



Greenheart Group 綠心集團

GREENHEART GROUP LIMITED

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



Interim Report 2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Ding Wai Chuen*
(Chief Executive Officer)

Lim Hoe Pin*

Tsang On-Yip, Patrick*

Simon Murray*

Cheng Yang*

Nguyen Van Tu, Peter**
(passed away on 16 June 2020)

Wong Man Chung, Francis**

Cheung Pak To Patrick**

To Chun Wai**
(appointed on 30 July 2020)

* *Executive Director*

Non-executive Director

** *Independent non-executive Director*

AUDIT COMMITTEE

Wong Man Chung, Francis *(Chairman)*

Nguyen Van Tu, Peter
(passed away on 16 June 2020)

Tsang On-Yip, Patrick

To Chun Wai
(appointed on 30 July 2020)

REMUNERATION COMMITTEE

Wong Man Chung, Francis *(Chairman)*

Nguyen Van Tu, Peter
(passed away on 16 June 2020)

Tsang On-Yip, Patrick
To Chun Wai
(appointed on 30 July 2020)

NOMINATION COMMITTEE

Nguyen Van Tu, Peter *(Chairman)*
(passed away on 16 June 2020)

Cheng Chi-Him, Conrad
(appointed as chairman on 30 July 2020)

Wong Man Chung, Francis
To Chun Wai
(appointed on 30 July 2020)

COMPANY SECRETARY

Tse Nga Ying

STOCK CODE

94

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10 Bermuda





CORPORATE INFORMATION (continued)

AUTHORISED REPRESENTATIVES

Ding Wai Chuen
Tse Nga Ying

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INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Simmons & Simmons
LC Lawyers LLP

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

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10 Bermuda

BRANCH SHARE REGISTRAR & TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
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WEBSITE

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INVESTOR RELATIONS

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CHAIRMAN'S STATEMENT

Dear Shareholders,

The first six months of 2020 have been a challenging time, in which COVID-19 has severely disrupted not only people's livelihood but also the global economy. Understandably, we are no exception. The results of our New Zealand division were significantly affected by marked weaker demand for the New Zealand radiata pine from China due to the government lockdown mandated during the earlier months of the Period. The performance of our Suriname division, fared better than that of the last period, due largely to our resumption of operation in the largest concession in west Suriname towards the end of last year, and adoption of stringent cost-reduction measures. As a result, notwithstanding the drop in revenue and profit contributed by the New Zealand division, Greenheart Group Limited ("Greenheart" or the "Company") and its subsidiaries (together the "Group") managed to reduce its loss to HK\$36,106,000 (2019: HK\$40,110,000) for the six months ended 30 June 2020 (the "Period").

NEW ZEALAND DIVISION

Owing to the weak demand by China, the average prices for A-grade logs slid by over 25% within a month in February. Meanwhile, we managed to curtail the production in New Zealand, tying in well with New Zealand's government lockdown of all non-essential activities. Our production resumed in May 2020 when there was a brief price-recovery in May and early June to the tune of US\$136 per m³, incidental to China's slight rebound in demand. The recovery, understandably, did not last long enough and the price of our A-grade logs fell back to US\$120 per m³. Given the shrinkage of both our sales volume and prices, the New Zealand division recorded a significant decline in revenue of HK\$58,924,000, or 37.4% lower than the same period of last year. Subject to the development of the Sino-America tension, we expect that the price adjustment caused by COVID-19 should be short term as China is recovering from the pandemic.

The bank rates in New Zealand have remained low for some time, and are expected to remain so in the foreseeable future. As a result of the lower discount rate, our New Zealand division has recorded a fair value gain on plantation forest assets of HK\$5,407,000 (2019: HK\$6,936,000) for the Period.

The adjusted EBITDA contributed by New Zealand division has dropped by HK\$24,919,000 to HK\$30,639,000 as compared to the same period in 2019.





CHAIRMAN'S STATEMENT (continued)

SURINAME DIVISION

The impact of COVID-19 on our Suriname revenue is not as serious as our New Zealand division, since the markets and customers of our Suriname products are more diverse, and the price elasticity of demand for tropical hardwood is lower. In addition, given the current market sentiment, we have focused our harvest on better-known species that can command higher market prices and therefore generate faster cash returns. On the other hand, as most of the products sold during the Period were fresh stocks and not clearance-sale items from last year, the average sales prices were much higher for the Period. We have also continued to streamline our work force and implement cost-reduction measures in Suriname with obvious signs of improvement during the Period.

The Suriname division recorded a total revenue of HK\$11,671,000 (2019: HK\$14,910,000) and an adjusted negative EBITDA of HK\$7,612,000, a reduction of HK\$11,213,000 over the same period of last year.

PROSPECT

Our performance in the second half of 2020 will likely be influenced by the COVID-19 and the geopolitical uncertainties, particularly the heightened Sino-America tension.

Amid the current uncertainties, for our New Zealand division, it is expected that the offtake in China ports should remain low for the rest of 2020, and be approximately 65% of what it was last year. Hence, the Group will continue harvesting at a reduced capacity until the market picture becomes clearer. At present, China seems to be making promising headway towards its economic recovery though the global pandemic has yet to be resolved. The Mainland government has rolled out multiple stimulus measures continuously to boost local consumption and ease money supplies. Looking ahead, it is expected the China's Gross Domestic Product ("GDP") growth should rebound to around 4.3% to 4.5% in the second half of 2020. We are cautiously optimistic that the price of New Zealand radiata pine will slowly recover later on this year. In the meantime, in order to diversify the market risk associated with the Sino-America tension, the Group is seeking to sell the New Zealand radiata pine to India and Korea and to expand our customer base. Also, we will continue exploring acquisition opportunities for short to medium terms forestry harvest rights to replenish our wood flow.

CHAIRMAN'S STATEMENT (continued)

PROSPECT (continued)

For Suriname division, we have lately observed increasing levels of trade orders and enquires, though at a smaller amount. Our production is progressing steadily as a whole based on our strategic turnaround plan. However, the COVID-19 spread, as at the date of this interim report, is sparing no country including some government departments there operate less hours, thereby increasing our export documentation processing time. Moreover, the lockdowns across the world have made very difficult for us to arrange adequate and timely containers for our products. Be that as it may, our local management are doing their utmost to step up our internal processes in such a way as to mitigate the impact caused by logistical challenges. Incidentally, our Suriname operation has recently achieved the NEPCon Legal Source certification, through which we can expand the customer base in both the Europe and the United States ("US") markets. We are also expanding our reach, particular our logs sales, to Vietnam and India etc., to diverse the market risk.

In order to enable our Group to tide over the current global economic turbulence, we will continue our disciplined approach to manage cash and reduce costs, and to look for new investment opportunities.

ACKNOWLEDGEMENT

We are deeply saddened about the passing of Mr. Peter Nguyen Van Tu, an independent non-executive director of the Company ("INED"), in June and we all miss his wise counsel and friendship over the years.

On behalf of the Board, I would like to extend our warmest welcome to Mr. Clarence To, who joined the Board as an INED on 30 July 2020, and we look forward to a very fruitful journey together with Clarence.





CHAIRMAN'S STATEMENT (continued)

ACKNOWLEDGEMENT (continued)

During the Period, amid the market volatility accentuated by geopolitics and COVID-19, I am pleased with the successful coming together of the business strategies our Board and management cadre have formulated and implemented thus far. I am also particularly honored to have the support of a diligent, energetic and far-sighted team of staff who have trusted me and offered me their staunch support. Last but not least, I would like to thank our shareholders, banks, business community and partners for their continued confidence and patience in our Group and our ability to deliver results over the years.

