance costs	(11,158)	(10,322)	(21,480)	–	(21,480)
Forest depletion cost as a result of harvesting*	–	(108,043)	(108,043)	–	(108,043)
Depreciation****	(19,706)	(3,482)	(23,188)	(935)	(24,123)
Amortisation of harvest roading included in prepayments*	–	(21,480)	(21,480)	–	(21,480)
Amortisation of timber concessions and cutting rights*	(3,835)	–	(3,835)	–	(3,835)
Amortisation of prepaid lease payments**	(1,228)	–	(1,228)	–	(1,228)
Amortisation of other intangible assets*	(278)	–	(278)	–	(278)
(LOSS) PROFIT BEFORE TAX	(87,298)	120,228	32,930	(33,910)	(980)
Segment assets	663,542	764,017	1,427,559	7,454	1,435,013
Segment liabilities	439,712	291,251	730,963	2,135	733,098
Other segment information					
Capital expenditures#	(4,706)	(45,769)	(50,475)	(32)	(50,507)

Capital expenditures consist of additions to property, plant and equipment, harvest roading and plantation forest assets, and exclude assets from acquisition of subsidiaries.

* Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** Included in "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

**** Depreciation of HK$12,975,000 is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

6. SEGMENT INFORMATION *(continued)*

Geographical Information

(a) Information about the Group's revenue from external customers is presented based on the location of customers:

	2017 HK$'000	2016 HK$'000
Mainland China	379,081	459,228
New Zealand	207,636	56,663
Suriname	5,413	8,599
The Netherlands	4,710	5,766
Belgium	3,355	3,413
Hong Kong	890	–
India	123	5,459
Other countries	5,688	4,580
	606,896	543,708

(b) Information about the Group's carrying amount of non-current assets is presented based on the geographical area in which the assets are located:

	2017 HK$'000	2016 HK$'000
Suriname	539,256	622,344
New Zealand	620,800	528,276
Hong Kong	966	3,109
	1,161,022	1,153,729

6. SEGMENT INFORMATION *(continued)*

Information on major customers

During the year ended 31 December 2017, the Group had transactions with two (2016: three) customers from New Zealand segment who each contributed over 10% of the Group's total revenue for the year ended 31 December 2017. A summary of revenue earned from each of these major customers is set out below:

	2017 **HK$'000**	2016 HK$'000
Customer 1	**337,238**	273,097
Customer 2	**124,999**	N/A*
Customer 3	**N/A***	121,388
Customer 4	**N/A***	64,122
	462,237	458,607

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

7. REVENUE

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 is as follows:

	2017 **HK$'000**	2016 HK$'000
Sales of logs and timber products	**582,637**	539,156
Forest management fee	**6,072**	4,552
Shipping service fee income	**18,187**	–
	606,896	543,708

8. OTHER INCOME, GAINS AND LOSSES

Other income:

	2017 HK$'000	2016 HK$'000
Bank interest income	**39**	31
Compensation from an insurance company	**–**	546
Compensation from early termination of a forest management contract	**–**	702
Rental income from lease of plant and machinery	**252**	925
Others	**405**	265
	696	2,469

Other gains and losses:

	2017 HK$'000	2016 HK$'000
Impairment of:		
– timber concessions and cutting rights	**(43,502)**	–
– trade receivables	**(62)**	(6,000)
Reversal of impairment of prepaid lease payments	**3,801**	–
Gain on disposal of property, plant and equipment	**5,053**	429
	(34,710)	(5,571)

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on loans from immediate holding company	**6,491**	8,951
Interest on loan from ultimate holding company	**3,900**	3,911
Interest on finance leases	**1,366**	1,212
Interest on bank borrowings	**8,253**	7,406
	20,010	21,480

10. PROFIT (LOSS) BEFORE TAX

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

	2017 HK$'000	2016 HK$'000
Cost of inventories sold (including write-down of inventories)*	**410,537**	356,305
Cost of services rendered*	**20,071**	1,931
Amortisation of timber concessions and cutting rights*	**25,258**	3,835
Forest harvested as agricultural produce	**120,508**	109,843
Amount capitalised in closing inventories	**(2,459)**	(2,165)
Amount released from opening inventories	**2,165**	365
Forest depletion cost as a result of harvesting*	**120,214**	108,043
Depreciation****	**21,918**	24,123
Amortisation of:		
– harvest roading included in prepayments*	**28,950**	21,480
– prepaid lease payments**	**1,228**	1,228
– other intangible assets*	**75**	278
Write-down of inventories*	**8,031**	5,760
Minimum lease payments under operating leases for land and buildings	**5,128**	5,412
Foreign exchange loss (gain), net***	**1,924**	(1,562)
Auditor's remuneration	**1,950**	1,620
Employee benefits expense (including Directors' remuneration)*****:		
– Salaries and allowances	**58,984**	63,592
– Share-based payment expenses	**98**	8,488
– Pension scheme contributions (defined contribution scheme)	**623**	631
	59,705	72,711

10. PROFIT (LOSS) BEFORE TAX *(continued)*

* Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** Foreign exchange loss of HK$2,362,000 (2016: HK$2,783,000) and foreign exchange gain of HK$438,000 (2016: HK$4,345,000) are included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.

**** Depreciation of HK$11,696,000 (2016: HK$12,975,000) is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

***** Employee benefits expenses (including Directors' remuneration) of HK$31,703,000 (2016: HK$34,038,000) are included in "Cost of Sales" in the consolidated statement of profit or loss and other comprehensive income.

11. DIRECTORS' REMUNERATION

Details of the Directors' remuneration of the Group for the year are as follows:

	2017 **HK$'000**	2016 HK$'000
Fees	**1,760**	1,785
Other emoluments:		
Salaries, allowances and benefits in kind	**4,020**	4,020
Share-based payment expenses	**–**	6,252
Pension scheme contributions	**36**	36
	4,056	10,308
	5,816	12,093

In prior year, share options with or without a vesting period were granted to eight Directors in respect of their services to the Group, further details of which are included in the disclosures in note 33 to the consolidated financial statements. The amounts of the fair values of the options recognised in profit or loss were included in the above Directors' remuneration disclosures.

11. 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	Share-based payment expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2017					
Executive directors:					
Mr. Wu Wai Leung, Danny	240	2,760	–	18	3,018
Mr. Lim Hoe Pin	240	1,260	–	18	1,518
	480	4,020	–	36	4,536
Non-executive directors:					
Mr. Cheng Chi-Him, Conrad	240	–	–	–	240
Mr. Tsang On-Yip, Patrick	240	–	–	–	240
Mr. Simon Murray	80	–	–	–	80
	560	–	–	–	560
Independent non-executive directors:					
Mr. Nguyen Van Tu, Peter	240	–	–	–	240
Mr. Tang Shun Lam, Steven	240	–	–	–	240
Mr. Wong Man Chung, Francis	240	–	–	–	240
	720	–	–	–	720
Total	1,760	4,020	–	36	5,816

11. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment 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

The executive directors' remuneration shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' remuneration shown above were for their services as Directors. Mr. Wu Wai Leung, Danny is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2017 included two (2016: two) directors, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining three (2016: three) highest paid employees for the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**5,862**	6,275
Share-based payment expenses	**–**	387
Pension scheme contributions	**36**	36
	5,898	6,698

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

	Number of employees	
	2017	2016
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	1
	3	3

No bonus (2016: nil) was paid to the remaining three (2016: three) highest paid employees. There were no payment (2016: nil) made by the Group to the remaining three (2016: three) highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

In prior year, share options with or without a vesting period were granted to three highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 33 to the consolidated financial statements. The fair values of the options without a vesting period have been recognised 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 recognised in profit or loss over the vesting period. The amounts of the fair values of the options recognised in profit or loss were included in the above highest paid employees' remuneration disclosures.

13. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
The income tax expense comprises:		
Current tax – Hong Kong		
Charge for the year	**11,802**	11,175
Overprovision in prior years	**(178)**	(98)
	11,624	11,077
Current tax – other jurisdictions		
Charge for the year	**11,421**	414
Withholding tax	**1,201**	1,039
Deferred tax (note 31)	**(23,768)**	14,319
	478	26,849

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2017.

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% (2016: 36%) and 28% (2016: 28%), respectively.

The New Zealand withholding tax is provided in view of the recent legislative change in New Zealand, where non-resident withholding tax is chargeable on the intercompany loan interest income received from a subsidiary incorporated in New Zealand.

13. INCOME TAX EXPENSE *(continued)*

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	HK$'000
Profit (loss) before tax	**40,816**	(980)
Tax at the Hong Kong profits tax rate of 16.5% (2016: 16.5%) (note)	**6,735**	(162)
Overprovision in prior years	**(178)**	(98)
Difference in tax rates of subsidiaries operating in other jurisdictions	**(13,350)**	(12,543)
Tax effect of expenses not deductible for tax purpose	**5,682**	7,577
Tax effect of income not taxable for tax purpose	**(9,926)**	(7,691)
Tax effect of tax losses not recognised	**10,636**	39,894
Utilisation of tax losses previously not recognised	**(322)**	(1,167)
Withholding tax	**1,201**	1,039
Income tax expense for the year	**478**	26,849

Note: Hong Kong profits tax is used as the largest portion of profit earned by the subsidiaries is subject to Hong Kong profits tax.

14. DIVIDENDS

No dividend was paid or proposed by the Directors for both years, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2017	2016
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	**86,451**	8,735

	2017	2016
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,548,494,150**	1,406,621,477
Effect of dilutive potential ordinary shares:		
Share options	**6,267,569**	1,701,330
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,554,761,719**	1,408,322,807

16. PROPERTY, PLANT AND EQUIPMENT

	Forestry land HK$'000 (note (a))	Buildings and roadings HK$'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
Cost or valuation								
At 1 January 2016	91,272	180,112	5,136	230,000	13,035	7,791	26,383	553,729
Additions	–	8,924	–	104	161	262	4,596	14,047
Acquisition of a subsidiary (note 36)	–	–	–	119	340	88	–	547
Gain on revaluation	7,210	–	–	–	–	–	–	7,210
Transfers	–	4,852	–	2,390	–	–	(7,242)	–
Disposals	–	–	–	(5,115)	(621)	(1,083)	–	(6,819)
Exchange realignment	1,376	(24)	–	41	50	23	–	1,466
At 31 December 2016	99,858	193,864	5,136	227,539	12,965	7,081	23,737	570,180
Additions	–	7,090	–	101	64	365	1,629	9,249
Gain on revaluation	6,228	–	–	–	–	–	–	6,228
Transfers	–	1,856	–	116	625	–	(2,597)	–
Disposals	–	–	–	(7,521)	(193)	(1,104)	–	(8,818)
Exchange realignment	2,361	4	–	22	21	11	–	2,419
At 31 December 2017	108,447	202,814	5,136	220,257	13,482	6,353	22,769	579,258
At 31 December 2017								
Comprising:								
Cost	–	202,814	5,136	220,257	13,482	6,353	22,769	470,811
Valuation	108,447	–	–	–	–	–	–	108,447
	108,447	202,814	5,136	220,257	13,482	6,353	22,769	579,258

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

	Forestry land HK$'000 (note (a))	Buildings and roadings HK$'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
Depreciation and impairment								
At 1 January 2016	–	41,318	1,903	138,106	9,910	5,071	14,602	210,910
Depreciation provided during the year (note 10)	–	8,262	1,206	11,797	1,902	956	–	24,123
Disposals	–	–	–	(4,861)	(533)	(1,024)	–	(6,418)
Exchange realignment	–	(25)	–	34	28	20	–	57
At 31 December 2016	–	49,555	3,109	145,076	11,307	5,023	14,602	228,672
Depreciation provided during the year (note 10)	–	8,679	1,167	10,310	1,067	695	–	21,918
Disposals	–	–	–	(7,518)	(180)	(620)	–	(8,318)
Exchange realignment	–	3	–	18	13	1	–	35
At 31 December 2017	–	58,237	4,276	147,886	12,207	5,099	14,602	242,307
Carrying values								
At 31 December 2017	108,447	144,577	860	72,371	1,275	1,254	8,167	336,951
At 31 December 2016	99,858	144,309	2,027	82,463	1,658	2,058	9,135	341,508

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

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

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

Notes:

(a) Forestry land represents a parcel of forestry land in New Zealand and accounted for using revaluation model.

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 2017				
Recurring fair value measurement for:				
Forestry land	–	108,447	–	108,447
As at 31 December 2016				
Recurring fair value measurement for:				
Forestry land	–	99,858	–	99,858

During the years ended 31 December 2017 and 2016, 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 2017 and 2016 by Telfer Young (Northland) Limited, 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 2017 and 2016.

At 31 December 2017 and 2016, all the Group's forestry land with a net carrying amount of approximately HK$108,447,000 (2016: HK$99,858,000) was pledged to secure bank loan facilities granted to the Group (note 30).

(b) The carrying amounts of the Group's property, plant and equipment held under finance leases included in plant and machinery as at 31 December 2017 amounted to HK$15,503,000 (2016: HK$19,053,000).

17. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January	**20,995**	22,223
Amortisation during the year	**(1,228)**	(1,228)
Reversal of impairment during the year	**3,801**	–
Carrying amount at 31 December	**23,568**	20,995
Current portion of prepaid lease payments included in current portion of prepayments, deposits and other receivables	**(1,583)**	(1,231)
Non-current portion	**21,985**	19,764

The leasehold land of the Group is all situated in Suriname with remaining lease terms from 7 to 36 years (2016: 8 to 37 years).

During the year ended 31 December 2017, the management performed an impairment review of the Group's prepaid lease payments in Suriname and considered the recoverable amounts were higher than their carrying amounts. Accordingly, a reversal of impairment loss in the amount of HK$3,801,000 (2016: nil) was made for certain leasehold land located in Suriname, which is recognised in "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

The recoverable amounts of prepaid lease payments were determined by fair value less costs of disposal as at 31 December 2017, which were based on the valuation reports prepared by an independent professional valuer 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 fair value on which the recoverable amounts were based is categorised as a Level 2 measurement. The most significant observable input into this valuation approach is price per land area.

18. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost		
At 1 January	**42,430**	36,779
Acquisition of a subsidiary	**–**	5,651
At 31 December	**42,430**	42,430
Impairment		
At 1 January	**36,779**	36,779
Impairment during the year	**–**	–
At 31 December	**36,779**	36,779
Carrying amount		
At 31 December	**5,651**	5,651

Impairment testing of goodwill

The carrying amount of goodwill which arose on the acquisitions of subsidiaries, was allocated to the following business cash-generating unit of the Group.

