Greenheart Group
綠心集團

GREENHEART GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheng Chi-Him, Conrad#
(Non-executive Chairman)
Wu Wai Leung, Danny*
(Chief Executive Officer)
Lim Hoe Pin*
Tsang On-Yip, Patrick#
Simon Murray#
Cheng Yang# *(appointed on 4 July 2018)*
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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INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

LC Lawyers
Sit, Fung, Kwong & Shum

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

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

BRANCH SHARE REGISTRAR & TRANSFER OFFICE IN HONG KONG

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

WEBSITE

http://www.greenheartgroup.com/

INVESTOR RELATIONS

info@greenheartgroup.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of my fellow members of the board (the "Board") of directors (the "Directors") of Greenheart Group Limited ("Greenheart" or the "Company"), I hereby present the financial results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2018 (the "Period").

Due to the drop in the harvested volume on its own plantation, increase in the operating costs and depletion cost in the New Zealand division, the Group's performance fell short of expectation. During the Period, the Group recorded a revenue of HK$200,810,000 (2017: HK$266,900,000), a net loss of HK$17,533,000 (2017: a loss of HK$7,051,000, as restated), and an Adjusted EBITDA of HK$42,187,000 (2017: HK$67,102,000, as restated).

BUSINESS PERFORMANCE

New Zealand Division

Commencing from the end of 2017, the Group has gradually changed the trade terms of the export sales of the New Zealand radiata pine from cost and freight ("CFR") to free on board ("FOB"). Such change should have no material impact on the net profit but improve the cash flow by passing the upfront payment of the ocean freight charges and logs fumigation fee obligations to the buyers. The new trade term can also reduce the Group's exposure on the fluctuation of the ocean freight, which is expected to rise again in the remaining of 2018.

During the Period, the average FOB selling price of A grade New Zealand radiata pine was largely in a holding pattern, increased by approximately 4.4%, compared with the same period of last year. However, predominately due to the disruptions caused by the temporary withdrawal of one of the harvesting contractors, harvested volume from the Group's own plantations, decreased substantially by 91,000m^3, or 31.3% compared with the same period of last year. While the Group has increased sourcing third party logs to fill the gap, the sales volume still decreased by 17.4% or 48,000m^3 year on year during the Period.

CHAIRMAN'S STATEMENT (continued)

Due to the appreciation of New Zealand dollars during the early part of the Period, more than double fuel costs and higher contractor fee for tougher harvesting terrain, the unit operating costs had been pushed up, which had put further pressure on the underlying operating profits of the New Zealand division. As a result, the Adjusted EBITDA, which excluded the fair value gain on the plantation assets and the forest depletion costs, of the New Zealand division decreased by HK$25,936,000 to HK$66,773,000 during the Period.

A fair value gain on plantation forest assets of HK$34,865,000 (2017: HK$36,371,000), before netting off of the related deferred tax, was recorded for the Period.

Suriname Division

The Suriname division continued to make losses, but at a reduced level, during the Period. Despite the Group has successfully renewed its largest concession in west Suriname, with an area of 127,000 hectares, and obtained the license documents, the local Suriname forestry bureau later informed that the harvesting activities on this concession needed to be put on halt awaiting on the minor remapping of the concession area. The shortage of logs not only affected the logs sales but also seriously impeded west Suriname's sawmill production. As a result, the revenue from the Suriname division decreased substantially by 49.8% to HK$6,355,000 (2017:HK$12,650,000).

The management has taken immediate measures, including reallocation of internal resources, reducing cash outlay, continued outsourcing certain activities to subcontractors etc, to mitigate the negative impact caused by this unplanned interruption. As a result, negative Adjusted EBITDA of the Suriname division was reduced to HK$10,881,000 (2017: negative HK$13,214,000, as restated) during the Period.

CHAIRMAN'S STATEMENT (continued)

OUTLOOK

The global economy environment has changed abruptly since the talk of global trade war gathered pace in the first quarter of 2018. Given the log values are highly reliant on macro-economic environment, the escalating trade conflicts is understandably causing a cloud of negative sentiment on the New Zealand radiata pine export market. Sentiment across the section points towards a small downward price adjustment of approximately US$5 to US$7 per m^3 in the second half of 2018. The effect of such drop may be offset by the decrease in direct operating cost denominated in New Zealand dollars which depreciates recently. The New Zealand dollars dropped by approximately 3.8% since the beginning of May, falling to a six month low at the date of this report.

While the challenges relating to our Suriname operation are greater than expected, the Group is still confident about its business aspect and the underlying customer demand for the precious Suriname logs. We believed that the disruption of the harvesting activities in west Suriname is only transitory and the adverse impact from them is temporary. Swift and decisive actions had been taken to improve the operational inefficiencies and reduce the fixed cost. We are optimistic about regaining the momentum and growth of Suriname operations once the hurdle is removed.

During 2018, in addition to its existing business, the Group had also taken steps in achieving its dynamic growth plans by entering into cooperation framework agreements for two possible log and timber business related acquisition opportunities and completion of an acquisition of a plantation asset in New Zealand. The Group is still in the due diligence phase on these acquisition opportunities, which is expected to be completed within the second half of 2018. If the Company proceeds with these acquisition opportunities, it will make further announcement as and when appropriate. We will continue to target on the acquisition opportunities where we have related experiences and knowledge and where we can add value so as to improve the overall operational performance of the Group and enhance the long-term benefits of our shareholders.

APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow directors for their guidance, to all staff for their dedication and hard work, and to all our shareholders and customers for their continued support.

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong, 29 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group recorded an unaudited net loss of HK$17,533,000 (2017: a loss of HK$7,051,000, as restated). The increase of the net loss was mainly due to the decrease of the operating profit (i.e. Adjusted EBITDA) contributed by the New Zealand division by HK$25,936,000 to HK$66,773,000, due to the reduction in harvested volume. Notwithstanding the drop in the revenue, the Suriname division recorded a reduced operating loss by HK$2,333,000 to HK$10,881,000, mainly due to stringent costs reduction measures. This helps to partly offset the negative impact on the Group's operating results caused by the New Zealand division.

Revenue

The Group's total revenue decreased by HK$66,090,000 or 24.8% to HK$200,810,000 for the Period as compared to the corresponding period last year. Revenue contributed by the New Zealand division and the Suriname division was HK$194,455,000 (2017: HK$254,250,000) and HK$6,355,000 (2017: HK$12,650,000), respectively.

During the Period, the Group gradually changed the trade terms of the export sales of New Zealand radiata pine from CFR to FOB, under which the buyers will bear the freight charges directly. It is therefore the sales invoiced value under FOB terms will be less than the CFR terms by deducting the deemed freight charges. Excluding the impact caused by the reduction of the deemed freight charge in the invoiced sales value, the revenue of the New Zealand division decreased by HK$33,703,000 during the Period. Such decrease was mainly due to the temporary withdrawal of one harvesting contractor, which caused a reduction of the harvested volume by 31.3% versus the prior same period. In order to fill the demand gap caused by the reduction of logs from our owned plantation, the Group increased the trade of third parties logs by 16,000 m^3 to 33,000 m^3 during the Period. As a result, the total sales volume of the New Zealand division reduced only by 17.4% to 228,000 m^3 (2017: 276,000 m^3) during the Period. Regarding the sales prices, the average FOB price of New Zealand radiata pine remained largely the same, reflecting the stable market demand during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Revenue (continued)

Apart from sales of logs and timber products, revenue generated from forest management fee income also recorded a drop of HK$1,544,000 when compared with last year because of loss of a customer during the Period. Since there was no vessels chartered by the Group during the Period, no shipping service fee income was earned by sharing vessels with other logs exporters.

Revenue contributed by the Suriname division dropped by 49.8% to HK$6,355,000 for the Period (2017: HK$12,650,000). The decrease was mainly due to the temporary halt of the harvesting activities in the one of the Group's largest concession in west Suriname, awaiting for the completion of the minor adjustment on the boundary line of concession area as set out in the approved license document.