Cheng Chi-Him, Conrad

Non-executive Chairman

Hong Kong, 25 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Though the Group was not immune to the social and economic impact of the COVID-19 pandemic and the Sino-America tension, the impact on our Group's Suriname hardwood business has been far less severe than New Zealand softwood business in the first half of 2020. With the improvement in Suriname division by ramping up its harvesting activities and rationalisation of its workforce to a scalable level, the Group recorded a decrease in unaudited net loss of HK\$4,004,000 from HK\$40,110,000 to HK\$36,106,000 for the Period.

Revenue

The Group's total revenue decreased by HK\$62,163,000 to HK\$110,425,000 for the Period as compared to the corresponding period last year. Revenue contributed by the New Zealand division and the Suriname division was HK\$98,754,000 (2019: HK\$157,678,000) and HK\$11,671,000 (2019: HK\$14,910,000, as restated), respectively.

Revenue contributed by the New Zealand division decreased by HK\$58,924,000 to HK\$98,754,000 for the Period, reflecting the weak market demand from China contributed by the delay in offtake of New Zealand radiata pine caused by COVID-19 pandemic, significant import of logs and lumber from Europe leading by cheap back haul rates on trains and high level of harvesting due to storm and insect damaged forests in Europe and the Sino-America tension. As a result, the average export selling price on free on board ("FOB") basis and sales volume reduced by 23.3% and 17.7% for the Period.

Apart from sales of logs, revenue contributed from forest management services decreased by 26.1% to HK\$1,171,000 during the Period and such decrease was mainly due to the closure of the operation of forestry industry for around a month due to the lockdown announcement by New Zealand Government in March 2020.

Revenue from Suriname division dropped by HK\$3,239,000 to HK\$11,671,000 for the Period, which was also adversely affected by the COVID-19 pandemic for the decline in customer orders, delay in local projects, and the restrictive measures imposed by Suriname government.





MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Gross loss

A gross loss of HK\$4,177,000 was incurred for the Period whereas a gross profit of HK\$10,928,000 was resulted in the same period of last year. The gross profit contribution from the New Zealand division for the Period was HK\$8,572,000 (2019: HK\$32,732,000) while the Suriname division recorded a gross loss of HK\$12,749,000 for the Period (2019: HK\$21,804,000, as restated).

The Group's gross loss margin for the Period was 3.8% as compared to gross profit margin of 6.3% (as restated) for the same period last year. The gross profit margin for the Group's New Zealand division for the Period was 8.7% (2019: 20.8%) while the Suriname division recorded a gross loss margin of 109.2% for the Period (2019: 146.2%, as restated).

The decrease in gross profit margin of the New Zealand division was mainly due to the decrease of the average export selling price on FOB basis as mentioned above and partly offset by the decrease in non-cash unit forest depletion cost as a result of the decrease in the fair value of the plantation forest assets as at 31 December 2019 and the decrease in average unit direct operating costs denominated in New Zealand dollars ("NZD") following the depreciation of NZD in 2020.

The gross loss margin for the Suriname division improved during the Period because of the increase in average selling price of both logs and lumber reflecting regular sales made in 2020 whereas sales in 2019 were largely clearance sale of low grade stock harvested in late 2018, more costs were capitalised in inventories following the resumption of production of both logs and lumber since second half of 2019 after the receipt of revised concession license of our largest concession in Suriname, and the reduction in the cost base in Suriname by rationalisation of its workforce to a scalable level.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Other income

Other income was increased to HK\$1,663,000 for the Period because of (i) the increase in finance lease income resulted from the disposal of certain plant and machinery to the subcontractors in Suriname under finance lease arrangement in second half of 2019; and (ii) the increase in government grants in respect of COVID-19-related subsidies provided by the Hong Kong government and the New Zealand government.

Other gains

Other gains mainly represented the exchange gain on refundable earnest money, which was denominated in Renminbi.

Impairment losses reversed on financial assets, net

Impairment losses reversed on financial assets during the Period mainly represented reversal of the expected credit losses ("ECL") on trade receivables and other receivables as a result of settlements received during the Period.

Fair value gain on plantation forest assets

The fair value gain on our plantation forest assets in New Zealand amounted to HK\$5,407,000 (2019: HK\$6,936,000) for the Period. The gain was calculated based on the valuation report at the end of the Period prepared by an independent valuer. The decrease in the fair value gain was primarily attributable to the decrease in near term forecasted selling price of logs reflecting the impacts of COVID-19 on log demand and the Sino-America tension while the effect was partially offset by the decrease in discount rate from 7.5% to 7.25% with reference to the trend of reducing discount rates implied by recent transactions.





MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

The significant reduction in selling and distribution costs for the Period by HK\$6,214,000 or 29.2% was mainly attributable to the decrease in freight cost as a result of the reduction in volume of New Zealand radiate pine under cost and freight (“CFR”) term.

Administrative expenses

Administrative expenses for the Period were reduced by 29.1% or HK\$9,276,000. The decrease was primarily attributable to (i) the decrease in amortisation of timber concession and cutting rights as more of that was capitalised to inventories following the resumption of harvesting in west Suriname in the second half of 2019; and (ii) the decrease in the staff costs with a reduction in the Group’s total number of employees by 44 from 242 as at 30 June 2019 to 198 as at 30 June 2020.

Finance costs

The reduction of finance costs for the Period by HK\$3,152,000 or 25.8% was primarily due to the decrease in interest on bank borrowings following the general reduction in London Interbank Offered Rates in the Period and the repayment of loan from ultimate holding company in first half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Income tax credit

Income tax credit for the Period was mainly comprised of tax provision arising from our New Zealand division, a deferred tax credit, and withholding tax resulting from the intercompany interest.

The deferred tax credit for the Period was comprised of the deferred tax credit of HK\$8,006,000 and HK\$1,805,000 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 recognition of tax losses, 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.

EBITDA

The EBITDA of the Group reduced by HK\$15,295,000 from HK\$36,046,000 in the same period last year to HK\$20,751,000 during the Period. In particular, the EBITDA of the New Zealand division and Suriname division recorded for the Period was HK\$36,076,000 (2019: HK\$66,092,000) and a loss of HK\$8,932,000 (2019: HK\$20,496,000), respectively.

The reduction of the EBITDA of the Group was mainly due to the deterioration in the underlying operating results of New Zealand affecting by the COVID-19 and the Sino-America tension offsetting partially by the improvement of the operating results of Suriname during the Period as mentioned above.





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 increased to HK\$24,322,000 for the Period from HK\$22,426,000 in the same period last year.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2020, the Group's current assets and current liabilities were respectively HK\$235,635,000 and HK\$111,035,000 (31 December 2019: HK\$261,562,000 and HK\$114,278,000), HK\$149,897,000 (31 December 2019: HK\$168,300,000) of which were cash and bank balances. The Group's outstanding borrowings as at 30 June 2020 represented the loans from immediate holding company amounting to HK\$181,900,000 (31 December 2019: HK\$178,384,000), bank borrowings amounting to HK\$220,412,000 (31 December 2019: HK\$220,613,000) and lease liabilities of HK\$22,668,000 (31 December 2019: HK\$25,579,000). Accordingly, the Group's gearing ratio as of 30 June 2020, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 46.1% (31 December 2019: 44.6%).

As at 30 June 2020, 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.