	2017 HK$'000	2016 HK$'000
Forest management business	**5,651**	5,651

The goodwill in respect of the cash-generating units of logs and timber products business in west Suriname and central Suriname and pallets business amounting to HK$7,624,000, HK$27,854,000 and HK$1,301,000, respectively, had been fully impaired in prior years.

18. GOODWILL *(continued)*

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 Northland Forest Managers (1995) Limited ("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% (2016: 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 based upon are 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 rate used is before tax and reflect specific risks relating to the relevant units without taking into account of inflation factor. The discount rate applied to cash flow projections was 8.5% (2016: 8.5%).

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

As at 31 December 2017 and 2016, the Directors are of the opinion that, based on the value in use prepared in accordance with the above key assumptions, no impairment against the goodwill allocated to forest management business is considered necessary.

19. TIMBER CONCESSIONS AND CUTTING RIGHTS

	2017	2016
	HK$'000	HK$'000
Cost		
At 1 January and 31 December	880,459	880,459
Amortisation and impairment		
At 1 January	416,709	414,930
Amortisation during the year	25,258	1,779
Impairment during the year	43,502	–
At 31 December	485,469	416,709
Carrying value		
At 31 December	394,990	463,750

The Group currently owns certain natural forest concessions and cutting rights for the exploitation of timbers on parcels of land in Suriname, which are subject to compliant of certain laws and regulations in Suriname. The timber concessions and cutting rights have finite useful lives with remaining contractual terms ranging from 10 to 20 years.

In prior years, timber concessions and cutting rights are amortised on a unit-of-production basis, whereby the annual amortisation 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.

Following the annual review of the actual consumption of the Group's timber concessions and cutting rights, the Group revised the amortisation method for the timber concessions and cutting rights to straight-line basis with effect from 1 January 2017. The change in accounting estimate is accounted for on a prospective basis. The net carrying amount of timber concessions and cutting rights at 1 January 2017 is amortised on a straight-line basis over the remaining terms of respective licenses for timber concessions and cutting rights. The Directors considered that the revised amortisation method could better reflect the consumption of the economic benefits of the timber concessions and cutting rights. The effect of the change in amortisation method has increased the amortisation in 2017 by HK$24,600,000.

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

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 pursuant to the relevant Suriname laws and regulations. No revenue has ever been contributed by this concession and the book value of the concession had been fully written off in the financial year ended 31 December 2014. Further details were set out in the Company's announcement dated 9 February 2017.

One of the Group's timber concessions in west Suriname with land area of approximately 127,000 hectares expired on 5 June 2017. The Group received the approval of the renewal of the concession issued by the Ministry of RGB on 29 November 2017 at minimal cost. According to the renewal approval, the concession is renewed for a period of 20 years from 29 November 2017 to 29 November 2037. Further details were set out in the Company's announcements dated 9 June 2017 and 12 December 2017.

Accordingly, as at 31 December 2017, the Group's total timber concessions and cutting rights under management in Suriname covered a land area of approximately 322,000 hectares (2016: 366,000 hectares).

On 28 February 2018, the Group obtained the timber concession in central Suriname previously withdrawn by the Ministry of RGB on 19 January 2017. The gross area of the concession was approximately 43,000 hectares. As at the date of these consolidated financial statements that were authorised for issurance, total area of the timber concessions and cutting rights held by the Group increased to approximately 365,000 hectares.

Based on the Group's latest logging plan of west Suriname covering the period of respective timber concessions and cutting rights approved by the management, it will take longer period of time for the logging volume to ramp up to the sustainable annual cut, which resulted in the decrease in the expected logging volume less than the original plan. With the operating losses resulted from the operations in west Suriname for the year ended 31 December 2017, the Directors considered that there was an impairment indicator on timer concessions and cutting rights.

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

For the impairment assessment, the recoverable amounts of the relevant cash-generating units in which the timber concessions and cutting rights are included are determined at fair value less costs of disposal by the Directors with reference to a valuation carried out by an independent professional valuer. Income approach is adopted on the measurement of fair value less costs of disposal. The key assumptions are based upon the harvest volume, discount rates, budgeted profit margins and revenue during the forecast period with reference to the respective concession terms. The projections (including harvest volume, profit margins and revenue) 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 is categorised as a Level 3 measurement.

The key assumptions on which management based its cash flow projections for the fair value less costs of disposal calculations are as follows:

Revenues and budgeted gross margins – The projected figures are based on latest market data for the forestry and timber business 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 without taking into account of inflation factor. The discount rate applied to cash flow projections is 12% to 13% (2016: 12% to 13%).

Based on the above impairment assessment, an impairment loss of HK$43,502,000 was made for timber concessions and cutting rights and recognised in profit or loss during the year ended 31 December 2017. No impairment was considered necessary for the year ended 31 December 2016.

The Directors have carried out similar impairment assessment on the timber concessions and cutting rights in central Suriname and no impairment was considered necessary for the years ended 31 December 2017 and 2016.

20. OTHER INTANGIBLE ASSETS

	2017	2016
	HK$'000	HK$'000
Cost		
At 1 January	1,299	1,299
Additions	–	–
At 31 December	1,299	1,299
Amortisation and impairment		
At 1 January	1,201	923
Amortisation provided during the year	75	278
At 31 December	1,276	1,201
Carrying value		
At 31 December	23	98

Deferred development costs represent direct costs incurred in the development of a timber tracking system and preparations for FSC certification.

21. PLANTATION FOREST ASSETS

The Group currently owns certain plantation forest assets in New Zealand, on the land either owned or leased by the Group, which are mainly radiata pine trees.

For the radiata pine plantation forest assets in the Northland region of New Zealand (the "Mangakahia Forest") owned by the Group, the total freehold title land base was approximately 12,700 hectares (2016: 12,700 hectares), of which approximately 10,600 hectares (2016: 10,600 hectares) was productive area as at 31 December 2017. All the productive area was owned by the Group as freehold, except for approximately 66 hectares (2016: 66 hectares) which are subject to the restrictions as set out in relevant New Zealand regulations. The relevant freehold land is classified and accounted for as property, plant and equipment under note 16.

21. PLANTATION FOREST ASSETS *(continued)*

In addition, pursuant to the deed of nomination dated 20 September 2017, the Group acquired certain plantation forest assets in North Auckland, New Zealand (the "Rototuna Meridian Forest") at a cash consideration of NZD10 million (approximately HK$59 million). The Group leased the land under those radiata pine plantation forest assets in Rototuna Meridian Forest for a term of 33 years, with a right to renew on the same terms and conditions for a further 25 years at minimal cost. Rototuna Meridian Forest has a land area of approximately 500 hectares as at 31 December 2017.

On 7 December 2017, the Group further acquired certain plantation forest assets in Northland region of New Zealand (the "McInnes Forestry Right") at a cash consideration of NZD0.7 million (approximately HK$4 million). According to the Group's harvest plan, all of these radiata pine trees will be harvested by the Group within one year since acquisition, which has a total land area of approximately 23 hectares as at 31 December 2017.

As at 31 December 2017, the Group owned radiata pine plantation forests in New Zealand with aggregate land area of approximately 13,200 hectares (2016: 12,700 hectares).