Gross profit

The Group's gross profit for the Period was HK$18,990,000, representing a decrease of HK$40,010,000 or 67.8%. The gross profit contribution from the New Zealand division for the Period was HK$26,158,000 (2017: HK$86,187,000) while the Suriname division recorded a gross loss of HK$7,168,000 for the Period (2017: HK$27,187,000, as restated).

The Group's gross profit margin for the Period was 9.5% as compared to 22.1% (as restated) for the same period last year. The gross profit margin for the Group's New Zealand division for the Period was 13.5% (2017: 33.9%) while the Suriname division recorded a gross loss margin of 112.8% for the Period (2017: 214.9%, as restated).

Excluding the reduction caused by the change of the trade terms from CFR to FOB, the gross profit for the New Zealand division reduced by HK$33,935,000 to HK$23,459,000, reflecting the increase in non-cash forest depletion cost as a result of the increase in the fair value of the plantation forest assets as at 31 December 2017 and the increase in the average unit operating costs, primary due to the increase in the fuel costs and higher contractors fee for tougher harvesting terrain and the decrease in the sales volume.

BUSINESS REVIEW (continued)

Gross profit (continued)

The gross loss margin for the Suriname division improved during the Period because of the reduction of the operating costs, reflecting the positive impacts caused by the cost-saving measures and the sale of certain old stock with better margin during the Period.

Other income

Other income amounted to HK$117,000 (2017: HK$325,000) for the Period, mainly represented bank interest income of HK$52,000 (2017: HK$13,000) and rental income received from subcontractors in Suriname for the lease of plant and machinery of HK$6,000 (2017: HK$233,000).

Other gains and losses

Other gains and losses for the Period was impairment on trade receivables of HK$805,000 (2017: nil), representing the movement in the expected credit losses ("ECL") for the Period as a result of the first adoption of HKFRS 9 on 1 January 2018.

Other gains and losses for the same period last year represented gain on disposal of property, plant and equipment of HK$1,544,000 due to the disposal of idle vehicles in Suriname.

Fair value gain on plantation forest assets

The fair value gain on our plantation forest assets in New Zealand amounted to HK$34,865,000 (2017: HK$36,371,000) for the Period. The gain was calculated based on the valuation report at the end of the Period prepared by an independent valuer, and was primarily attributable to the adjustments in both near term and long term forecasted selling price of logs and the change of discount rate from 8.5% to 8.0% with reference to the relevant market indicators.

BUSINESS REVIEW (continued)

Selling and distribution costs

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

During the Period, selling and distribution costs reduced by 63.8% to HK$20,983,000 (2017: HK$57,965,000), as compared to the same period of last year. The reduction was primarily attributable to the decrease in freight cost as a result of the reduction of the volume of New Zealand radiata pine sold under CFR term.

Administrative expenses

Administrative expenses increased by 31.9% or HK$9,364,000 for the Period. Such increase was mainly because (i) the increase in amortisation of timber concessions and cutting rights by HK$6,847,000 due to less of that was capitalised to inventories caused by the significant reduction of the harvested volume from west Suriname; (ii) the increase in the legal and professional fee by HK$1,399,000 in relation to the bonus issues and public relations services; and (iii) increase in travelling expenses of HK$454,000 for exploration of new business opportunities in the expansion in New Zealand and other regions, during the Period.

Finance costs

Finance costs represented (i) interest on loans from Newforest Limited ("Newforest" or "Immediate Holding Company") of HK$3,471,000 (2017: HK$3,116,000); (ii) interest on a loan from Chow Tai Fook Enterprises Limited ("CTFE" or "Ultimate Holding Company") of HK$1,934,000 (2017: HK$1,934,000); (iii) interest on bank borrowings of HK$4,761,000 (2017: HK$3,871,000); and (iv) interest on finance leases of HK$1,355,000 (2017: HK$814,000).

The increase in finance costs by HK$1,786,000 to HK$11,521,000 for the Period was mainly due to the increase in interest on bank borrowings following the general rise in London Interbank Offered Rates ("LIBOR") in the Period and the additional interest charged on the late payments on finance leases.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Income tax credit

Income tax credit for the Period mainly represented a tax provision of HK$5,245,000 (2017: HK$5,019,000) arising from our New Zealand division, a deferred tax credit of HK$6,523,000 (2017: a deferred tax charge of HK$1,696,000, as restated), and withholding tax of HK$793,000 (2017: HK$559,000) resulting from the intercompany interest.

The deferred tax credit for the Period comprised of the deferred tax credit of HK$588,000 (2017: deferred tax charge of HK$6,709,000) and HK$5,935,000 (2017: HK$5,013,000, as restated) in the New Zealand and the Suriname divisions, respectively.

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

The deferred tax credit in the 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 Period.

EBITDA

The EBITDA of the Group decreased by HK$19,272,000 from HK$98,881,000 (as restated) in the same period last year to HK$79,609,000 during the Period.

The reduction in EBITDA of the Group was primarily caused by lower contribution made by the New Zealand division, resulting from significant lower harvested volume and the decrease in fair value gain on plantation forest assets for the Period. The EBITDA of the New Zealand division therefore reduced from HK$129,092,000 in the same period last year to HK$100,892,000 for the Period.

The negative EBITDA of the Suriname division decreased from HK$17,750,000 (as restated) in the same period last year to HK$7,575,000 for the Period as a result of stringent cost reduction measures and higher sale prices for certain old stock during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Loss for the Period attributable to owners of the Company

As a result of the aforementioned, the loss attributable to the owners of the Company amounted to HK$1,233,000 for the Period as compared to a profit attributable to the owners of HK$10,430,000 (as restated) in the same period last year.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2018, the Group's current assets and current liabilities were HK$438,010,000 and HK$339,091,000 (31 December 2017: HK$481,710,000 and HK$129,167,000), respectively, of which the Group maintained cash and bank balances of approximately HK$101,984,000 (31 December 2017: HK$174,435,000). The Group's outstanding borrowings as at 30 June 2018 represented the loans from immediate holding company amounting to HK$141,049,000 (31 December 2017: HK$134,965,000), the loan from ultimate holding company amounting to HK$78,000,000 (31 December 2017: HK$78,000,000), bank borrowings amounting to HK$195,000,000 (31 December 2017: HK$195,000,000) and finance lease payables of HK$nil (31 December 2017: HK$10,229,000). Accordingly, the Group's gearing ratio as of 30 June 2018, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 36.4% (31 December 2017: 36.4%).

As at 30 June 2018, there were 1,854,991,056 ordinary shares ("Shares") of the Company in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in current deposits mostly denominated in United States dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

LIQUIDITY AND FINANCIAL REVIEW (continued)

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 denominated in United States dollars. The domestic sales generated from the New Zealand plantation forest assets and the forest management fee income from the New Zealand division are denominated in New Zealand dollars, which helps to partly offset the Group's operating expenses payable in New Zealand dollars. During the Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2018. 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 ("Bank"). During the Period, all financial covenants relating to the bank loan facilities were met.

TRADE RECEIVABLES REVIEW

The trade receivables of the Group as at 30 June 2018 and the subsequent settlement after the end of the reporting period are as follows:

	As at 30 June 2018	**After the end of the reporting period**	
	Trade receivables balance	**Subsequent settlement**	**Outstanding amount**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	29,771	16,284	13,487
Less than 3 months past due	6,768	6,522	246
Over 3 months past due	147,511	5,616	141,895*
	184,050	28,422	155,628

TRADE RECEIVABLES REVIEW (continued)

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

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

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

b. 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;

c. Subsequent to the Period, the Group entered into an agreement with the Major Customer, pursuant to which the Major Customer charged the shares of a subsidiary which is the holding company of a number of the operating subsidiaries of the Major Customer as security for 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 keeping the Board informed of the aging of the trade receivables from the Major Customer through the regular discussion in board meetings; and

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

In addition, the trade receivables of the Group as at 30 June 2018 has been further reduced with the subsequent settlement after the end of reporting period as set out above. In order to address the expected credit loss requirement under HKFRS 9, impairment of HK$805,000 was made during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS

2018 was always going to be a challenge coming out of an almost perfect 2017 where prices were increasing faster than the rate of cost, that of course caught up toward the end of year.