Most of the Group's sales are denominated in United States dollars, to which the Hong Kong dollars are 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 2020. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

LIQUIDITY AND FINANCIAL REVIEW (continued)

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, one of the financial covenants was not complied with, caused by the short-term impact of COVID-19, therefore resulted in an event of review according to the bank loan facilities agreement with the Bank. The Group has rectified the non-compliance and the Bank has confirmed the continuity of the bank loan facilities offered to the Group before the end of the reporting period. As at the date of this interim report, all financial covenants related to the bank loan facilities were met.

PROSPECTS

The continued impact of the COVID-19 pandemic will have a medium term effect on the global forestry sectors as we learn to adapt to new challenges in an unstable environment. Since the start of 2020, we have experienced the movement of New Zealand A-grade radiata pine prices on CFR basis opening after the lockdown period at US\$136 per m³, dropping back to US\$120 per m³ after 1 month, bottom out at US\$117 per m³ and forecasted to potentially reaching US\$128 per m³ by September 2020. The mass of softwood log vessels in July and August from Latin America and resurgence of the European Spruce supplies have contributed to the instability.

After a prolonged period of low production in China sawmill, we are seeing a spike in daily offtakes from the log inventories at China ports, which has remained stable for the last 3-4 months. China sawmills are experiencing an increase in European lumber orders as consumer spending trends change from travel to personal and domestic asset improvements. Recently, China posted a 3.2% Gross Domestic Product ("GDP") growth turning its back on a decline of 6.1% in first quarter of 2020. Such result was fueled by improved industrial output rose 4.8% and a slow recovering retail sector. Market expert still puts China GDP to be between 4.3% – 4.5% for the third and fourth quarters of 2020. We cautiously believe consumer trend will drive a slow CFR price of A-grade radiata pine upward trend for the remainder of 2020. For second half of 2020, softwood market outlook remains positive especially New Zealand as it is a one of few countries which has relatively low cases of local transmissions.





MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECTS (continued)

For Suriname division, we have achieved NEPCon Legal Source certification which will only enhance our European and the US client listing and market presence in the first half of 2020. Additionally, we have received principal renewal approval for 3 of our forest concessions, 2 of which were under applications since 2019. Further administrative processes still need to be completed to ensure registration is finalised. We are gradually building on progress made in 2019 and amid the more challenging external environment, our hardwood division is expected sustain a steady growth as the turnaround program for our Suriname business progresses towards positive cash results. The Suriname division will continue to pursue better operational performance at costs through prudent cost control measures with improvement in efficiency and a heavy focus on improved sales results in the coming 18-24 months, all key achievements on its road to becoming a sustainable operation.

The second half of 2020 is likely to remain highly uncertain for the world, the Group will continue to focus on recovering revenue, maintaining stringent cost, capital expenditure and investment controls to drive sustainable financial performance improvements and deliver greater value to shareholders. As always, the Group shall remain vigilant to changes in the external environment and make timely and appropriate responses as and when necessary.

CHARGE ON ASSETS

As at 30 June 2020 and 31 December 2019, the Group's bank loan facilities were 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\$116,813,000 (31 December 2019: HK\$119,365,000) ("Forestry Land");

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CHARGE ON ASSETS (continued)

- (ii) (continued)
 - b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK\$426,780,000 (31 December 2019: HK\$436,802,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land;
 - c. all other present and after-acquired property that is not Personal Property of the Selected Group Companies;
 - d. the Group's certain leasehold land (located in Suriname) with a carrying value of approximately HK\$7,333,000 (31 December 2019: HK\$7,445,000); and
 - e. the Group's certain motor vehicles with a carrying value of approximately HK\$1,230,000 (31 December 2019: HK\$1,424,000).

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2020, the Group spent approximately HK\$4,656,000 (year ended 31 December 2019: approximately HK\$12,686,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

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

CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.





MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SHARE OPTION SCHEME

As at 30 June 2020, there were share options for 29,223,700 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 shares
As at 1 January 2020	29,223,700
Granted during the Period	–
Lapsed during the Period	–
Cancelled during the Period	–
Exercised during the Period	–
<hr/>	
As at 30 June 2020	29,223,700

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the total number of employees of the Group was 198 (31 December 2019: 218). Employees' costs (including Directors' emoluments) amounted to approximately HK\$20,540,000 for the six months ended 30 June 2020 (30 June 2019: HK\$23,474,000). 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	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	110,425	172,588
Cost of sales and services		(114,602)	(161,660)
Gross (loss) profit		(4,177)	10,928
Other income	6	1,663	281
Other gains	6	2	170
Impairment losses reversed on financial assets, net	15	2,857	3,820
Fair value gain on plantation forest assets	13	5,407	6,936
Share of loss of an associate		(169)	–
Selling and distribution costs		(15,072)	(21,286)
Administrative expenses		(22,632)	(31,908)
Finance costs	7	(9,075)	(12,227)
LOSS BEFORE TAX	8	(41,196)	(43,286)
Income tax credit	9	5,090	3,176
LOSS FOR THE PERIOD		(36,106)	(40,110)
OTHER COMPREHENSIVE (EXPENSE) INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(6,356)	4
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL		(6,356)	4
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(42,462)	(40,106)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(24,322)	(22,426)
Non-controlling interests		(11,784)	(17,684)
		(36,106)	(40,110)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(30,678)	(22,422)
Non-controlling interests		(11,784)	(17,684)
		(42,462)	(40,106)
LOSS PER SHARE			
Basic	11	HK\$(0.013)	HK\$(0.012)
Diluted	11	HK\$(0.013)	HK\$(0.012)





CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		298,365	306,182
Right-of-use assets		43,476	47,228
Goodwill		5,651	5,651
Timber concessions and cutting rights	12	145,156	150,380
Finance lease receivables		7,399	9,977
Plantation forest assets	13	426,780	436,802
Prepayments, deposits and other receivables		2,698	2,676
Interest in an associate		1,474	1,676
		930,999	960,572
CURRENT ASSETS			
Inventories		37,506	27,862
Trade receivables	14	11,716	24,197
Finance lease receivables		5,055	5,043
Prepayments, deposits and other receivables		23,982	28,471
Amount due from a fellow subsidiary	19(b)(i)	988	2,475
Tax recoverable		6,491	5,214
Bank balances and cash		149,897	168,300
		235,635	261,562

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	16	35,243	28,625
Other payables and accruals		44,630	49,736
Contract liabilities		1,217	909
Lease liabilities		5,574	5,205
Bank borrowings	17	429	410
Tax payable		23,942	29,393
		111,035	114,278
NET CURRENT ASSETS			
		124,600	147,284
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,055,599	1,107,856





CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		17,094	20,374
Loans from immediate holding company	19(a)(i)	181,900	178,384
Bank borrowings	17	219,983	220,203
Deferred tax liabilities		85,914	95,725
		504,891	514,686
NET ASSETS			
		550,708	593,170
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		18,550	18,550
Reserves		903,558	934,236
		922,108	952,786
Non-controlling interests		(371,400)	(359,616)
TOTAL EQUITY			
		550,708	593,170