All the Group's plantation forest assets (excluding the relevant forestry lands) in New Zealand are regarded as consumable 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 2017 and 2016, except for the McInnes Forestry Right where the carrying amount is considered approximate to fair value less costs to sell as at 31 December 2017. The key valuers involved in this valuation is a member of the New Zealand Institute of Forestry. In the opinion of the Directors, Indufor is independent and competent to determine the fair value of the Group's plantation forest assets.

21. PLANTATION FOREST ASSETS *(continued)*

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 forest assets. The costs associated with establishing young stands have also been provided some weighting. 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 profit (loss) before tax as set out in note 5(a).

During the year ended 31 December 2017, the Group harvested a total of 589,000m^3 (2016: 622,000m^3) from the Group's plantation forest assets.

At 31 December 2017, the Group has mature biological assets (radiata pines aged 20 years or above) of 7,544 hectares (2016: 6,297 hectares) and immature biological assets (radiata pines aged below 20 years) of 2,259 hectares (2016: 3,119 hectares).

The harvested area of the Group's plantation forest assets up to 31 December 2017 is around 7,262 hectares (2016: 6,757 hectares).

As at 31 December 2017 and 2016, the Group's plantation forest assets with carrying amounts of HK$333,831,000 (2016: HK$320,682,000) were pledged to secure banking facilities granted to the Group (note 30).

As at 31 December 2017 and 2016, the Group has no commitment for the development and acquisition of biological assets and does not have financial risk management strategies related to plantation forest assets.

21. 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 2017				
Recurring fair value measurement for:				
Plantation forest assets	–	–	400,837	400,837
As at 31 December 2016				
Recurring fair value measurement for:				
Plantation forest assets	–	–	320,682	320,682

During the years ended 31 December 2017 and 2016, 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 categorised within Level 3 of the fair value hierarchy:

	2017	2016
	HK$'000	HK$'000
At 1 January	**320,682**	357,907
Acquisition of plantation forest assets	**62,610**	–
Additions	**7,252**	7,509
Harvested as agricultural produce (logs)	**(120,508)**	(109,843)
Changes in fair value less costs to sell (recognised in profit or loss)	**130,801**	65,109
At 31 December	**400,837**	320,682

21. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

The fair value is estimated under the discounted cash flow method. 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 tax and finance costs; and

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

21. 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 2017 and 2016 comprised of yield, log price projections, production costs, 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 2017		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US$74-90/$m^3$	US$77/$m^3$
Significant observable inputs		
Yield (m^3/ha) (stands planted prior to 1997)	519-782	600
Yield (m^3/ha) (including Young Stands)	503-782	539
Production costs	US$23-31/$m^3$	US$29/$m^3$
Transport costs	US$13-19/$m^3$	US$15/$m^3$
Discount rate	8.5%	8.5%
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%

21. PLANTATION FOREST ASSETS *(continued)*

Fair value hierarchy (continued)

A real pre-tax discount rate was used in the valuation of the plantation forest assets in New Zealand as at 31 December 2017, 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.

For Mangakahia Forest, 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 applied in 2016). 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 for the years ended 31 December 2017 and 2016. In addition, a high level area validation exercise using satellite imagery was performed for Mangakahia Forest. The area verification covered the entire planted forest area in Mangakahia Forest.

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 was performed for Mangakahia Forest by the valuers.

22. INVENTORIES

	31 December 2017 HK$'000	31 December 2016 HK$'000
Logs	**12,933**	16,004
Timber products	**11,006**	16,305
	23,939	32,309

23. TRADE RECEIVABLES

	31 December 2017 HK$'000	31 December 2016 HK$'000
Trade receivables	**245,055**	128,904
Less: impairment	**(6,600)**	(6,538)
	238,455	122,366

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 90 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 minimise credit risk. Overdue balances are reviewed regularly by senior management.

On 2 December 2017, the controlling shareholder of the Group's major customer provided a personal guarantee to the Group in relation to the repayment of the trade receivables owed to the Group. The trade receivables owed from this customer amounted to HK$209,111,000 as at 31 December 2017.

Save as disclosed, the Group does not hold any collateral or other credit enhancements over its remaining 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:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Within 1 month	**17,137**	43,591
From 1 to 3 months	**54,467**	76,019
Over 3 months	**166,851**	2,756
	238,455	122,366

23. TRADE RECEIVABLES *(continued)*

(b) The movements in the impairment of trade receivables during both years are as follows:

	2017	2016
	HK$'000	HK$'000
At 1 January	**6,538**	786
Impairment loss recognised	**62**	6,000
Amounts written off during the year as uncollectible	**–**	(248)
At 31 December	**6,600**	6,538

Included in the above impairment of trade receivables are allowances for individually impaired trade receivables of HK$6,600,000 (2016: HK$6,538,000). The individually impaired receivables related to customers in disputes or were in default in payments.

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

	31 December 2017	31 December 2016
	HK$'000	HK$'000
Neither past due nor impaired	**21,665**	43,685
Less than 3 months past due	**113,769**	76,537
Over 3 months past due	**103,021**	2,144
	238,455	122,366

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 are of the opinion that no 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.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2017 HK$'000	31 December 2016 HK$'000
Non-current portion		
Rental deposits	–	1,094
Prepayments	585	1,182
	585	2,276
Current portion		
Current portion of prepaid lease payments	1,583	1,231
Prepayments	34,211	37,436
Deposits	1,495	394
Other receivables	3,956	869
	41,245	39,930

25. PLEDGED BANK DEPOSIT

The pledged bank deposit is short term time deposit made for a period more than three months but less than one year and is pledged to secure the general banking facilities on letter of credit granted to the Group as at 31 December 2017 (2016: nil).

26. CASH AND CASH EQUIVALENTS

	31 December 2017 HK$'000	31 December 2016 HK$'000
Cash and bank balances other than time deposits	**174,021**	78,938
Time deposits with original maturity of less than three months when acquired	**414**	374
Cash and cash equivalents	**174,435**	79,312

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.

27. 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:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Within 1 month	**27,473**	32,996
From 1 to 3 months	**178**	613
Over 3 months	**2,517**	2,905
	30,168	36,514

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

28. OTHER PAYABLES AND ACCRUALS

	31 December 2017 HK$'000	31 December 2016 HK$'000
Other payables	**10,674**	12,522
Deposits received	**24,068**	23,671
Accruals	**10,685**	12,234
	45,427	48,427

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

29. OBLIGATIONS UNDER FINANCE LEASE

	31 December 2017 HK$'000	31 December 2016 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**10,229**	8,778
Non-current liabilities	**–**	–
	10,229	8,778

At 31 December 2016, the Group leased certain of its plant and machinery under hire purchase arrangements for its division in Suriname. These hire purchases were classified as finance leases with terms of five years. The contracted interest rate was fixed at 8% per annum. During the year ended 31 December 2017, the Group agreed with the lessor to extend the maturity date of the lease contracts up to April 2019 and the interest rate is fixed at 12% per annum. As the Group failed to follow the repayment schedule of the finance lease contracts, the whole balance of obligations under finance lease becomes repayable on demand and shows under current liabilities. The finance lease interest expense and default interest has been accrued as at 31 December 2017.

The finance lease obligations were secured by certain plant and machinery of the Group with the title held by the lessors.