China is the biggest market for Greenheart's wood products, and it continues growing its strong domestic demand for logs and lumber despite intervention from the government with policies to curb the housing and construction market. For the second quarter of 2018, the China's gross domestic product recorded a growth of 6.7% year on year and growth of 6.8% year-to-date with economic experts maintaining a forecast above the Chinese government target for the full year of 6.5%. Uncertainty looms as global market awaits the fall out of the Trump induced trade war deficit dispute with China, whose first action of devaluing the Renminbi by 7% to 9% has taking an immediate impact on CFR logs prices at the beginning of the second half of 2018.

During the Period, New Zealand forestry industry has been good, but not great. Based on the Minister of Primary industries (MPI) statistic log export volumes rose 20.7% in the first quarter of 2018 as compared to the same period last year but down against that in December 2017 by 13.0% with an expectation to break the 20 million m^3 barrier in 2018. For the second half of 2018, we expect some softening of CFR prices for New Zealand radiata pine but presume logs demands to maintain at the current level, as the recent reduction in daily port offtakes was caused by some seasonal factor rather than the impact of United States and China trade tensions. New Zealand logs CFR prices closed at ranging US$135 to US$137 per m^3 for A-grade logs in July 2018, down from the highs of a range of US$145 to US$147 per m^3. Market experts are expecting prices in the second half of 2018 will experience a further drop of US$5 to US$7 per m^3.

New forest acquisition in New Zealand will be continued with a target to secure 500 to 1,200 hectares yearly within our existing Northlands base and two new strategic locations in Central North Island, Gisborne and Tauranga. The latter location is the highest log export location and one of two major fumigation port, the others being Greenheart current home port of Northport of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

We are continuing to optimise our Suriname operations wood flow model before a major restart to reduce the risk of consuming heavy working capital. Our priority remains to outsource less valued forestry operations such as "log and load" activities and lease or subcontract the sawmill processing and logistics. Greenheart's focus would be the research and development of new marketable species, extending our sales and marketing channels and the overall monitoring and control of our forest assets. In the second half of 2018, we aim to further optimize our Suriname operations and bringing in additional expertise to help with the production ramp up plan and to further collaborate with external parties on the sawmill processing.

On the corporate level, the Company is currently performing due diligence reviews for two potential investments in Jiangxi Province, China and Gabon. In view of additional time is required for both due diligence reviews and negotiation of the terms of the possible investments, the Group has agreed with the vendors to extend the exclusivity period to 30 September 2018 and 31 December 2018 for the potential investments in Jiangxi Province, China and Gabon respectively. As at 30 June 2018, the Group have paid refundable earnest money of RMB50,000,000 (equivalent to HK$61,164,000) and RMB10,000,000 (equivalent to HK$12,300,000), which are recorded as prepayments, deposits and other receivables in current assets in condensed consolidated statement of financial position, as refundable earnest money for the potential investments in Jiangxi Province, China and Gabon respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

USE OF PROCEEDS FROM SUBSCRIPTION

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 approximately HK$169,827,000. 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 the share subscription agreements. The shares rank pari passu with other shares in issue in all respects.

As at 31 December 2017, (1) approximately HK$59,009,000 was used to settle the consideration for the acquisition of forestry right over the land in Rototuna Meridian Forest, New Zealand; and (2) approximately HK$16,574,000 was used as general working capital of the Group, including but not limited to the operating expenses of the Group's business in Hong Kong and Suriname and finance costs on a loan of the Group. The remaining unutilised amount of net proceeds as at 31 December 2017 was approximately HK$94,244,000.

As at 30 June 2018, the remaining unutilised net proceeds were used as to (1) approximately HK$73,464,000 for payment of refundable earnest money for the Group's possible investments in Jiangxi Province, the PRC and Gabon, as disclosed in the announcements of the Company dated 4 January 2018, 31 January 2018 and 12 June 2018; (2) approximately HK$1,885,000 for the Group's capital contribution in a joint venture company in the PRC, as disclosed in the announcement of the Company dated 30 October 2017; and (3) approximately HK$18,895,000 was used as general working capital of the Group, including but not limited to the operating expenses of the Group's business in Hong Kong and Suriname and finance costs on a loan of the Group.

As at 30 June 2018, the net proceeds raised from the subscription have been fully utilised, and they were used according to the previously disclosed intentions of the Company.

CHARGE ON ASSETS

As at 30 June 2018 and 31 December 2017, the Group's bank loan facilities are secured by:

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

(ii) a Fixed Charge over:

a. the Group's forestry land (located in New Zealand) with a net carrying value of approximately HK$103,405,000 (31 December 2017: HK$108,447,000) ("Forestry Land");

b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$387,172,000 (31 December 2017: HK$333,831,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land; and

c. all other present and after-acquired property that is not Personal Property of the Selected Group Companies.

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2018, the Group spent approximately HK$9,956,000 (year ended 31 December 2017: approximately HK$9,249,000) on investment in property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS ACQUISITION AND DISPOSAL

The Group had no material business acquisitions or disposal during the Period.

CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, the Group did not have any significant contingent liabilities.

SHARE OPTION SCHEME

As at 30 June 2018, there were share options for 42,874,700 ordinary shares of HK$0.01 each in the share capital of the Company granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 28 June 2012, which were valid and outstanding. Movements of the outstanding share options of the Company during the Period are set out below:

	Number of share options
As at 1 January 2018	39,195,000
Grant during the Period	–
Lapsed during the Period	(200,000)
Cancelled during the Period	–
Exercised during the Period	(18,000)
Adjusted during the Period *(Note)*	3,897,700
As at 30 June 2018	42,874,700

Note: The number of the outstanding share options of the Company was adjusted after the completion of the bonus issue on the basis of one (1) bonus share for every ten (10) existing shares of the Company on 15 June 2018.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2018, the total number of employees of the Group was 300 (31 December 2017: 317). Employees' costs (including Directors' emoluments) amounted to approximately HK$26,011,000 for the six months ended 30 June 2018 (30 June 2017: HK$30,102,000). 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June **2018** **(Unaudited)** ***HK$'000***	 2017 (Unaudited) *HK$'000* (Restated)
REVENUE	5	**200,810**	266,900
Cost of sales		**(181,820)**	(207,900)
Gross profit		**18,990**	59,000
Other income	6	**117**	325
Other gains and losses	6	**(805)**	1,544
Fair value gain on plantation forest assets	12	**34,865**	36,371
Selling and distribution costs		**(20,983)**	(57,965)
Administrative expenses		**(38,681)**	(29,317)
Finance costs	7	**(11,521)**	(9,735)
(LOSS) PROFIT BEFORE TAX	8	**(18,018)**	223
Income tax credit (expense)	9	**485**	(7,274)
LOSS FOR THE PERIOD		**(17,533)**	(7,051)
OTHER COMPREHENSIVE (EXPENSE) INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(6,470)**	6,645
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL		**(6,470)**	6,645
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**(24,003)**	(406)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(1,233)**	10,430
Non-controlling interests		**(16,300)**	(17,481)
		(17,533)	(7,051)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(7,703)**	17,075
Non-controlling interests		**(16,300)**	(17,481)
		(24,003)	(406)
(LOSS) EARNINGS PER SHARE			
Basic	10	**HK$(0.001)**	HK$0.006
Diluted	10	**HK$(0.001)**	HK$0.006

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**331,545**	336,951
Prepaid lease payments		**21,194**	21,985
Goodwill		**5,651**	5,651
Interest in joint venture		**1,778**	–
Timber concessions and cutting rights	11	**383,530**	394,990
Other intangible assets		**–**	23
Plantation forest assets	12	**421,844**	400,837
Prepayments, deposits and other receivables	14	**425**	585
Deferred tax assets		**26,246**	24,356
		1,192,213	1,185,378
CURRENT ASSETS			
Inventories		**37,089**	23,939
Trade receivables	13	**184,050**	238,455
Prepayments, deposits and other receivables	14	**111,205**	41,245
Amount due from a fellow subsidiary	24(b)(iv)	**399**	500
Tax recoverable		**126**	–
Pledged bank deposit	15	**3,157**	3,136
Cash and cash equivalents		**101,984**	174,435
		438,010	481,710