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium account	Contributed surplus	Share option reserve	Capital reserve	Land revaluation reserve	Merger reserve	Translation reserve	Accumulated losses	Sub-total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2020 (audited)	18,550	2,091,657	83,274	10,135	846	42,304	265	(2,610)	(1,291,635)	952,706	(359,616)	593,170
Loss for the Period	-	-	-	-	-	-	-	-	(24,322)	(24,322)	(11,784)	(36,106)
Other comprehensive expense for the Period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(6,356)	-	(6,356)	-	(6,356)
Total comprehensive expense for the Period	-	-	-	-	-	-	-	(6,356)	(24,322)	(30,678)	(11,784)	(42,462)
At 30 June 2020 (unaudited)	18,550	2,091,657	83,274	10,135	846	42,304	265	(8,966)	(1,315,957)	922,108	(371,400)	550,708
At 1 January 2019 (audited)	18,550	2,091,657	83,274	10,963	846	32,596	265	(2,687)	(1,148,649)	1,086,815	(275,309)	811,506
Loss for the period	-	-	-	-	-	-	-	-	(22,426)	(22,426)	(17,684)	(40,110)
Other comprehensive income for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	4	-	4	-	4
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	4	(22,426)	(22,422)	(17,684)	(40,106)
Transfer upon the lapse of share options	-	-	-	(817)	-	-	-	-	817	-	-	-
At 30 June 2019 (unaudited)	18,550	2,091,657	83,274	10,146	846	32,596	265	(2,683)	(1,170,258)	1,064,393	(292,993)	771,400





CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
NET CASH FROM OPERATING ACTIVITIES	9,228	86,305
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(17,595)	1,320
NET CASH USED IN FINANCING ACTIVITIES	(7,789)	(88,803)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,156)	(1,178)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	168,300	156,667
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,247)	(577)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	149,897	154,912
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS Bank balances and cash	149,897	154,912

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 ("CTFE"), a company incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the interim report.

The unaudited condensed 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").

2A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of the COVID-19 and the subsequent quarantine measures imposed by many countries have had negative impacts on the global economy, business environment and directly and indirectly affected the operations of the Group. In order to contain the spread of the pandemic, mills in China had remained closed after the Chinese New Year for a prolonged period. Average log prices for A-grade slid by over 25% in just one month in February and had remained low since. As a result of the significant reduction in demand and the depressed prices, the Group had taken steps to curtail production in the New Zealand division as disclosed in our announcement dated 7 February 2020. In late March 2020, New Zealand government announced the lockdown of all non-essential activities through late April. Production came to a standstill and only resumed gradually from May 2020. Consequently, the revenue for the Period has dropped significantly.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICIES

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 additional accounting policies resulting from application of new and amendments Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the presentation of the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current Period, the Group has, for the first time, applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, which became mandatory for the annual period beginning on or after 1 January 2020 in the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS* and the amendments to HKFRSs in current Period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 ***Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”***

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in context of the financial statements taken as a whole.

The application of the amendments in the current Period had no impact on the unaudited condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3.2 ***Impacts and accounting policies on application of Amendments to HKFRS 3 “Definition of a Business”***

3.2.1 ***Accounting policies***

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3.2.2 ***Transition and summary of effects***

The amendments had no impact on the unaudited condensed consolidated financial statements of the Group.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Types of goods or services		
Sales of logs and timber products	107,050	168,602
Forest management fee	1,171	1,584
Total revenue from contracts with customers	108,221	170,186
Subcontracting fee income	2,204	2,402
Total revenue	110,425	172,588

(i) Disaggregation of revenue from contracts with customers

Segments	For the six months ended 30 June 2020		
	Suriname (Unaudited) HK\$'000	New Zealand (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Types of goods or services			
Sales of logs and timber products	9,467	97,583	107,050
Forest management fee	–	1,171	1,171
Total	9,467	98,754	108,221

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

Segments	For the six months ended 30 June 2020		
	Suriname (Unaudited)	New Zealand (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Timing of revenue recognition			
A point in time	9,467	97,583	107,050
Over time	–	1,171	1,171
Total	9,467	98,754	108,221

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	For the six months ended 30 June 2020		
	Suriname (Unaudited)	New Zealand (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers	9,467	98,754	108,221
Subcontracting fee income	2,204	–	2,204
Revenue disclosed in segment information	11,671	98,754	110,425





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE (continued)

(i) *Disaggregation of revenue from contracts with customers (continued)* *Geographical markets*

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

Segments	For the six months ended 30 June 2020		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
New Zealand*	–	98,754	98,754
Hong Kong	3,150	–	3,150
Suriname	3,040	–	3,040
Taiwan	1,819	–	1,819
Belgium	1,522	–	1,522
South Korea	1,280	–	1,280
Other countries	860	–	860
Total	11,671	98,754	110,425

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

The subcontracting fee income of HK\$2,204,000 is included in the revenue from customers located in Suriname above for the six-months ended 30 June 2020.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE (continued)

(i) *Disaggregation of revenue from contracts with customers (continued)*

Segments	For the six months ended 30 June 2019		
	Suriname (Unaudited)	New Zealand (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Types of goods or services			
Sales of logs and timber products	12,508	156,094	168,602
Forest management fee	–	1,584	1,584
Total	12,508	157,678	170,186

Segments	For the six months ended 30 June 2019		
	Suriname (Unaudited)	New Zealand (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Timing of revenue recognition			
A point in time	12,508	156,094	168,602
Over time	–	1,584	1,584
Total	12,508	157,678	170,186





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE (continued)

(i) **Disaggregation of revenue from contracts with customers (continued)**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	For the six months ended 30 June 2019		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers	12,508	157,678	170,186
Subcontracting fee income	2,402	–	2,402
Revenue disclosed in segment information	14,910	157,678	172,588

Geographical markets

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

Segments	For the six months ended 30 June 2019		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
New Zealand*	–	100,111	100,111
Mainland China	901	53,525	54,426
Hong Kong	4,909	4,042	8,951
Suriname	5,953	–	5,953
Taiwan	1,821	–	1,821
Other countries	1,326	–	1,326
Total	14,910	157,678	172,588

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

The subcontracting fee income of HK\$2,402,000 is included in the revenue from customers located in Suriname above for the six-months ended 30 June 2019.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE (continued)

(ii) **Performance obligations for contracts with customers** **Sales of logs and timber products**

The Group sells logs and timber products to the domestic customers in New Zealand and Suriname and oversea customers. Revenue from domestic customers is recognised at a point in time when control of the goods has been transferred at an agreed location. For oversea sales, revenue is recognised at a point in time when control of the goods has been transferred to the customers, when the goods have been delivered to port of discharge or the loading port which the related shipping is arranged by the customers. Any shipping and handling activities before the customer obtains control of goods are considered as fulfilment activities and are not regarded as a separate performance obligation. Significant payment terms are disclosed in note 14.

Sales-related warranties associated with logs and timber products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

Forest management fee

The Group provides forest management services to customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group bills a predetermined rate for services provided on a regular basis and recognises as revenue in the amount to which the Group has a right to invoice, which approximates the value of performance completed in accordance with output method.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE (continued)

(iii) *Subcontracting fee income*

In 2019, the Group entered into a contract with a subcontractor pursuant to which the subcontractor is granted the right to operate in certain forest concession areas in Suriname division. The income received from the subcontractor varies and it is billed at a predetermined rate based on volume of the output of logs and the subcontractor has guaranteed a minimum output of logs and payments in each year. It is accounted for as an operating lease arrangement under HKFRS 16.