29. OBLIGATIONS UNDER FINANCE LEASE *(continued)*

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2017 HK$'000	31 December 2016 HK$'000	**31 December 2017 HK$'000**	31 December 2016 HK$'000
Obligations under finance lease payable:				
Within one year	**11,611**	8,778	**10,229**	8,778
More than one year but not more than two years	**–**	–	**–**	–
	11,611	8,778	**10,229**	8,778
Less: future finance charges	**(1,382)**	–	**–**	–
Present value of lease obligations	**10,229**	8,778	**10,229**	8,778
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(10,229)**	(8,778)
Amount due for settlement after 12 months			**–**	–

30. BANK BORROWINGS

As at 31 December 2017 and 2016, the Group's bank borrowings were denominated in United States dollars, bearing interest at the base rate determined by the Bank of New Zealand (the "Bank"), plus 1.65% per annum and repayable on 28 February 2019.

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 2017, one of the financial covenants was not complied with, therefore resulted in an event of review 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 before the end of the reporting period. As at 31 December 2017, all financial covenants relating to the bank loan facilities were met.

As at 31 December 2017 and 2016, 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 carrying value of approximately HK$108,447,000 (2016: HK$99,858,000) (note 16);

  (b) the Group's plantation forest assets (located in New Zealand) with a carrying value of approximately HK$333,831,000 (2016: HK$320,682,000) (note 21) 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.

31. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Deferred tax assets	**(24,356)**	(4,016)
Deferred tax liabilities	**194,369**	197,817
	170,013	193,801

The movements in the major deferred tax liabilities (assets) of the Group recognised during the year and prior year are as follows:

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Temporary difference on plantation forest assets HK$'000	Tax losses HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Fair value of interest-bearing loan HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016							
As originally stated	100,096	29,217	(19,424)	12,035	(6,876)	6	115,054
Prior year adjustments (note 2)	64,430	–	–	–	–	–	64,430
As restated	164,526	29,217	(19,424)	12,035	(6,876)	6	179,484
Charge (credit) to the profit or loss (note 13)	582	(1,512)	9,119	1,964	4,208	(42)	14,319
Exchange difference credit to other comprehensive income	–	–	(2)	–	–	–	(2)
At 31 December 2016	165,108	27,705	(10,307)	13,999	(2,668)	(36)	193,801
(Credit) charge to the profit or loss (note 13)	(25,847)	13,619	(14,029)	(1,818)	4,316	(9)	(23,768)
Exchange difference credit to other comprehensive income	–	–	(20)	–	–	–	(20)
At 31 December 2017	139,261	41,324	(24,356)	12,181	1,648	(45)	170,013

31. DEFERRED TAX *(continued)*

As at 31 December 2017, the Group had unused tax losses arising in Hong Kong of approximately HK$106,152,000 (2016: HK$97,052,000) available indefinitely for offsetting against future profits of the companies in which the losses arose.

As at 31 December 2017, the Group had unused tax losses arising in Suriname of HK$439,668,000 (2016: HK$358,675,000) and such tax losses can be carried forward for a period of seven years which are available for offsetting future profits.

As at 31 December 2017, the Group had unused tax losses arising in New Zealand of nil (2016: HK$22,472,000).

Deferred tax assets have been recognised in respect of tax losses arising from the aforementioned jurisdictions of HK$67,656,000 (2016: HK$33,628,000). No deferred tax assets have been recognised in respect of the remaining tax losses of HK$478,164,000 (2016: HK$444,571,000) due to unpredictability of future profit streams. These tax losses are subject to agreement with the tax authorities of aforementioned jurisdictions.

There were no other significant temporary differences arising during the year or at the end of the reporting period.

32. SHARE CAPITAL

Shares

	31 December 2017 HK$'000	31 December 2016 HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
1,686,337,506 (2016: 1,486,277,506) ordinary shares of HK$0.01 each	**16,863**	14,863

32. SHARE CAPITAL *(continued)*

Shares (continued)

The movements in the Company's issued share capital during the years ended 31 December 2017 and 2016 are as follows:

	Notes	Number of shares in issue	Share capital
			HK$'000
At 1 January 2016		962,477,947	9,625
Shares issued upon exercise of share options	(a)	108,000	1
Shares issued upon loan capitalisation	(b)	523,691,559	5,237
At 31 December 2016		1,486,277,506	14,863
Shares issued upon exercise of share options	(a)	60,000	–
Subscription of shares	(c)	200,000,000	2,000
At 31 December 2017		1,686,337,506	16,863

Notes:

(a) During the year ended 31 December 2017, 60,000 (2016: 108,000) share options were exercised at the subscription price HK$0.78 (2016: HK$0.78) per share, resulting in the issue of 60,000 (2016: 108,000) ordinary shares of the Company for a total cash consideration of approximately HK$46,000 (2016: HK$84,000). As a result of the exercise of these share options, their fair value of HK$21,000 (2016: HK$35,000) previously recognised in the share option reserve was transferred to the share premium account.

(b) 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 capitalisation 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 39(a)(i)).

(c) On 3 July 2017, the Group entered into share subscription agreements with China Forestry International Resource Company Limited ("China Forestry") and Hong Kong Genghis Khan Group Limited ("Genghis Khan Group"). On 22 August 2017, 100,000,000 shares of the Company were issued to China Forestry at a subscription price of HK$0.85 per share and on 28 September 2017, 100,000,000 shares of the Company were issued to Genghis Khan Group at a subscription price of HK$0.85 per share. The net proceeds received by the Group was HK$169,827,000, after netting of the issue expenses of HK$173,000. Upon completion of the share subscriptions, China Forestry and Genghis Khan Group each have 5.93% shareholding in the Company. The subscription price represented a discount of approximately 14.14% to the closing price of HK$0.99 as quoted on the Stock Exchange on 3 July 2017, being the date of subscription agreement. The shares rank pari passu with other shares in issue in all respects.

32. SHARE CAPITAL *(continued)*

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 33 to the consolidated financial statements.

33. SHARE-BASED PAYMENTS

The Company has a share option scheme which was adopted by the Company at the special general meeting held on 28 June 2012 whereby the Directors are authorised, 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 2017 was 187,822,750 (2016: 162,008,950) shares (including options for 39,195,000 (2016: 39,455,000) shares that have been granted but not yet lapsed or exercised) which represented 11.14% (2016: 10.90%) of the issued share capital of the Company as at 31 December 2017. The maximum number of shares issuable under share options to each eligible participant in the share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (the "INED"). 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 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 of Directors at its sole discretion, save that such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

33. SHARE-BASED PAYMENTS *(continued)*

The following table discloses movements of the Company's share options held by the directors, employees and consultant during the year:

Date of grant	Vesting period	Exercisable period	Exercise price	Balance at 1.1.2017	Granted during the year	Lapsed during the year	Exercised during the year	Balance at 31.12.2017
Directors								
17 July 2015	N/A	17 July 2015 to 16 July 2020	1.23	13,700,000	–	–	–	13,700,000
13 September 2016	N/A	13 September 2016 to 12 September 2021	0.78	19,400,000	–	–	–	19,400,000
Employees								
13 September 2016	Note (a)	13 September 2016 to 12 September 2021	0.78	2,355,000	–	(200,000)	(60,000)	2,095,000
Consultant								
13 September 2016	N/A	13 September 2016 to 12 September 2021	0.78	4,000,000	–	–	–	4,000,000
				39,455,000	–	(200,000)	(60,000)	39,195,000
Exercisable at 31 December 2017								39,170,000
Weighted average exercisable price per share				0.94	–	0.78	0.78	0.94