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
CURRENT LIABILITIES			
Trade payables	16	**27,496**	30,168
Other payables and accruals		**19,905**	45,427
Contract liabilities		**24,148**	–
Obligations under finance lease			
– amount due within one year	17	**–**	10,229
Loan from ultimate holding company	24(a)(ii)	**78,000**	–
Loans from immediate holding company	24(a)(i)	**128,786**	8,580
Amount due to immediate holding company	24(b)(i)	**25,970**	202
Amount due to ultimate holding company	24(b)(iii)	**1,079**	1,101
Tax payable		**33,707**	33,460
		339,091	129,167
NET CURRENT ASSETS		**98,919**	352,543
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,291,132**	1,537,921

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Loan from ultimate holding company	24(a)(ii)	**–**	78,000
Loans from immediate holding company	24(a)(i)	**12,263**	126,385
Amount due to immediate holding company	24(b)(ii)	**564**	22,860
Bank borrowings	18	**195,000**	195,000
Deferred tax liabilities		**189,736**	194,369
		397,563	616,614
NET ASSETS		**893,569**	921,307
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	19	**18,550**	16,863
Reserves		**1,118,458**	1,131,583
		1,137,008	1,148,446
Non-controlling interests		**(243,439)**	(227,139)
TOTAL EQUITY		**893,569**	921,307

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Land revaluation reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2017 (audited)	**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**
Impact on initial application of HKFRS 9 (note 3)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,753)**	**(3,753)**	**-**	**(3,753)**
At 1 January 2018 (restated)	**16,863**	**2,093,323**	**83,274**	**15,015**	**846**	**26,144**	**265**	**4,781**	**(1,095,818)**	**1,144,693**	**(227,139)**	**917,554**
Loss for the Period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,233)**	**(1,233)**	**(16,300)**	**(17,533)**
Other comprehensive expense for the Period:												
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,470)**	**-**	**(6,470)**	**-**	**(6,470)**
Total comprehensive expense for the Period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,470)**	**(1,233)**	**(7,703)**	**(16,300)**	**(24,003)**
Issue of new shares upon bonus issues	**1,687**	**(1,687)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of new shares upon exercise of share options	**-**	**21**	**-**	**(6)**	**-**	**-**	**-**	**-**	**-**	**15**	**-**	**15**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**3**
Transfer upon the lapse of share options	**-**	**-**	**-**	**(64)**	**-**	**-**	**-**	**-**	**64**	**-**	**-**	**-**
At 30 June 2018 (unaudited)	**18,550**	**2,091,657**	**83,274**	**14,948**	**846**	**26,144**	**265**	**(1,689)**	**(1,096,987)**	**1,137,008**	**(243,439)**	**893,569**
At 1 January 2017 (audited)	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 Period (restated)	–	–	–	–	–	–	–	–	10,430	10,430	(17,481)	(7,051)
Other comprehensive income for the Period												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	6,645	–	6,645	–	6,645
Total comprehensive income (expense) for the Period	–	–	–	–	–	–	–	6,645	10,430	17,075	(17,481)	(406)
Issue of new shares upon exercise of options	–	38	–	(11)	–	–	–	–	–	27	–	27
Recognition of equity-settled share-based payments	–	–	–	68	–	–	–	–	–	68	–	68
At 30 June 2017 (unaudited)	14,863	1,925,467	83,274	15,059	846	19,916	265	8,571	(1,168,150)	900,111	(198,507)	701,604

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**63,391**	(26,311)
NET CASH USED IN INVESTING ACTIVITIES	**(125,051)**	(8,584)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(9,318)**	1,907
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(70,978)**	(32,988)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**174,435**	79,312
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,473)**	1,196
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**101,984**	47,520
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**101,984**	47,520

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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, 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 interim 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.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICES

The unaudited condensed 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.

Other than changes in accounting policies resulting from application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2018 are the same as those followed in the presentation of the Group's annual financial statements for the year ended 31 December 2017.

3. PRINCIPAL ACCOUNTING POLICES (continued)

Application of new and revised HKFRSs

In the current Period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the Related Amendments*
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

The new and revised HKFRSs have been applied in accordance with the relevant transition provisions in respective standards and amendments which results in changes in accounting policies, amount reported and/or disclosures as described below.

3.1 Impact from changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

In the current Period, the Group has applied HKFRS 15 for the first time retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations with no material effect on timing and amount of revenues recognised in the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impact from changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (continued)

The Group recognises revenue from the following major sources:

- Sale of logs and timber products
- Provision of forest management services
- Provision of shipping services

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impact from changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.1 Impact from changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* (continued)

Revenue recognition

Revenue from sale of goods is recognised when control of the goods has transferred, that is when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been delivered/shipped to the specific location according to the specified contract terms, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

Other service income is recognised when the services are provided.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that are not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Other payables and accruals	(a)	45,427	(24,068)	21,359
Contract liabilities	(a)	–	24,068	24,068

(a) As at 1 January 2018, deposits received from customers of HK$24,068,000 previously included in other payables and accruals were reclassified to contract liabilities.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.2 Impact from changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current Period, the Group has applied HKFRS 9 *Financial Instrument* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) ECL for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and 3) general hedge accounting.

The Group applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been dereocognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial instruments: Recognition and Measurement*.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.2 Impact from changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income ("FVTOCI") criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item, if any.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. No changes in classification and measurement on the Group's financial assets is needed.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 including trade receivables and amount due from a fellow subsidiary. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.2 Impact from changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.2 Impact from changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in the following table.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.2 Impact from changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Amortised cost (previously classified as loans and receivables)	**Accumulated losses**
	HK$'000	*HK$'000*
Closing balance at 31 December 2017 – HKAS 39	421,977	1,092,065
Effect arising from initial application of HKFRS 9		
Remeasurement on impairment under ECL model	(3,753)	3,753
Opening balance at 1 January 2018	418,224	1,095,818

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$3,753,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective asset.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICES (continued)

3.2 Impact from changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Loss allowance for trade receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables *HK$'000*
At 31 December 2017 – HKAS 39	6,600
Remeasurement through opening accumulated losses	3,753
At 1 January 2018	10,353

4. 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 (credit) 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, (reversal of) write-down of inventories, impairment losses and share-based payment expenses ("Adjusted EBITDA"), which is the measure evaluated by the Management.

4. SEGMENT INFORMATION (continued)

The following table presents revenue and profit (loss) information regarding the Group's operating segments for the six months ended 30 June 2018:

For the six months ended 30 June 2018

	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Segment total (Unaudited) *HK$'000*	Unallocated corporate items (Unaudited) *HK$'000*	Consolidated total (Unaudited) *HK$'000*
SEGMENT REVENUE – EXTERNAL	6,355	194,455	200,810	–	200,810
SEGMENT RESULTS ("Adjusted EBITDA")	(10,881)	66,773	55,892	(13,705)	42,187
Reconciliation of the segment results:					
Items other than finance costs, income tax (credit) expense, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	34,865	34,865	–	34,865
Interest income	2	50	52	–	52
Impairment of trade receivables***	(9)	(796)	(805)	–	(805)
Reversal of write-down of inventories*	3,313	–	3,313	–	3,313
Share-based payment expenses**	–	–	–	(3)	(3)
EBITDA	(7,575)	100,892	93,317	(13,708)	79,609
Finance costs	(6,760)	(4,761)	(11,521)	–	(11,521)
Forest depletion cost as a result of harvesting*	–	(51,642)	(51,642)	–	(51,642)
Depreciation****	(7,836)	(2,073)	(9,909)	(317)	(10,226)
Amortisation of harvest roading included in prepayments*	–	(11,964)	(11,964)	–	(11,964)
Amortisation of timber concessions and cutting rights*****	(11,460)	–	(11,460)	–	(11,460)
Amortisation of prepaid lease payments**	(791)	–	(791)	–	(791)
Amortisation of other intangible assets*	(23)	–	(23)	–	(23)
(LOSS) PROFIT BEFORE TAX	(34,445)	30,452	(3,993)	(14,025)	(18,018)