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Lease payments that are fixed	2,204	2,402
Variable lease payments that do not depend on an index or a rate	-	-
Total revenue arising from leases	2,204	2,402

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS

The Group manages its businesses by geographical location, and the chief operating decision makers (i.e. the key management of the Group (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 and the management and operation of forest concessions
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 by Management based on reportable segment Adjusted EBITDA, which is a measure of profit (loss) before tax and excluding finance costs, interest income, finance lease income and other non-cash items comprising depreciation, forest depletion cost as a result of harvesting, amortisation, fair value gain on plantation forest assets, write-down of inventories, impairment losses and reversal of impairment. In addition, the Management also reviews the abovementioned non-cash items, finance costs, interest income, finance lease income, EBITDA and (loss) profit before tax for each reportable segment.

The geographical segment information are disclosed in note 4.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS (continued)

The following table presents revenue and profit (loss) information regarding the Group's operating segments for the six months ended 30 June 2020:

For the six months ended 30 June 2020

	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	11,671	98,754	110,425	-	110,425
SEGMENT RESULTS ("Adjusted EBITDA")	(7,612)	30,639	23,027	(9,374)	13,653
Reconciliation of the segment results:					
Items other than finance costs, income tax credit, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	-	5,407	5,407	-	5,407
Interest income and finance lease income	556	5	561	240	801
Impairment loss reversed					
on trade receivables, net	91	25	116	-	116
Impairment loss reversed					
on other receivables	-	-	-	2,741	2,741
Write-down of inventories*	(1,967)	-	(1,967)	-	(1,967)
EBITDA	(8,932)	36,076	27,144	(6,393)	20,751
Finance costs	(3,544)	(5,407)	(8,951)	(124)	(9,075)
Forest depletion cost as a result of harvesting*	-	(28,376)	(28,376)	-	(28,376)
Depreciation**	(4,152)	(4,755)	(8,907)	(2,145)	(11,052)
Amortisation of harvest roading included in prepayments*	-	(8,220)	(8,220)	-	(8,220)
Amortisation of timber concessions and cutting rights***	(5,224)	-	(5,224)	-	(5,224)
LOSS BEFORE TAX	(21,852)	(10,682)	(32,534)	(8,662)	(41,196)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS (continued)

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

- ** Depreciation of HK\$2,623,000 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\$4,611,000 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)

5. OPERATING SEGMENTS (continued)

For the six months ended 30 June 2019

	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	14,910	157,678	172,588	–	172,588
SEGMENT RESULTS ("Adjusted EBITDA")	(18,825)	55,558	36,733	(9,914)	26,819
Reconciliation of the segment results:					
Items other than finance costs, income tax credit, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	6,936	6,936	–	6,936
Interest income	2	91	93	28	121
Impairment loss (recognised) reversed on trade receivables, net	(23)	3,507	3,484	–	3,484
Impairment loss reversed on other receivables	–	–	–	336	336
Write-down of inventories*	(1,650)	–	(1,650)	–	(1,650)
EBITDA	(20,496)	66,092	45,596	(9,550)	36,046
Finance costs	(4,945)	(7,071)	(12,016)	(211)	(12,227)
Forest depletion cost as a result of harvesting*	–	(39,181)	(39,181)	–	(39,181)
Depreciation**	(7,526)	(2,997)	(10,523)	(2,147)	(12,670)
Amortisation of harvest roading included in prepayments*	–	(5,353)	(5,353)	–	(5,353)
Amortisation of timber concessions and cutting rights***	(9,901)	–	(9,901)	–	(9,901)
(LOSS) PROFIT BEFORE TAX	(42,868)	11,490	(31,378)	(11,908)	(43,286)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS (continued)

- * Included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.
- ** Depreciation of HK\$4,745,000 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\$4,677,000 is included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

Information on major customers

During the six months ended 30 June 2020, the Group had transactions with one (2019: two) customer(s) from New Zealand segment who contributed over 10% of the Group's total revenue for the Period. A summary of revenue earned from this major customer is set out below:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Customer 1	87,390	89,796
Customer 2*	-	31,776

- * The corresponding revenue of the related customer did not contribute over 10% of the Group's total revenue for the Period.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

6. OTHER INCOME AND OTHER GAINS

Other income:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Bank and other interest income	247	121
Finance lease income	554	–
Government grants*	492	–
Service fee income	323	–
Others	47	160
	1,663	281

* During the Period, the Group received COVID-19-related subsidies, of HK\$148,000 and HK\$344,000 respectively, from the Hong Kong government and the New Zealand government.

Other gains:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Gain on disposal of property, plant and equipment	–	8
Exchange gain on refundable earnest money	2	162
	2	170

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

7. FINANCE COSTS

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on loans from immediate holding company	3,516	3,585
Interest on loan from ultimate holding company	–	931
Interest on lease liabilities	720	839
Interest on bank borrowings	4,839	6,872
	9,075	12,227

8. LOSS BEFORE TAX

The Group's loss before tax has been arrived at after charging:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Forest harvested as agricultural produce (<i>note 13</i>)	29,594	45,596
Amount capitalised in closing inventories	(5,816)	(8,049)
Amount released from opening inventories	4,598	1,634
Forest depletion cost as a result of harvesting*	28,376	39,181
Amortisation of timber concessions and cutting rights (<i>note 12</i>)	5,224	9,901

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





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

9. INCOME TAX CREDIT

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
The income tax credit comprises:		
Current – Hong Kong		
Charge for the Period	2,410	2,160
Current – other jurisdictions		
Charge for the Period	464	174
Under-provision in prior years	1,042	–
Withholding tax	805	988
Deferred tax	(9,811)	(6,498)
	(5,090)	(3,176)

From 28 March 2018, Hong Kong has adopted a two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Accordingly, the Hong Kong profits tax for a selected subsidiary of the Group is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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% (2019: 36%) and 28% (2019: 28%), respectively.

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

10. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. LOSS PER SHARE

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

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	(24,322)	(22,426)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,854,991,056	1,854,991,056

The computation of diluted loss per share for the six-months ended 30 June 2020 and 2019 did not assume the effect of the Group's share options since their assumed exercise would result in a decrease in loss per share.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

12. TIMBER CONCESSIONS AND CUTTING RIGHTS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Cost		
At beginning of the Period/year	880,459	880,459
Amortisation and impairment		
At beginning of the Period/year	730,079	551,760
Amortisation during the Period/year (<i>note 8</i>)	5,224	19,579
Impairment during the Period/year	-	158,740
At end of the Period/year	735,303	730,079
Carrying value		
At end of the Period/year:	145,156	150,380

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 compliance of certain laws and regulations in Suriname. The timber concessions and cutting rights have finite useful lives with contractual terms with the first term ranging from 10 to 20 years and can be extended for further 10 to 20 years for the second term upon the approval of renewal by relevant authorities in Suriname.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

12. TIMBER CONCESSIONS AND CUTTING RIGHTS (continued)

The Group as lessor

As disclosed in note 4, the Group entered into a contract with a subcontractor pursuant to which the subcontractor is granted the right to operate in certain forest concession areas in Suriname division under operating lease arrangement in 2019. The cost of the relevant concession right is insignificant at 30 June 2020 and 31 December 2019.

Two of the Group's timber concessions in central Suriname with land area of approximately 28,000 and 19,000 hectares both expired on 10 December 2018. The business operation related to these two concessions was minimal before the expiration. The Group has submitted applications for these two concessions according to the time specified by local Suriname forestry bureau. Subsequent to the Period, the Group obtained the concession licenses for a period of 10 years with effect from 13 July 2020 to 12 July 2030. Further administrative processes still need to be completed to ensure registration is finalised.