33. SHARE-BASED PAYMENTS *(continued)*

Date of grant	Vesting period	Exercisable period	Exercise price	Balance at 1.1.2016	Granted during the year	Lapsed during the year	Exercised during the year	Balance at 31.12.2016
Directors								
17 July 2015	N/A	17 July 2015 to 16 July 2020	1.23	13,700,000	–	–	–	13,700,000
13 September 2016	N/A	13 September 2016 to 12 September 2021	0.78	–	19,400,000	–	–	19,400,000
Employees								
13 September 2016	Note (a)	13 September 2016 to 12 September 2021	0.78	–	2,663,000	(200,000)	(108,000)	2,355,000
Consultant								
13 September 2016	N/A	13 September 2016 to 12 September 2021	0.78	–	4,000,000	–	–	4,000,000
				13,700,000	26,063,000	(200,000)	(108,000)	39,455,000
Exercisable at 31 December 2016								38,985,000
Weighted average exercisable price per share				1.23	0.78	0.78	0.78	0.94

Notes:

(a) In respect of employees who have joined the Company for more than 2 years as at the date of grant, all share options granted will be vested on the date of grant. In respect of employees who have joined the Company for more than 1 year but less than 2 years as at the date of grant, 50% of the share options will be vested on the date of grant and the other 50% will be vested on the first anniversary of the date of grant. In respect employees who have joined the Company for less than 1 year as at the date of grant, 50% of the share options granted will be vested on the first anniversary of the date of grant and the other 50% of the share options will be vested on the second anniversary of the date of grant.

33. SHARE-BASED PAYMENTS *(continued)*

Notes: (continued)

(b) The exercise period of share options granted in 2016 was from 13 September 2016 to 12 September 2021 and the fair values of the options were calculated using the Binomial Option Pricing Model. The inputs to the model were as follows:

	13 September 2016
Share price at the date of grant	HK$0.78
Exercise price per share	HK$0.78
Expected volatility (%)	84.33
Risk-free interest rate (%)	0.666

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

No share options were granted during the year (2016: 26,063,000). The Group recognised share-based payment expenses of HK$98,000 (2016: HK$8,488,000) during the year ended 31 December 2017.

(c) During the year 31 December 2017, 60,000 (2016: 108,000) share options were exercised, resulted in the issue of 60,000 (2016: 108,000) ordinary shares of the Company and new share capital of nil (2016: HK$1,000) and share premium of HK$67,000 (2016: HK$118,000) (before issue expenses).

(d) As at 31 December 2017, the Company had 39,195,000 (2016: 39,455,000) share options outstanding under the scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 39,195,000 (2016: 39,455,000) additional ordinary shares of the Company and additional share capital of approximately HK$392,000 (2016: HK$395,000) and share premium of approximately HK$36,345,000 (2016: HK$36,545,000) (before issue expenses). These share options had exercise price of HK$1.23 and HK$0.78 (2016: HK$1.23 and HK$0.78) per share and a weighted average remaining contractual life of 3.30 years (2016: 4.30 years).

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

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

	31 December 2017	31 December 2016
Percentage of equity interest held by non-controlling interests:		
Greenheart Resources Holdings Limited	**39.61%**	39.61%
Greenheart Forest Technologies N.V.	**40.00%**	40.00%

	2017 HK$'000	2016 HK$'000
Loss for the year allocated to non-controlling interests:		
Greenheart Resources Holdings Limited and its subsidiaries ("GRH Group")	**42,428**	32,802
Greenheart Forest Technologies N.V.	**3,904**	4,448

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

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

	GRH Group	
	2017	2016
	HK$'000	HK$'000
Revenue	**16,944**	29,013
Total expenses	**(124,058)**	(111,825)
Loss for the year	**(107,114)**	(82,812)
Total comprehensive expense for the year	**(107,114)**	(82,812)
	31 December	31 December
	2017	2016
	HK$'000	HK$'000
Current assets	**37,834**	36,409
Non-current assets	**422,762**	491,912
Current liabilities	**(134,804)**	(187,369)
Non-current liabilities	**(776,831)**	(684,877)
Net liabilities	**(451,039)**	(343,925)
Accumulated balances of non-controlling interests	**(178,657)**	(136,229)
	2017	2016
	HK$'000	HK$'000
Net cash flows used in operating activities	**(30,989)**	(21,138)
Net cash flows used in investing activities	**(727)**	(3,892)
Net cash flows from financing activities	**30,574**	11,926
Net decrease in cash and cash equivalents	**(1,142)**	(13,104)

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

	Greenheart Forest Technologies N.V.	
	2017	2016
	HK$'000	HK$'000
Revenue	**–**	–
Total expenses	**(9,762)**	(11,119)
Loss for the year	**(9,762)**	(11,119)
Total comprehensive expense for the year	**(9,762)**	(11,119)

	31 December 2017	31 December 2016
	HK$'000	HK$'000
Current assets	**27,236**	26,546
Non-current assets	**19,434**	21,217
Current liabilities	**(160,876)**	(152,207)
Net liabilities	**(114,206)**	(104,444)
Accumulated balances of non-controlling interests	**(45,682)**	(41,778)

	2017	2016
	HK$'000	HK$'000
Net cash flows used in operating activities	**(1)**	(284)
Net cash flows from investing activities	**–**	313
Net (decrease) increase in cash and cash equivalents	**(1)**	29

35. RETIREMENT BENEFIT PLANS

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.

36. ACQUISITION OF A SUBSIDIARY

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 who were the independent third parties as the vendors, whereby the Group 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 in 2016.

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

	HK$'000
Property, plant and equipment	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	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 were 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 was expected to be deductible for income tax purposes.

36. ACQUISITION OF A SUBSIDIARY *(continued)*

Acquisition-related costs amounting to HK$34,000 had been excluded from the cost of acquisition and had been recognised directly as expenses during the year ended 31 December 2016 and included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

An analysis of the cash flows in respect of the acquisition of NFM was 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 used in investing activities	(6,043)
Transaction costs of the acquisition included in cash flows used in operating activities	(34)
	(6,077)

During the year ended 31 December 2016, total revenue of HK$14,505,000 had 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 Group's consolidated loss by NFM since the acquisition.

Had the combination taken place as at 1 January 2016, the pro forma revenue of the Group and the consolidated loss of the Group for the year ended 31 December 2016 would have been HK$543,901,000 and HK$27,141,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

37. OPERATING LEASE ARRANGEMENTS

The Group 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 ranged from one to three years. The Group also leased forestry land in North Auckland, New Zealand for plantation forest assets. The Group leased the land for a term of 33 years, with a right to renew on the same terms and conditions for a further 25 years.