4. SEGMENT INFORMATION (continued)

*	Included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.
**	Included in "Administrative expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.
***	Included in "Other gains and losses" in the condensed consolidated statement of profit or loss and other comprehensive income.
****	Depreciation of HK$5,435,000 is included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.
*****	Amortisation of timber concessions and cutting rights of HK$705,000 is included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

4. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2017

	Suriname (Unaudited) *HK$'000* (Restated)	New Zealand (Unaudited) *HK$'000*	Segment total (Unaudited) *HK$'000* (Restated)	Unallocated corporate items (Unaudited) *HK$'000*	Consolidated total (Unaudited) *HK$'000* (Restated)
SEGMENT REVENUE – EXTERNAL	12,650	254,250	266,900	–	266,900
SEGMENT RESULTS ("Adjusted EBITDA")	(13,214)	92,709	79,495	(12,393)	67,102
Reconciliation of the segment results:					
Items other than finance costs, income tax (credit) expense, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	36,371	36,371	–	36,371
Interest income	1	12	13	–	13
Write-down of inventories*	(4,537)	–	(4,537)	–	(4,537)
Share-based payment expenses**	–	–	–	(68)	(68)
EBITDA	(17,750)	129,092	111,342	(12,461)	98,881
Finance costs	(5,864)	(3,871)	(9,735)	–	(9,735)
Forest depletion cost as a result of harvesting*	–	(49,951)	(49,951)	–	(49,951)
Depreciation****	(9,004)	(1,834)	(10,838)	(370)	(11,208)
Amortisation of harvest roading included in prepayments*	–	(14,475)	(14,475)	–	(14,475)
Amortisation of timber concessions and cutting rights*****	(12,629)	–	(12,629)	–	(12,629)
Amortisation of prepaid lease payments**	(613)	–	(613)	–	(613)
Amortisation of other intangible assets*	(47)	–	(47)	–	(47)
(LOSS) PROFIT BEFORE TAX	(45,907)	58,961	13,054	(12,831)	223

4. SEGMENT INFORMATION (continued)

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

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

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

**** Depreciation of HK$5,949,000 is included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

***** Amortisation of timber concessions and cutting rights of HK$610,000 is included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. SEGMENT INFORMATION (continued)

Geographical information

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
New Zealand*	**178,020**	40,658
Mainland China	**16,601**	214,313
Suriname	**2,297**	3,038
The Netherlands	**1,825**	1,604
Belgium	**1,199**	2,583
United States of America	**221**	1,395
Austria	**–**	1,318
Hong Kong	**226**	282
Other countries	**421**	1,709
	200,810	266,900

* The revenue from customers located in New Zealand mainly related to sales under free on board terms with destination in Mainland China.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. SEGMENT INFORMATION (continued)

Information on major customers

During the six months ended 30 June 2018, the Group had transactions with one (2017: one) customer from New Zealand segment who each contributed over 10% of the Group's total revenue for the Period. A summary of revenue earned from the each of these major customers is set out below:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer 1	**155,376**	N/A*
Customer 2	**N/A***	213,875
	155,376	213,875

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

5. REVENUE

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of logs and timber products	**199,423**	263,103
Forest management fee	**1,387**	2,931
Shipping service fee income	**–**	866
	200,810	266,900

6. OTHER INCOME, OTHER GAINS AND LOSSES

Other income:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**52**	13
Rental income for lease of plant and machinery	**6**	233
Others	**59**	79
	117	325

Other gains and losses:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**–**	1,544
Impairment of trade receivables	**(805)**	–
	(805)	1,544

7. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on loans from immediate holding company	**3,471**	3,116
Interest on loan from ultimate holding company	**1,934**	1,934
Interest on finance leases	**1,355**	814
Interest on bank borrowings	**4,761**	3,871
	11,521	9,735

8. (LOSS) PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Forest harvested as agricultural produce *(note 12)*	**53,625**	56,098
Amount capitalised in closing inventories	**(4,442)**	(8,312)
Amount released from opening inventories	**2,459**	2,165
Forest depletion cost as a result of harvesting*	**51,642**	49,951
Amortisation of timber concessions and cutting rights** *(note 11)*	**11,460**	12,629

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

8. (LOSS) PROFIT BEFORE TAX (continued)

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

** Amortisation of timber concessions and cutting rights of HK$705,000 (2017: HK$610,000, as restated) and HK$10,925,000 (2017: HK$4,078,000, as restated) are included in "Cost of sales" and "Administrative expenses" in the condensed consolidated statement of profit or loss and other comprehensive income, respectively.

9. INCOME TAX (CREDIT) EXPENSE

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
The income tax (credit) expense comprises:		
Current – Hong Kong		
Charge for the Period	**3,752**	5,106
Current – other jurisdictions (mainly New Zealand)		
Charge for the Period	**1,493**	(87)
Withholding tax	**793**	559
Deferred tax	**(6,523)**	1,696
	(485)	7,274

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months period ended 30 June 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. Hong Kong profits tax of a selected subsidiary of the Group has been provided accordingly on the estimated assessable profits arising in Hong Kong during the Period.

9. INCOME TAX (CREDIT) EXPENSE (continued)

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% (2017: 36%) and 28% (2017: 28%), respectively.

The New Zealand withholding tax is provided for non-resident withholding tax that is chargeable on the intercompany loans interest income received from subsidiaries incorporated in New Zealand.

10. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
(Loss) Earnings for the purposes of basic and diluted (loss) earnings per share attributable to owners of the Company	**(1,233)**	10,430

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

10. (LOSS) EARNINGS PER SHARE (continued)

	2018 **(Unaudited)**	2017 (Unaudited) (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,854,977,710**	1,634,907,596
Effect of dilutive potential ordinary shares:		
Share options	**–**	9,075,093
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,854,977,710**	1,643,982,689

The weighted average number of ordinary shares for the purposes of basic earnings per share for the period ended 30 June 2017 has been adjusted for bonus issue that took place on 15 June 2018.

In respect of the diluted loss per share amount presented for the Period, no adjustment was made to the basic loss per share amount presented, as the impact of the share options outstanding had no dilutive effect on the basic loss per share amount presented.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. TIMBER CONCESSIONS AND CUTTING RIGHTS

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Cost		
At beginning of the Period/year	**880,459**	880,459
Amortisation and impairment		
At beginning of the Period/year	**485,469**	416,709
Amortisation during the Period/year *(note 8)*	**11,460**	25,258
Impairment during the Period/year	**–**	43,502
At end of the Period/year	**496,929**	485,469
Carrying value		
At end of the Period/year	**383,530**	394,990

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. TIMBER CONCESSIONS AND CUTTING RIGHTS (continued)

On 28 February 2018, the Group obtained the timber concession in central Suriname which was previously withdrawn by the Suriname Ministry of Environmental Planning, Land and Forest Management on 19 January 2017. The gross area of the concession was approximately 43,000 hectares.

Accordingly, as at 30 June 2018, the Group's total timber concessions and cutting rights under management in Suriname covered a land area of approximately 365,000 hectares (31 December 2017: 322,000 hectares).

12. PLANTATION FOREST ASSETS

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Net carrying amount at beginning of the Period/year	**400,837**	320,682
Acquisition of plantation forest assets	**34,672**	62,610
Additions	**5,095**	7,252
Harvested as agricultural produce (note 8)	**(53,625)**	(120,508)
Changes in fair value less costs to sell (recognised in profit or loss)	**34,865**	130,801
Net carrying amount at end of the Period/year	**421,844**	400,837

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 (31 December 2017: 12,700 hectares), of which approximately 10,600 hectares (31 December 2017: 10,600 hectares) was productive area as at 30 June 2018. All the productive area was owned by the Group as freehold, except for approximately 66 hectares (31 December 2017: 66 hectares) which are subject to the restrictions as set out in relevant New Zealand regulations.