One of the Group's timber concessions in west Suriname with land area of approximately 25,000 hectares expired on 19 May 2020. The Group has submitted application for the renewal of this concession according to the time specified by local Suriname forestry bureau. Subsequent to the Period, the Group obtained the renew concession license for a period of 10 years with effect from 13 July 2020 to 12 July 2030. Further administrative processes still need to be completed to ensure registration is finalised.

As at 30 June 2020, the Group's total timber concessions and cutting rights in Suriname covered a land area of approximately 293,000 hectares (31 December 2019: 318,000 hectares). Subsequent to the Period, as at the date of these financial statements, the Group's total timber concessions and cutting rights in Suriname covered a land area of approximately 365,000 hectares.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Net carrying amount at beginning of the Period/year	436,802	477,440
Acquisition of plantation forest assets	12,088	7,821
Additions	2,077	5,124
Harvested as agricultural produce (<i>note 8</i>)	(29,594)	(80,312)
Changes in fair value less costs to sell (recognised in profit or loss)	5,407	26,729
	<hr/>	<hr/>
Net carrying amount at end of the Period/year	426,780	436,802

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 2019: 12,700 hectares), of which approximately 10,600 hectares (31 December 2019: 10,600 hectares) was productive area as at 30 June 2020. All the productive area was owned by the Group as freehold, except for approximately 66 hectares (31 December 2019: 66 hectares) which are subject to the restrictions as set out in relevant New Zealand regulations.

During the year ended 31 December 2019, the Group acquired certain plantation forest assets in New Zealand at a total cash consideration of NZ\$1.5 million (approximately HK\$7.8 million), which have a total land area of approximately 40 hectares as at 31 December 2019. These forestry rights will expire on 25 January 2021.

During the Period, the Group acquired certain plantation forest assets with freehold title land base of approximately 81 hectares in New Zealand at a total cash consideration of NZ\$2.9 million (approximately HK\$14.6 million) of which NZ\$2.4 million (approximately HK\$12.1 million) was allocated to the plantation forest assets.

As at 30 June 2020, the Group owned radiata pine plantation forests in New Zealand with aggregate land area of approximately 15,819 hectares (31 December 2019: 15,778 hectares).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued)

For the Period, the Group harvested a total of 128,000 m³ (2019: 173,000 m³) from the Group's plantation forest assets.

As at 30 June 2020, the Group has mature biological assets (radiata pines aged 20 years or above) of 1,878 hectares (31 December 2019: 2,507 hectares) and immature biological assets (radiata pines aged below 20 years) of 11,222 hectares (31 December 2019: 9,738 hectares).

The harvested area of the Group's plantation forest assets as at 30 June 2020 is around 8,875 hectares (31 December 2019: 8,845 hectares).

All the Group's plantation forest assets (excluding the relevant forestry lands) in New Zealand are regarded as consumable biological assets which are measured at fair value less costs to sell at the end of each reporting period in accordance with HKAS 41 *Agriculture*. These assets were independently valued by Indufor Asia Pacific Limited ("Indufor") as at 30 June 2020 and 31 December 2019, except for certain plantation forest assets newly acquired in 2020, where their carrying amount are considered approximate to fair value less costs to sell. The key valuer involved in this valuation is registered 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 income approach according to HKFRS 13. The methodologies require the use of key assumptions and estimates in determining the fair value of the plantation forest assets. 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 2020, Indufor updated the values from the full narrative valuation as at 31 December 2019 and relied on the field inspection results and base values provided in the valuation as at 31 December 2019. The plantation forest assets have not been re-inspected for valuation as at 30 June 2020, but the stocked area, log prices, production and transport costs have been updated for the valuation as at 30 June 2020.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued)

The key inputs in the valuation of the plantation forest assets in New Zealand as at 30 June 2020 and 31 December 2019 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 2020		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$72-93/m³	US\$81/m³
Yield (m ³ /ha) (stands planted prior to 1997)	429-691	570
Yield (m ³ /ha) (including Young Stands)	357-698	520
Production costs	US\$26-39/m³	US\$30/m³
Transport costs	US\$9-28/m³	US\$16/m³
Discount rate	7.25%	7.25%
As at 31 December 2019		
Significant unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$82-97/m ³	US\$85/m ³
Yield (m ³ /ha) (stands planted prior to 1997)	429-670	572
Yield (m ³ /ha) (including Young Stands)	357-698	519
Production costs	US\$27-41/m ³	US\$31/m ³
Transport costs	US\$8-29/m ³	US\$17/m ³
Discount rate	7.5%	7.5%

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued)

A real pre-tax discount rate was used in the valuation of the plantation forest assets in New Zealand as at 30 June 2020, 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.

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 before tax (due to changes in the sensitivity factors on the fair value of plantation forest assets).

For the six months ended 30 June 2020

	Increase (decrease) in production costs %	Increase (decrease) in loss before tax HK\$'000
Change in production costs		
If the production costs increase	5	29,018
If the production costs decrease	(5)	(29,018)
	Increase (decrease) in transport costs %	Increase (decrease) in loss before tax HK\$'000
Change in transport costs		
If the transport costs increase	5	14,347
If the transport costs decrease	(5)	(14,347)





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued) For the six months ended 30 June 2020 (continued)

	Increase (decrease) in log price %	(Decrease) increase in loss before tax HK\$'000
Change in log price		
If the log price increases	5	(74,384)
If the log price decreases	(5)	74,384

	Increase (decrease) in discount rate %	Increase (decrease) in loss before tax HK\$'000
Change in discount rate		
If the discount rate increases	1	61,929
If the discount rate decreases	(1)	(82,172)

For the six months ended 30 June 2019

	Increase (decrease) in production costs %	Increase (decrease) in loss before tax HK\$'000
Change in production costs		
If the production costs increase	5	29,464
If the production costs decrease	(5)	(29,464)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued) For the six months ended 30 June 2019 (continued)

Change in transport costs	Increase (decrease) in transport costs %	Increase (decrease) in loss before tax HK\$'000
If the transport costs increase	5	13,351
If the transport costs decrease	(5)	(13,351)
Change in log price	Increase (decrease) in log price %	(Decrease) increase in loss before tax HK\$'000
If the log price increases	5	(79,873)
If the log price decreases	(5)	79,873
Change in discount rate	Increase (decrease) in discount rate %	Increase (decrease) in loss before tax HK\$'000
If the discount rate increases	1	51,631
If the discount rate decreases	(1)	(62,811)

As at 30 June 2020 and 31 December 2019, the Group's plantation forest assets with carrying amounts of HK\$426,780,000 (31 December 2019: HK\$436,802,000) were pledged to secure banking facilities granted to the Group (note 17).

As at 30 June 2020 and 31 December 2019, 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.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

14. TRADE RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables		
– contracts with customers	17,423	28,814
– operating lease receivables	1,242	2,448
	18,665	31,262
Less: Allowance for credit losses		
– contracts with customers	(6,940)	(7,032)
– operating lease receivables	(9)	(33)
Net trade receivables	11,716	24,197

For contracts with customers, trade receivables are recognised when the Group's products are delivered to customers because the Group's right to consideration is unconditional except for the passage of time from that point. Moreover, the Group receives payment within a short period of time after satisfying its performance obligation under separately determined payment terms. The period from satisfaction of performance obligation to receipt of full consideration is usually within 90 days.