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Within one year	**3,386**	4,558
In the second to fifth year, inclusive	**2,349**	2,876
Over five years	**20,995**	–
	26,730	7,434

38. CAPITAL COMMITMENTS

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

	31 December 2017 HK$'000	31 December 2016 HK$'000
Contracted, but not provided for:		
Land and buildings	**–**	2,301

On 30 October 2017, one of the indirect wholly-owned subsidiaries of the Company entered into a joint venture agreement with 內蒙古旭日塔拉文化產業發展有限責任公司 ("Xuri Tala"), China Cheer Holdings Limited ("China Cheer") and Noble Elegance Limited ("Noble Elegance") in relation to the formation of the joint venture in the People's Republic of China (the "PRC") to principally engage in the provision of environmental restoration and greening services in the PRC, at a total capital contribution of Renminbi ("RMB") 1,500,000 (equivalent to HK$1,800,000). As at 31 December 2017, the Group did not pay for any capital contribution.

39. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties during the year ended 31 December 2017:

Related party	**Nature of transaction**	Notes	**2017** **HK$'000**	2016 HK$'000
Immediate holding company	Interest expenses paid and payable on loans	(i),(ii)	**6,491**	8,951
Ultimate holding company	Interest expenses paid and payable on a loan	(iii)	**3,900**	3,911
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iv)	**2,905**	180

Notes:

(i) 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 capitalised on 22 March 2016.

39. RELATED PARTY DISCLOSURES *(continued)*

(a) (continued)

Notes: (continued)

(ii) 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 10 March 2017, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2018 to 31 March 2019;

- an unsecured loan with principal amount of HK$27,300,000 (i.e. US$3,500,000). On 10 March 2017, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2018 to 31 March 2019;

- an unsecured loan with principal amount of HK$23,400,000 (i.e. US$3,000,000). On 10 March 2017, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2018 to 31 March 2019;

- an unsecured loan with principal amount of HK$7,106,000 (i.e. US$911,000). On 10 March 2017, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 27 May 2018 to 31 March 2019;

- an unsecured loan with principal amount of HK$6,179,000 (i.e. US$792,000) which is repayable on 25 October 2019; and

- an unsecured loan with principal amount of HK$8,580,000 (i.e. US$1,100,000) which is repayable on 31 December 2018.

(iii) 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 10 March 2017, a supplemental agreement was signed with ultimate holding company to extend the maturity date of the loan principal from 12 August 2017 to 31 March 2019.

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

39. RELATED PARTY DISCLOSURES *(continued)*

(b) Outstanding balances with related parties

(i) The amount due to immediate holding company in current liabilities as at 31 December 2017 and 2016 represented the interest payables in relation to the loans from immediate holding company, which were unsecured and repayable on 31 December 2018 and on demand, respectively.

(ii) The amount due to immediate holding company in non-current liabilities as at 31 December 2017 represented the interest payables in relation to the loans from immediate holding company, which were unsecured and repayable on 31 March 2019 and 25 October 2019.

The amount due to immediate holding company in non-current liabilities as at 31 December 2016 represented the interest payables in relation to the loans from immediate holding company, which were unsecured and repayable on 31 March 2018 and 25 October 2019.

(iii) The amount due to ultimate holding company as at 31 December 2017 and 2016 represented interest payables in relation to the loan from ultimate holding company, which was unsecured and repayable within one year.

(iv) The amount due from a fellow subsidiary as at 31 December 2017 and 2016 was unsecured, interest-free and repayable within one year.

(c) Compensation of key management personnel of the Group

	2017 **HK$'000**	2016 HK$'000
Short-term employee benefits	**11,642**	12,080
Share-based payment expenses	**–**	6,639
Pension scheme contributions	**72**	72
	11,714	18,791

40. 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 maximise 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 2017 and 2016.

The Group monitors third party debt ratio and debt service cover ratio as required by the bank loan facilities. For the third party debt ratio, the total third party debts in New Zealand division shall not at any time exceed 50% (2016: 50%) of the aggregate value of plantation forest assets and forestry land pledged. 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 2017 and 2016, such ratios were met as the aforementioned third party debt ratio and debt service cover ratio were below 50% (2016: 50%) and exceeded 1.5 times, respectively.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31 December 2017 HK$'000	31 December 2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**421,977**	204,220
Financial liabilities		
At amortised cost	**483,199**	470,252

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits, amount due from a fellow subsidiary, pledged bank deposit, cash and cash equivalents, trade payables, other payables, obligations under finance lease, loans from immediate holding company and ultimate holding company, amounts due to immediate holding company and ultimate holding company and bank borrowings.

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 summarised below.

41. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

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. variable-rate bank borrowings (note 30), loans from ultimate holding company (note 39(a)(iii)) and immediate holding company (note 39(a)(ii)). In the opinion of the Directors, the exposure of interest rate risk arising from variable-rate bank balances is insignificant.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of the Group's profit (loss) before tax (through the impact on floating rate borrowings) based on the exposure to interest rates at the end of reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for whole year.

	Increase (decrease) in basis points	(Decrease) Increase in profit before tax HK$'000
Year ended 31 December 2017	100	(4,080)
	(100)	4,080

	Increase (decrease) in basis points	Increase (decrease) in loss before tax HK$'000
Year ended 31 December 2016	100	3,948
	(100)	(3,948)

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

41. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Foreign currency risk

Most of the Group's sales, outstanding borrowings and majority costs and expenses incurred in Hong Kong and Suriname are denominated in the United States dollars, which is the function currency of the Company and its major subsidiaries. The forest management fee income from New Zealand division and certain operating expenses are denominated in New Zealand dollars which is considered as insignificant to the Group. 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 2017. 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.

The Directors consider that the Group's exposure to foreign currency risk is not significant and no sensitivity analysis is presented.

Credit risk

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

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 87.7% (2016: 91.2%) of the Group's trade receivables was due from the Group's largest customer within New Zealand division, and 97.1% (2016: 94.7%) 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 23 to the consolidated financial statements.

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

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

41. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or within one year HK$'000	In the second to fifth years, inclusive HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2017					
Non-derivative financial liabilities					
Trade payables	–	30,168	–	30,168	30,168
Other payables	–	10,674	–	10,674	10,674
Loans from immediate holding company	5.00	9,009	134,438	143,447	134,965
Loan from ultimate holding company	5.00	3,900	78,962	82,862	78,000
Amount due to immediate holding company	–	202	22,860	23,062	23,062
Amount due to ultimate holding company	–	1,101	–	1,101	1,101
Bank borrowings	3.26	6,362	196,028	202,390	195,000
Obligations under finance lease	8.49	11,611	–	11,611	10,229
		73,027	432,288	505,315	483,199

41. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand or within one year HK$'000	In the second to fifth years, inclusive HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2016					
Non-derivative financial liabilities					
Trade payables	–	36,514	–	36,514	36,514
Other payables	–	12,522	–	12,522	12,522
Loans from immediate holding company	5.00	355	129,265	129,620	121,844
Loan from ultimate holding company	5.00	80,393	–	80,393	78,000
Amount due to immediate holding company	–	461	16,032	16,493	16,493
Amount due to ultimate holding company	–	1,101	–	1,101	1,101
Bank borrowings	2.49	4,802	200,576	205,378	195,000
Obligations under finance lease	–	8,778	–	8,778	8,778
		144,926	345,873	490,799	470,252

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

The Directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements at amortised cost approximate to their fair values.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1.1.2017	Financing cash flows	Non-cash changes	Finance costs	Interest paid	31.12.2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings	195,000	–	–	–	–	195,000
Interest payable	1,441	–	(1,979)	9,619	(8,590)	491
Obligations under finance lease	8,778	(528)	1,979	–	–	10,229
Loan from ultimate holding company	78,000	–	–	–	–	78,000
Loans from immediate holding company	121,844	13,121	–	–	–	134,965
Amount due to immediate holding company	16,493	78	–	6,491	–	23,062
Amount due to ultimate holding company	1,101	–	–	3,900	(3,900)	1,101

43. CONTINGENT LIABILITIES

As at 31 December 2017 and 2016, the Group did not have any significant contingent liabilities.

44. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking facilities granted to the Group:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Bank deposit	**3,136**	–
Property, plant and equipment	**108,447**	99,858
Plantation forest assets	**333,831**	320,682
	445,414	420,540

45. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

(a) On 29 December 2017, a wholly-owned subsidiary of the Company entered into a cooperation framework agreement with a company in Jiangxi Province, PRC, with its principal business engaged in timber trading, timber port investment and operations, logistics services, and timber industrial park investment, development and management (the "Target in Jiangxi") and its two beneficial owners for a possible investment in the Target in Jiangxi by the Group at a consideration to be mutually agreed (the "Proposed Investment in Jiangxi"). Further details are set out in the Company's announcement dated 4 January 2018.

Subsequent to 31 December 2017, the Group paid a deposit of RMB20,000,000 (equivalent to HK$24,162,000) as earnest money. The Group is in the process of discussion on the Proposed Investment in Jiangxi. Further announcement in respect of the Proposed Investment in Jiangxi will be made by the Company in the event any formal agreement has been signed.

45. EVENTS AFTER THE END OF THE REPORTING PERIOD

(b) On 26 January 2018, Silver Mount Group Limited, a wholly-owned subsidiary of the Company, entered into the fourth supplemental facility agreement with Greenheart Resources Holdings Limited, a non wholly-owned subsidiary of the Company, pursuant to which the parties conditionally agreed to, among other things, (i) increase the facility amount to HK$371 million; (ii) extend the repayment date of the outstanding amount drawn under the facility to 30 November 2020; and (iii) extend the drawdown period. Independent shareholders' approval was sought at the special general meeting held on 12 March 2018.

Further details are set out in the Company's announcements dated 26 January 2018 and 12 March 2018, and circular dated 15 February 2018, respectively.

(c) On 30 January 2018, a wholly-owned subsidiary of the Company entered into a cooperation framework agreement with two companies in Gabon, Africa, with their principal business engaged in forest harvesting, timber trading and industrial timber processing (the "Targets in Gabon") and their beneficial owner for a possible acquisition of certain equity interests and/or investment in the Targets in Gabon by the Group at a consideration to be mutually agreed (the "Proposed Investment in Gabon"). Further details are set out in the Company's announcement dated 31 January 2018.

Subsequent to the reporting period, the Group paid a deposit of RMB10,000,000 (equivalent to HK$12,300,000) as earnest money. The Group is in the process of discussion on the Proposed Investment in Gabon. Further announcement in respect of the Proposed Investment in Gabon will be made by the Company in the event any formal agreement has been signed.

(d) On 28 February 2018, the Group obtained the forest concession in central Suriname where was previously withdrawn by the Ministry of RGB on 19 January 2017. The gross area of the concession was approximately 43,000 hectares. As at the date of these consolidated financial statements that were authorised for issuance, total area of the timber concessions and cutting rights held by the Group increased to approximately 365,000 hectares.

46. COMPARATIVE AMOUNTS

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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2017 are as follows:

Company name	Place of incorporation/ establishment and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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
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 timber products
Greenheart Grand Forest Limited	Hong Kong	HK$1	–	60.39	Sale of logs and timber products

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Greenheart Wood Trading Company Limited	Hong Kong	HK$1	–	100	Sale of logs
Mega Harvest International Limited	BVI/Hong Kong	–	–	100	Investment holding
Greenheart NZ Forestry Holding Company Limited	New Zealand	–	–	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 Waipoua Forest Company Limited	New Zealand	–	–	100	Investment in commercial forestry
Greenheart Forest Technologies N.V.	Suriname	SRD1,000	–	60	Administration of forestry operations
Forest Technologies N.V.	Suriname	SRD10,000	–	60	Administration of forestry operations
Caribbean Pallet Company N.V.	Suriname	SRD1,000	–	60	Manufacturing and sale of pallet
Greenheart Forest Suriname Suma Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Greenheart Forest Central N.V.	Suriname	SRD2,000	–	100	Administration of forestry operations
Greenheart Forest Suriname Limited	BVI/Hong Kong	US$1	–	100	Sale of logs and investment holding
Greenheart Forest Suma Limited	Hong Kong	HK$1	–	100	Sale of logs and timber products

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Greenheart Forest Central Limited	BVI/Suriname	US$201	–	100	Investment and timber concession holding
Caps Houtmaatschappij N.V.	Suriname	SRD2,000	–	100	Timber concession holding
Suma Lumber Company N.V.	Suriname	SRD1,000	–	100	Timber concession holding
Greenheart Management Services Limited	Hong Kong	HK$10,000	–	100	Provision of administrative and management services
Supreme Express Limited	Hong Kong	HK$1	–	100	Provision of administrative and management services
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
Greenheart Trading Services Company Limited	Hong Kong	HK$1	–	100	Provision of shipping services

The above table lists out 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.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.

48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	31 December 2017 HK$'000	31 December 2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**905,177**	882,758
Prepayments, deposits and other receivables	**441**	771
	905,618	883,529
CURRENT ASSETS		
Prepayments, deposits and other receivables	**630**	454
Cash and cash equivalents	**101,876**	2,789
	102,506	3,243
CURRENT LIABILITY		
Accruals	**2,113**	1,470
	2,113	1,470
NET CURRENT ASSETS	**100,393**	1,773
TOTAL ASSETS LESS CURRENT LIABILITY	**1,006,011**	885,302
CAPITAL AND RESERVES		
Share capital	**16,863**	14,863
Reserves	**989,148**	870,439
TOTAL EQUITY	**1,006,011**	885,302

48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(continued)*

Reserve movements of the Company

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	1,611,573	125,376	6,776	(1,190,675)	553,050
Loss and total comprehensive expense for the year	–	–	–	(4,920)	(4,920)
Issue of new shares upon loan capitalisation	314,739	–	–	–	314,739
Shares issue expenses	(1,001)	–	–	–	(1,001)
Recognition of equity-settled share-based payments	–	–	8,488	–	8,488
Issue of new shares upon exercise of share options	118	–	(35)	–	83
Transfer upon the lapse of share options	–	–	(227)	227	–
At 31 December 2016	1,925,429	125,376	15,002	(1,195,368)	870,439
Loss and total comprehensive expense for the year	–	–	–	(49,262)	(49,262)
Issue of new shares upon subscription of new shares	168,000	–	–	–	168,000
Shares issue expenses	(173)	–	–	–	(173)
Recognition of equity-settled share-based payments	–	–	98	–	98
Issue of new shares upon exercise of share options	67	–	(21)	–	46
Transfer upon the lapse of share options	–	–	(64)	64	–
At 31 December 2017	2,093,323	125,376	15,015	(1,244,566)	989,148

48. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(continued)*

Reserve movements of the Company (continued)

The Company's contributed surplus, which arose from the group reorganisation on 2 July 1991, represents the difference between the nominal value of the Company's shares issued under the reorganisation scheme, in exchange for the shares in the subsidiaries and 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 realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium account.