12. 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 NZ$10 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 30 June 2018 and 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 NZ$0.7 million (approximately HK$4 million), which has a total land area of approximately 23 hectares as at 31 December 2017. During the Period, all of these radiata pine trees had been harvested by the Group.

On 31 May 2018, the Group acquired certain plantation forest assets in East coast region of New Zealand (the "Papakorakora Forest") at a cash consideration of NZ$6.4 million (approximately HK$34.7 million). Papakorakora Forest has a land area of approximately 287 hectares as at 30 June 2018. This forest cutting right will expire on 31 May 2020.

As at 30 June 2018, the Group owned radiata pine plantation forests in New Zealand with aggregate land area of approximately 13,500 hectares (31 December 2017: 13,200 hectares).

For the six months ended 30 June 2018, the Group harvested a total of around 200,000 m^3 (2017: 291,000 m^3) from the Group's plantation forest assets.

As at 30 June 2018, the Group has mature biological assets (radiata pines aged 20 years or above) of 7,655 hectares (31 December 2017: 7,544 hectares) and immature biological assets (radiata pines aged below 20 years) of 2,031 hectares (31 December 2017: 2,259 hectares).

The harvested area of the Group's plantation forest assets as at 30 June 2018 is around 7,617 hectares (31 December 2017: 7,262 hectares).

12. PLANTATION FOREST ASSETS (continued)

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 30 June 2018 and 31 December 2017, except for the Papakorakora Forest and McInnes Forestry Right as at 30 June 2018 and 31 December 2017, respectively, where their carrying amounts are considered approximate to fair value less costs to sell. The key valuer 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.

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.

For the valuation of plantation forest assets in New Zealand as at 30 June 2018, Indufor updated the values from the full narrative valuation as at 31 December 2017 and relied on the field inspection results and base values provided in the valuation as at 31 December 2017. The plantation forest assets have not been re-inspected for valuation as at 30 June 2018, but the stocked area, log prices, production and transport costs have been updated for the valuation as at 30 June 2018.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

12. PLANTATION FOREST ASSETS (continued)

The key inputs in the valuation of the plantation forest assets in New Zealand as at 30 June 2018 and 31 December 2017 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 using the discounted cash flow methodology:

	Range	Average/Applied
As at 30 June 2018		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US$76-92/$m^3$	US$78/$m^3$
Significant observable inputs		
Yield (m^3/ha) (stands planted prior to 1997)	517-782	596
Yield (m^3/ha) (including Young Stands)	503-716	531
Production costs	US$16-30/$m^3$	US$28/$m^3$
Transport costs	US$13-19/$m^3$	US$15/$m^3$
Discount rate	8.0%	8.0%
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%

A real pre-tax discount rate was used in the valuation of the plantation forest assets in New Zealand as at 30 June 2018, 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, Indufor has given some recognition to the cost of establishing these young stands. A hybrid model incorporating expectation and compounding cost approaches has been applied to the young age class stands.

12. PLANTATION FOREST ASSETS (continued)

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 (loss) profit before tax (due to changes in the fair value of plantation forest assets).

For the six months ended 30 June 2018

Change in production costs	**Increase (decrease) in production costs**	**(Increase) decrease in loss before tax**
	%	*HK$'000*
If the production costs increase	5	(21,852)
If the production costs decrease	(5)	21,852

Change in transport costs	**Increase (decrease) in transport costs**	**(Increase) decrease in loss before tax**
	%	*HK$'000*
If the transport costs increase	5	(10,440)
If the transport costs decrease	(5)	10,440

Change in log price	**Increase (decrease) in log price**	**(Increase) decrease in loss before tax**
	%	*HK$'000*
If the log price increases	5	42,546
If the log price decreases	(5)	(42,546)

Change in discount rate	**Increase (decrease) in discount rate**	**(Increase) decrease in loss before tax**
	%	*HK$'000*
If the discount rate increases	1	(18,109)
If the discount rate decreases	(1)	21,380

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

12. PLANTATION FOREST ASSETS (continued)

For the six months ended 30 June 2017

Change in production costs	Increase (decrease) in production costs	(Decrease) increase in profit before tax
	%	HK$'000
If the production costs increase	5	(25,853)
If the production costs decrease	(5)	25,853

Change in transport costs	Increase (decrease) in transport costs	(Decrease) increase in profit before tax
	%	HK$'000
If the transport costs increase	5	(9,895)
If the transport costs decrease	(5)	9,895

Change in log price	Increase (decrease) in log price	(Decrease) increase in profit before tax
	%	HK$'000
If the log price increases	5	40,324
If the log price decreases	(5)	(40,324)

Change in discount rate	Increase (decrease) in discount rate	(Decrease) increase in profit before tax
	%	HK$'000
If the discount rate increases	1	(9,380)
If the discount rate decreases	(1)	10,982

As at 30 June 2018, the Group's plantation forest assets with carrying amounts of HK$387,172,000 (31 December 2017: HK$333,831,000) were pledged to secure banking facilities granted to the Group (note 18).

12. PLANTATION FOREST ASSETS (continued)

As at 30 June 2018 and 31 December 2017, 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.

13. TRADE RECEIVABLES

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Trade receivables	**195,208**	245,055
Less: impairment	**(11,158)**	(6,600)
	184,050	238,455

The Group's trading terms with its customers are mainly on open account with credit terms of 5 days to 90 days. 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, net of impairment, amounted to HK$164,417,000 as at 30 June 2018 (31 December 2017: HK$209,111,000).

Subsequent to the Period, the Group entered into an agreement with the Major Customer, pursuant to which the Major Customer charged the shares of a subsidiary which is the holding company of a number of the operating subsidiaries of the Major Customer as security for the repayment of the trade receivables owed by the Major Customer.

Save as disclosed, the Group does not hold any collateral or other credit enhancements over its remaining trade receivable balances.

13. TRADE RECEIVABLES (continued)

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:

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Within 1 month	**22,726**	17,137
From 1 to 3 months	**13,219**	54,467
Over 3 months	**148,105**	166,851
	184,050	238,455

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Non-current portion		
Prepayments	**425**	585
	425	585
Current portion		
Current portion of prepaid lease payments	**1,583**	1,583
Deposits	**1,498**	1,495
Prepayments	**33,760**	34,211
Other receivables	**900**	3,956
Refundable earnest money	**73,464**	–
	111,205	41,245

The refundable earnest money represents earnest money of RMB50,000,000 (equivalent to HK$61,164,000) and RMB10,000,000 (equivalent to HK$12,300,000) paid for the potential investments in Jiangxi Province, China and Gabon respectively.

15. 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 bank facilities on letter of credit granted to the Group as at 30 June 2018 and 31 December 2017.

16. 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:

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Within 1 month	**24,657**	27,473
From 1 to 3 months	**421**	178
Over 3 months	**2,418**	2,517
	27,496	30,168

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

17. OBLIGATIONS UNDER FINANCE LEASE

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Analysed for reporting purposes as:		
Current liabilities	**–**	10,229
Non-current liabilities	**–**	–
	–	10,229

In 2017, 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. In 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. During the Period, the whole balance of obligations under finance lease, finance lease interest expense and default interest was fully repaid.

17. OBLIGATIONS UNDER FINANCE LEASE (continued)

The finance lease obligations were secured by certain plant and machinery of the Group with the title held by lessor as at 31 December 2017.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
Obligations under finance lease payable:				
Within one year	**–**	11,611	**–**	10,229
More than one year but not more than two years	**–**	–	**–**	–
	–	11,611	**–**	10,229
Less: future finance charges	**–**	(1,382)	**–**	–
Present value of lease obligations	**–**	10,229	**–**	10,229
Less: Amount due for settlement within 12 months (shown under current liabilities)			**–**	(10,229)
Amount due for settlement after 12 months			**–**	–

18. BANK BORROWINGS

During the Period, the Group's bank loan facilities were renegotiated with the final maturity date extended to 1 July 2019. Accordingly, as at 30 June 2018, the Group's entire bank borrowings of HK$195,000,000 (equivalent to US$25,000,000) was classified as non-current liabilities in the condensed consolidated statement of financial position.