The Group's trading terms with its customers are mainly letters of credit at sight to 90 days or on open account with credit terms of 5 days to 90 days, where a 20% to 100% of advance payment of the contract value may be required for certain customers. 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.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

14. TRADE RECEIVABLES (continued)

The following is an aged analysis of trade receivables based on the invoice date and net of impairment at the end of each reporting period:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	10,865	21,976
From 1 to 3 months	843	2,061
Over 3 months	8	160
	11,716	24,197

As at 30 June 2020, included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$1,819,000 (31 December 2019: HK\$10,973,000) which were past due. Over 90% trade receivable balances at 30 June 2020 have been subsequently settled.

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

	For the six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Impairment loss reversed, net in respect of		
– trade receivables	(116)	(3,484)
– other receivables	(2,741)	(336)
	(2,857)	(3,820)





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

During the Period, the Group reversed impairment allowance for trade receivables of HK\$47,000 (2019: provided impairment allowance of HK\$103,000) and reversed the impairment allowance for trade receivables of HK\$69,000 (2019: HK\$3,587,000), which has been made to an individual debtor due to full settlement of outstanding was received during the Period.

During the Period, the Group reversed the impairment allowance for other receivables of HK\$2,741,000 (2019: HK\$336,000), which has been made to refundable earnest money due to settlement of the respective outstanding was received during the Period.

16. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on invoice date.

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	25,720	23,327
From 1 to 3 months	3,962	861
Over 3 months	5,561	4,437
	35,243	28,625

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

17. BANK BORROWINGS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Bank loans, secured	220,412	220,613

The carrying amounts of above borrowings are repayable:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within one year	429	410
Within a period of more than one year but not exceeding two years	219,983	220,203
Within a period of more than two years but not exceeding five years	-	-
	220,412	220,613
Less: Amounts due within one year shown under current liabilities	(429)	(410)
Amounts show under non-current liabilities	219,983	220,203

During the year ended 31 December 2019, the Group's bank loan facilities from Bank of New Zealand ("BNZ loan facilities") were renegotiated with the final maturity date extended to 1 July 2021 and the total amount of loan facilities was reduced from US\$50,000,000 (approximately HK\$390,000,000) to US\$35,000,000 (approximately HK\$273,000,000), in which US\$28,200,000 (approximately HK\$219,960,000) was utilised as at 31 December 2019.

As at 30 June 2020, US\$28,200,000 (approximately HK\$219,960,000) BNZ loan facility was utilised.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

17. BANK BORROWINGS (continued)

As at 30 June 2020 and 31 December 2019, the Group's bank loans from BNZ loan facilities were denominated in United States dollars, bearing interest at the base rate determined by the Bank of New Zealand, plus 1.65% per annum and repayable on 1 July 2021.

The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank of New Zealand (the "Bank"). During the Period, one of the financial covenants was not complied with, caused by the short-term impact of COVID-19, therefore resulted in an event of review according to the bank loan facilities agreement with the Bank. The Group has rectified the non-compliance and the Bank has confirmed the continuity of the bank loan facilities offered to the Group before the end of the reporting period. As at the date of this interim report, all financial covenants related to the bank loan facilities were met.

As at 30 June 2020 and 31 December 2019, the BNZ 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\$116,813,000 (31 December 2019: HK\$119,365,000);
 - b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK\$426,780,000 (31 December 2019: HK\$436,802,000) (note 13) 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.

As at 30 June 2020 and 31 December 2019, US\$150,000 (approximately HK\$1,170,000) loan facilities from Hakrinbank in Suriname ("Hakrinbank Loan Facilities") was fully utilised while US\$850,000 (approximately HK\$6,630,000) overdraft facility was released during the Period.

As at 30 June 2020 and 31 December 2019, the Group's bank overdraft and bank loan from Hakrinbank Loan Facilities were denominated in United States dollars, bearing interest at 8.5% and 9.5% per annum, respectively.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

17. BANK BORROWINGS (continued)

As at 30 June 2020 and 31 December 2019, the Hakrinbank Loan Facilities are secured by a fixed charge over:

- (i) the Group's certain leasehold land (located in Suriname) with a carrying value of approximately HK\$7,333,000 (31 December 2019: HK\$7,445,000); and
- (ii) the Group's certain motor vehicles with a carrying value of approximately HK\$1,230,000 (31 December 2019: HK\$1,424,000).

The exposure of the Group's bank borrowings are as follows:–

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Floating rate		
– due after one year	219,960	219,960
Fixed rate		
– due within one year	429	410
– due after one year	23	243
	452	653





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

18. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Financial assets		
Amortised cost	166,609	198,983
Financial liabilities		
Amortised cost	470,852	463,531

19. RELATED PARTY DISCLOSURES

(a) Other than as disclosed elsewhere in these interim financial statements, the Group has the following transactions and balances with related parties:

Related party	Nature of transaction	Notes	For the six months ended 30 June	
			2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Immediate holding company	Interest expenses paid and payable on loans	(i)	3,516	3,585
Ultimate holding company	Interest expenses paid and payable on a loan	(ii)	-	931
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iii)	1,133	1,550
Fellow subsidiary	Reimbursements	(iv)	400	-

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. 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);
 - an unsecured loan with principal amount of HK\$27,300,000 (i.e. US\$3,500,000);
 - an unsecured loan with principal amount of HK\$23,400,000 (i.e. US\$3,000,000);
 - an unsecured loan with principal amount of HK\$7,106,000 (i.e. US\$911,000);
 - an unsecured loan with principal amount of HK\$6,179,000 (i.e. US\$792,000);
 - an unsecured loan with principal amount of HK\$8,580,000 (i.e. US\$1,100,000); and
 - an unsecured loan with principal amount of HK\$6,084,000 (i.e. US\$780,000).





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes: (continued)

(i) (continued)

On 26 August 2019, supplemental letters in relation to the above loans were signed with immediate holding company to extend the maturity date of both principal and interest payables of these loans from 31 March 2020 to 31 March 2021 with effect from 30 June 2019 (the "Supplemental Letters"). On 30 June 2020, supplemental letters in relation to above loans were signed with immediate holding company to extend the maturity date of principal and interest payables as at 30 June 2020 of these loans from 31 March 2021 to 31 March 2022.

In addition, based on the Supplemental Letters, the lender shall have the right to demand immediate payment of all the above loans and their outstanding interest in the event of either (a) any change in the beneficial ownership, directly or indirectly, of more than 50% of the voting equity shares of the borrower, a non-wholly owned subsidiary of the Company, without the lender's prior written consent; or (b) after the then existing executive and non-executive directors of the Company cease to constitute a majority of the board of directors of the Company, subject to a 30-day re-negotiation period regarding the continuing availability of the loans.

Taking into consideration the agreement from the immediate holding company to do all such acts to maintain the directorship of the existing directors of the Company throughout the relevant loan periods, the loans are classified as non-current as at 30 June 2020 and 31 December 2019.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. 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. During the six-months ended 30 June 2019, the whole balance of loan and interest expenses payable was fully repaid.
- (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 from a fellow subsidiary as at 30 June 2020 and 31 December 2019 was unsecured, interest-free and repayable within one year.





NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short-term employee benefits	5,916	5,782
Pension scheme contributions	36	36
	5,952	5,818

20. CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, the Group did not have any significant contingent liabilities.

21. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in other sections of these interim financial statements, no significant events occurred subsequent to the end of the reporting period.

22. COMPARATIVE AMOUNTS

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

23. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 August 2020.

OTHER INFORMATION

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

As at 30 June 2020, 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
Simon Murray	Beneficial owner	3,339,477 (Note 2)	0.18
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

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.