At as 30 June 2018 and 31 December 2017, the Group's bank borrowings were denominated in United States dollars and amounted to HK$195,000,000 (equivalent to US$25,000,000), bearing interest rate at the base rate determined by the Bank, plus 1.65% per annum and repayable on 1 July 2019 (31 December 2017: 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 Period, all financial covenants relating to the bank loan facilities were met.

As at 30 June 2018 and 31 December 2017, the Group's bank loan facilities are secured by:

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

(ii) a fixed charge over:

a. the Group's Forestry Land (located in New Zealand) with a net carrying amount of approximately HK$103,405,000 (31 December 2017: HK$108,447,000);

b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$387,172,000 (31 December 2017: HK$333,831,000) (note 12) 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.

19. SHARE CAPITAL

Shares

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	**150,000**	150,000
Issued and fully paid:		
1,854,991,056 (31 December 2017: 1,686,337,506) ordinary shares of HK$0.01 each	**18,550**	16,863

The movements in the Company's issued share capital during the Period are as follows:

	Notes	Number of shares in issue	Share capital *HK$'000*
At 1 January 2017		1,486,277,506	14,863
Shares issued upon exercise of share options	(a)	60,000	–
Subscription of shares	(b)	200,000,000	2,000
At 31 December 2017		1,686,337,506	16,863
Shares issued upon exercise of share options	(a)	18,000	–
Shares issued upon bonus issues	(c)	168,635,550	1,687
At 30 June 2018		1,854,991,056	18,550

19. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(a) During the Period, 18,000 (year ended 31 December 2017: 60,000) share options were exercised at the subscription price HK$0.78 (year ended 31 December 2017: HK$0.78) per share, resulting in the issue of 18,000 (year ended 31 December 2017: 60,000) ordinary shares of the Company for a total cash consideration of approximately HK$15,000 (year ended 31 December 2017: HK$46,000). As a result of the exercise of these share options, their fair value of HK$6,000 (year ended 31 December 2017: HK$21,000) previously recognised in the share option reserve was transferred to the share premium account.

(b) On 3 July 2017, the Group entered into share subscription agreements with China Forestry and 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.

As at 31 December 2017, (1) approximately HK$59,009,000 was used to settle the consideration for the acquisition of forestry right over the land in Rototuna Meridian Forest, New Zealand; and (2) approximately HK$16,574,000 was used as general working capital of the Group, including but not limited to the operating expenses of the Group's business in Hong Kong and Suriname and finance costs on a loan of the Group. The remaining unutilised amount of net proceeds as at 31 December 2017 was approximately HK$94,244,000.

19. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

(b) (continued)

As at 30 June 2018, the remaining unutilised net proceeds were used as to (1) approximately HK$73,464,000 for payment of refundable earnest money for the Group's possible investments in Jiangxi Province, the PRC and Gabon, as disclosed in the announcements of the Company dated 4 January 2018, 31 January 2018 and 12 June 2018; (2) approximately HK$1,885,000 for the Group's capital contribution in a joint venture company in the PRC, as disclosed in the announcement of the Company dated 30 October 2017; and (3) approximately HK$18,895,000 was used as general working capital of the Group, including but not limited to the operating expenses of the Group's business in Hong Kong and Suriname and finance costs on a loan of the Group.

As at 30 June 2018, the net proceeds raised from the subscription have been fully utilised, and they were used according to the previously disclosed intentions of the Company.

(c) As disclosed in the announcements dated 27 March 2018 and 15 June 2018 and circular dated 26 April 2018, the Company distributed one bonus shares for every ten existing shares held by qualifying shareholders whose names are on the register of members of the Company on 7 June 2018. As a result of the bonus issue, the number of shares in issue of the Company has increased by 168,635,550 shares. The bonus shares were allotted and issued by way of capitalisation of an amount equal to the aggregate nominal amount of the bonus shares amounting to HK$1,687,000 standing to the credit of the share premium account of the Company.

20. 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:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within one year	**1,132**	3,386
In the second to fifth years, inclusive	**2,220**	2,349
Over five years	**20,708**	20,995
	24,060	26,730

21. CAPITAL COMMITMENTS

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, China Cheer Holdings Limited and Noble Elegance Limited 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. Subsequently on 29 March 2018, RMB1,500,000 (equivalent to HK$1,885,000) was paid as capital contribution. As at 30 June 2018, the Group did not have any material capital commitments.

22. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Financial assets		
Amortised cost	**291,988**	421,977
Financial liabilities		
Amortised cost	**454,339**	483,199

23. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

As part of the Group's credit risk management, except for a debtor with significant gross carrying amount of HK$174,955,000, the Group uses debtors aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 30 June 2018.

	Average loss rate %	**Gross carrying amount** *HK$'000*	**Impairment loss allowance** *HK$'000*
Current (not past due)	0.02	12,848	(2)
Less than 3 months past due	0.12	6,775	(8)
Over 3 months but less than 12 months past due	33.33	30	(10)
More than 1 year past due	100.00	600	(600)
		20,253	(620)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

23. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL (continued)

As at 30 June 2018, the Group provided HK$620,000 impairment allowance based on the provision matrix. In addition, a debtor with significant gross carrying amount of HK$174,955,000 as at 30 June 2018 was assessed individually and impairment allowance of HK$10,538,000 was made on this debtor as at 30 June 2018.

Allowance for impairment

The movement in the allowance for impairment in respect of trade receivables during Period was as follows:

	HK$'000
Balance at 31 December 2017	6,600
Impact on initial application of HKFRS 9*	3,753
Balance at 1 January 2018	10,353
Net remeasurement of loss allowance	805
Balance at 30 June 2018	11,158

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

24. RELATED PARTY DISCLOSURES

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

			For the six months ended 30 June	
Related party	**Nature of transaction**	*Notes*	**2018 (Unaudited) *HK$'000***	2017 (Unaudited) *HK$'000*
Immediate holding company	Interest expenses paid and payable on loans	(i)	**3,471**	3,116
Ultimate holding company	Interest expenses paid and payable on a loan	(ii)	**1,934**	1,934
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iii)	**1,452**	1,452
Fellow subsidiary	Reimbursements	(iv)	**335**	–

24. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes:

(i) 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). Both loan principal and interest payable are repayable on 31 March 2019;
- an unsecured loan with principal amount of HK$27,300,000 (i.e. US$3,500,000). Both loan principal and interest payable are repayable on 31 March 2019;
- an unsecured loan with principal amount of HK$23,400,000 (i.e. US$3,000,000). Both loan principal and interest payable are repayable on 31 March 2019;
- an unsecured loan with principal amount of HK$7,106,000 (i.e. US$911,000). Both loan principal and interest payable are repayable on 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;
- an unsecured loan with principal amount of HK$8,580,000 (i.e. US$1,100,000) which is repayable on 31 December 2018; and
- an unsecured loan with principal amount of HK$6,084,000 (i.e. US$780,000) which is repayable on 13 December 2020.

24. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes: (continued)

(ii) 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 and repayable on 31 March 2019.

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

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

(b) Outstanding balances with related parties

(i) The amount due to immediate holding company in current liabilities as at 30 June 2018 and 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 31 December 2018, respectively.

(ii) The amount due to immediate holding company in non-current liabilities as at 30 June 2018 represented the interest payables in relation to the loans from immediate holding company, which were unsecured and repayable on 25 October 2019 and 13 December 2020.

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.

(iii) The amount due to ultimate holding company as at 30 June 2018 and 31 December 2017 represented the 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 30 June 2018 and 31 December 2017 was unsecured, interest-free and repayable within one year.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

24. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**5,853**	5,844
Pension scheme contributions	**36**	36
	5,889	5,880

25. CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, the Group did not have any significant contingent liabilities.

26. COMPARATIVE AMOUNTS

As disclosed in note 2 to the Group's annual financial statements for the year ended 31 December 2017, 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 for the six months ended 30 June 2017 have been restated accordingly.

In addition, as disclosed in note 19 to the Group's annual financial statements for the year ended 31 December 2017, the Group revised the amortisation method for the timber concessions and cutting rights to straight-line basis with effect from 1 January 2017. Comparative figures for the six months ended 30 June 2017 have been restated accordingly.

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

The following table summarised the adjustments made to restate the comparative amounts of the condensed consolidated statement of profit or loss and other comprehensive income of the Group as previously reported for the six months ended 30 June 2017.

26. COMPARATIVE AMOUNTS (continued)

Effect on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017:

	As originally stated	Adjustments	As restated
	HK$'000	*HK$'000*	*HK$'000*
Cost of sales	(203,087)	(4,813)	(207,900)
Administrative expenses	(25,171)	(4,146)	(29,317)
Non-cash share option expenses	(68)	68	–
Income tax expenses	(12,247)	4,973	(7,274)
Effect on profit (loss) and total comprehensive income for the period		(3,918)	
Effect on profit (loss) and total comprehensive income for the period attributable to owners of the Company		(2,528)	
Effect on profit (loss) and total comprehensive income for the period attributable to non-controlling interests		(1,390)	
Effect on profit (loss) and total comprehensive income for the period		(3,918)	
Effect on earnings per share			
– Basic		HK$(0.002)	
– Diluted		HK$(0.002)	

27. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

28. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 August 2018.

OTHER INFORMATION

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company
			%
Cheng Chi-Him, Conrad	Beneficial owner	5,500,000 *(Note 1)*	0.30
Lim Hoe Pin	Beneficial owner	6,600,000 *(Note 1)*	0.36
Nguyen Van Tu, Peter	Beneficial owner	2,200,000 *(Note 1)*	0.12
Simon Murray	Beneficial owner	3,339,477 *(Note 2)*	0.18
Tang Shun Lam, Steven	Beneficial owner	2,200,000 *(Note 1)*	0.12
Tsang On-Yip, Patrick	Beneficial owner	5,500,000 *(Note 1)*	0.30
Wong Man Chung, Francis	Beneficial owner	2,200,000 *(Note 1)*	0.12
Wu Wai Leung, Danny	Interest of controlled corporation and beneficial owner	1,133,115,927 *(Note 3)*	61.09

Notes:

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

2. The number includes 1,100,000 share options granted by the Company.

3. Newforest is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Mr. Wu Wai Leung, Danny.) As such, Mr. Wu Wai Leung, Danny is deemed to be interested in the Shares in which Newforest is interested by virtue of Part XV of the SFO. The number includes 11,110,000 share options granted by the Company.

OTHER INFORMATION (continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

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

Name or category of participant	Number of share options							Exercise period of share options	Vesting period	Adjusted exercise price of share options (Note 1)	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options	Weighted average closing price of the Company's shares immediately before the exercise date
	As at 1 January 2018	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapse during the Period	Adjusted during the Period (Note 1)	As at 30 June 2018			HK$		HK$	HK$
Directors, chief executive and a substantial shareholder and their associates													
Wu Wai Leung, Danny	3,700,000	-	-	-	-	370,000	4,070,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	6,400,000	-	-	-	-	640,000	7,040,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Lim Hoe Pin	3,000,000	-	-	-	-	300,000	3,300,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	3,000,000	-	-	-	-	300,000	3,300,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Cheng Chi-Him, Conrad	2,000,000	-	-	-	-	200,000	2,200,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	3,000,000	-	-	-	-	300,000	3,300,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Tsang On-Yip, Patrick	2,000,000	-	-	-	-	200,000	2,200,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	3,000,000	-	-	-	-	300,000	3,300,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Simon Murray	1,000,000	-	-	-	-	100,000	1,100,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Nguyen Van Tu, Peter	1,000,000	-	-	-	-	100,000	1,100,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	1,000,000	-	-	-	-	100,000	1,100,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options: As at 1 January 2018	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapse during the Period	Adjusted during the Period (Note 1)	As at 30 June 2018	Exercise period of share options	Vesting period	Adjusted exercise price of share options (Note 1) 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$
Tang Shun Lam, Steven	1,000,000	-	-	-	-	100,000	1,100,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	1,000,000	-	-	-	-	100,000	1,100,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Wong Man Chung, Francis	1,000,000	-	-	-	-	100,000	1,100,000	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	1,000,000	-	-	-	-	100,000	1,100,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Employees (other than Directors)													
In aggregate	2,095,000	-	(18,000)	-	(200,000)	187,700	2,064,700	13 Sep 2016 to 12 Sep 2021	Note 2	0.71	13 Sep 2016	0.76	1.02
Others	4,000,000	-	-	-	-	400,000	4,400,000	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Total	39,195,000	-	(18,000)	-	(200,000)	3,897,700	42,874,700						

Note:

1. The number of the outstanding share options of the Company and exercise price were adjusted after the completion of the bonus issue on the basis of one (1) bonus share for every ten (10) existing shares of the Company on 15 June 2018.

2. 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 the 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 the 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.

OTHER INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2018, 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)*	1,122,005,927	–	60.49
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation *(Note 1)*	1,122,005,927	–	60.49
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation *(Note 1)*	1,122,005,927	–	60.49
Wu Wai Leung, Danny	Interest of controlled corporation and beneficial owner *(Notes 1 & 3)*	1,122,005,927	11,110,000 *(Note 2)*	61.09
Chow Tai Fook (Holding) Limited	Interest of controlled corporation *(Notes 1 & 5)*	1,122,005,927	–	60.49
Chow Tai Fook Capital Limited	Interest of controlled corporation *(Note 1)*	1,122,005,927	–	60.49
Chow Tai Fook Enterprises Limited	Interest of controlled corporation *(Notes 1 & 5)*	1,122,005,927	–	60.49
Gateway Asia Resources Limited	Interest of controlled corporation *(Notes 1 & 3)*	1,122,005,927	–	60.49
Sharpfield Holdings Limited	Interest of controlled corporation *(Notes 1, 4 & 5)*	1,122,005,927	–	60.49

OTHER INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long Positions in Shares and underlying Shares: (continued)

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)*	110,000,000	–	5.93
Hong Kong Genghis Khan Group Limited	Beneficial owner *(Note 7)*	110,000,000	–	5.93
Ge Jian	Interest of controlled corporation *(Note 7)*	110,000,000	–	5.93

Notes:

1. Newforest is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Mr. Wu Wai Leung, Danny) and as to 60% by Sharpfield Holdings Limited (a direct wholly-owned subsidiary of 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 is interested by virtue of Part XV of the SFO.

2. It represents 11,110,000 share options granted by the Company.

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

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

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

6. The 110,000,000 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 110,000,000 shares.

7. The 110,000,000 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 110,000,000 shares.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long Positions in Shares and underlying Shares: (continued)

Save as disclosed above, the Company has not been notified by any person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company as at 30 June 2018 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.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "Audit Committee") has four members comprising three independent non-executive Directors, namely Mr. Wong Man Chung, Francis (Chairman), Mr. Nguyen Van Tu, Peter and Mr. Tang Shun Lam, Steven and one non-executive Director, namely, Mr. Tsang On-Yip, Patrick. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and to review the Company's compliance with the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with the management the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018.

OTHER INFORMATION (continued)

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company has complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2018 except for a minor deviation as explained below:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FORWARD LOOKING STATEMENTS

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

OTHER INFORMATION (continued)

APPRECIATION

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

By Order of the Board
Greenheart Group Limited
Wu Wai Leung, Danny
Chief Executive Officer and Executive Director

Hong Kong, 29 August 2018

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

Website: http://www.greenheartgroup.com