OTHER INFORMATION (continued)

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

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

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

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

Note:

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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



OTHER INFORMATION (continued) SHARE OPTION SCHEME

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

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

Name or category of participant	Number of share options				Exercise period of share options	Vesting period	Exercise price of share options HK\$	Date of grant of share options	Closing price of the Company's share immediately before the date of grant of share options HK\$	Weighted average closing price of the Company's shares immediately before the exercise date HK\$
	As at 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period						
Directors										
Lim Hye Pin	3,300,000	-	-	-	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	3,300,000	-	-	-	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Cheng Qi-Hin, Conrad	2,200,000	-	-	-	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	3,300,000	-	-	-	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Tsang Chai-Yin, Patrick	2,200,000	-	-	-	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	3,300,000	-	-	-	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Simon Murray	1,000,000	-	-	-	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Nguyen Van Tu, Peter (Note 2)	1,000,000	-	-	-	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	1,000,000	-	-	-	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Wong Man Chung, Francis	1,000,000	-	-	-	17 Jul 2015 to 16 Jul 2020	N/A	1.12	17 Jul 2015	1.24	-
	1,000,000	-	-	-	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-

OTHER INFORMATION (continued) SHARE OPTION SCHEME (continued)

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

Name or category of participant	Number of share options					Exercise period of share options	Vesting period	Exercise price of share options	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 date of grant of share options
	At 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period						
Employees (other than Directors)											
In aggregate	1,723,700	-	-	-	-	15 Sep 2016 to 12 Sep 2021	None /	0.71	13 Sep 2016	0.76	-
Others	4,400,000	-	-	-	-	13 Sep 2016 to 12 Sep 2021	N/A	0.71	13 Sep 2016	0.76	-
Total	29,233,700	-	-	-	-						



OTHER INFORMATION (continued)

SHARE OPTION SCHEME (continued)

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

Notes:

1. 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.
2. Mr. Nguyen Van Tu, Peter passed away on 16 June 2020. Pursuant to the Share Option Scheme, his personal representative can exercise all his vested and unexpired share options within the period of 365 calendar days from the date of death of Mr. Nguyen.





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 2020, 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)	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 (Notes 1 & 2)	1,122,005,927	–	60.49
Chow Tai Fook (Holding) Limited	Interest of controlled corporation (Notes 1 & 4)	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 & 4)	1,122,005,927	–	60.49
Gateway Asia Resources Limited	Interest of controlled corporation (Notes 1 & 2)	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 %
Sharpfield Holdings Limited	Interest of controlled corporation (Notes 1, 3 & 4)	1,122,005,927	–	60.49
China Forestry Group Corporation	Interest of controlled corporation (Note 5)	110,000,000	–	5.93
Hong Kong Genghis Khan Group Limited	Beneficial owner (Note 6)	110,000,000	–	5.93
Ge Jian	Interest of controlled corporation (Note 6)	110,000,000	–	5.93
Koo Chi Sum and Simon Rhys Thomas	Agent of Charged Shares (Note 7)	1,122,005,927	–	60.49
Idea Perfect Holdings Limited	Person having a security interest in shares (Note 8)	448,802,370	–	24.19
VMS Investment Group Limited	Beneficial owner and interest of controlled corporation (Note 8)	473,588,370	–	25.53
Mak Siu Hang Viola	Interest of controlled corporation (Note 8)	473,588,370	–	25.53





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)

Notes:

1. Newforest Limited is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Mr. Wu Wai Leung, Danny) and as to 60% by Sharpfield Holdings Limited (a direct wholly-owned subsidiary of Chow Tai Fook Enterprises Limited). Chow Tai Fook Enterprises Limited is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, a 81.03% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. As such, Mr. Wu Wai Leung, Danny, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares in which Newforest Limited is interested by virtue of Part XV of the SFO.
2. Mr. Wu Wai Leung, Danny is a director of Gateway Asia Resources Limited.
3. Mr. Cheng Chi-Him, Conrad is a director of Newforest Limited and Sharpfield Holdings Limited.
4. Mr. Tsang On-Yip, Patrick is a director of Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited, Newforest Limited and Sharpfield Holdings Limited.
5. 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.

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)

Notes: (continued)

6. 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.
7. Mr. Koo Chi Sum and Mr. Simon Rhys Thomas were appointed as joint and several receivers in respect of (i) 400 shares of Newforest Limited representing 40% of the entire issued share capital of the Newforest Limited and (2) the entire issued share capital of Gateway Asia Resources Limited. As such, Mr. Koo Chi Sum and Mr. Simon Rhys Thomas are deemed to be interested in the Shares in which Newforest Limited is interested by virtue of Part XV of the SFO.
8. Idea Perfect Holdings Limited acquired a security interest in 40% of the entire issued share capital of Newforest Limited. Idea Perfect Holdings Limited is a wholly-owned subsidiary of VMS Investment Group Limited, which is in turn 100% controlled by Ms. Mak Siu Hang Viola. As such, VMS Investment Group Limited and Ms. Mak Siu Hang Viola are deemed to be interested in the Shares in which Newforest Limited is interested by virtue of Part XV of the SFO.

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 2020 which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register required to be kept by the Company under the SFO.





OTHER INFORMATION (continued)

CHANGES IN THE COMPOSITION OF THE BOARD AND BOARD COMMITTEES

Mr. Nguyen Van Tu, Peter passed away on 16 June 2020.

Mr. To Chun Wai has been appointed as an independent non-executive Director of the Company, a member of each of the audit committee, nomination committee and remuneration committee of the Company with effect from 30 July 2020.

Mr. Cheng Chi Him, Conrad has been appointed as the chairman of the nomination committee of the Company with effect from 30 July 2020.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the "Audit Committee") has three members comprising two independent non-executive Directors ("INED"), namely Mr. Wong Man Chung, Francis (Chairman) and Mr. To Chun Wai 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 2020.

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 2020 except for the deviations as explained below:

RULES 3.10(1), 3.10(A), 3.21 AND 3.25 OF THE LISTING RULES AND CODE PROVISION A.5.1

Following the passing away of Mr. Nguyen Van Tu, Peter (the former INED, the chairman of the nomination committee of the Company (the "Nomination Committee") and a member of each of the Audit Committee and the remuneration committee of the Company (the "Remuneration Committee")), (i) the number of INEDs has fallen below the minimum number of three and the number of INEDs did not represent at least one-third of the Board, as respectively required under Rules 3.10(1) and 3.10A of the Listing Rules, (ii) the number of INEDs on the Remuneration Committee does not meet the majority requirement under Rule 3.25 of the Listing Rules; (iii) the number of members on the Audit Committee has fallen below the minimum number of three and the number of INEDs does not meet the majority requirement under Rule 3.21 of the Listing Rules; and (iv) the chairmanship of the Nomination Committee has become vacant which does not meet the requirement under code provision A.5.1 of the CG Code.

As disclosed in the announcement of the Company dated 30 July 2020, following the appointment of Mr. To Chun Wai as an INED, a member of each of the Audit Committee, Nomination Committee and Remuneration Committee and the appointment of Mr. Cheng Chi-Him, Conrad as the chairman of the Nomination Committee, the Company is in compliance with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.





OTHER INFORMATION (continued)

CODE PROVISION A.5.6

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

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 2020.

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
Ding Wai Chuen
Executive Director and Chief Executive Officer

Hong Kong, 25 August 2020

As at the date hereof, the Board comprises two executive Directors, namely Messrs. Ding Wai Chuen 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. Wong Man Chung Francis, Cheung Pak To Patrick and To Chun Wai.

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

