



Greenheart Group

綠心集團

GREENHEART GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

INTERIM REPORT 2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Ding Wai Chuen*
(*Chief Executive Officer*)

Kenneth Lau[#]
(*Appointed on 24 May 2022*)

Lie Ken Jie Remy Anthony Ket Heng[#]
(*Appointed on 24 May 2022*)

Simon Murray[#]

Wong Man Chung, Francis**

Cheung Pak To, Patrick**

To Chun Wai**

Tsang On-Yip, Patrick[#]
(*Retired on 24 May 2022*)

* *Executive Director*

[#] *Non-executive Director*

** *Independent non-executive Director*

AUDIT COMMITTEE

Wong Man Chung, Francis (*Chairman*)

Lie Ken Jie Remy Anthony Ket Heng

To Chun Wai

REMUNERATION COMMITTEE

Wong Man Chung, Francis (*Chairman*)

Kenneth Lau

To Chun Wai

NOMINATION COMMITTEE

Cheng Chi-Him, Conrad (*Chairman*)

Cheung Pak To, Patrick

To Chun Wai

COMPANY SECRETARY

Tse Nga Ying

STOCK CODE

94

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12
Bermuda

AUTHORISED REPRESENTATIVES

Ding Wai Chuen

Tse Nga Ying

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

32A, 32/F., Fortis Tower
Nos. 77-79 Gloucester Road
Wanchai, Hong Kong
Tel: (852) 2877 2989
Fax: (852) 2511 8998

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITORS

LC Lawyers LLP



CORPORATE INFORMATION (continued)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation
Limited
The Bank of East Asia, Limited
Bank of New Zealand

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE IN BERMUDA

Appleby Global Corporate Services
(Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR & TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

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

INVESTOR RELATIONS

ir@greenheartgroup.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

Greenheart Group Limited ("Greenheart" or the "Company", together with its subsidiaries, the "Group") continued to face a volatile market in the first half of 2022. Following a strong rebound at the beginning of the year, outbreak of Omicron in some major cities in China since March rapidly dented its economic growth momentum, dampening the log demand. This turn in the market had decelerated Greenheart's New Zealand business markedly for the remainder of the first half of 2022. Added to this, the spillover effects of the Ukraine War had further driven up the operating costs and adversely affected the profitability of our New Zealand division. As many of these headwinds are expected to continue for an extended period, the plantation forest assets suffered a significant fair value loss for the six months ended 30 June 2022 (the "Period").

Meanwhile, the devastating flood in Suriname, caused by persistent rainfall, had restricted our harvesting activities and local logistic, dragging down our business recovery from the pandemic.

As a result, the Group recorded a significant decrease of HK\$53,631,000 in turnover and increase of net loss of HK\$62,246,000 for the Period, notwithstanding the recovery of other receivable of HK\$24,445,000.

NEW ZEALAND DIVISION

In New Zealand, the operating environment was challenging for much of the first half of 2022. Total revenue and adjusted EBITDA of our New Zealand division dropped 42.0% and 80.0%, respectively, as compared to the prior year period. This decline was primarily attributable to reduced log demand in China due to repeated COVID-19 outbreaks, strict lockdown measures and the contraction of the property market, which together pulled down the average free-on-board ("FOB") sale prices by 27.9% versus the prior year period. In light of the adverse market conditions, the Group had slowed down harvesting to preserve its wood reserve pending market recovery. As a result, only approximately 104,000 m³ of logs, representing approximately 75.7% of the volume of prior period, were sold during the Period.

The combined effect of the reintroduction of COVID-19 control measures and the shrinking property market in China, the high fuel prices, escalating inflation and supply chain disruptions caused by the Ukraine War is likely to cloud over our New Zealand radiata pine business for a longer period than previously expected, causing a fair value loss of HK\$44,323,000 on plantation forest assets for the Period (2021: a gain of HK\$24,995,000).

CHAIRMAN'S STATEMENT (continued)

SURINAME DIVISION

The strong rebound in Europe economic activity after the pandemic-related downturn had boosted up the demand for tropical wood products during the Period. The disruption in global supply chain and the war in Ukraine have removed a vast volume of Russian and Ukraine originated wood products from the market. The reductions in supply had opened up new opportunities for tropical wood products. Combining these two factors, the value of tropical wood products imported to European Union reached the highest in 10 years. The improved market condition had pushed up the increased average sales prices of lumber sold by our Suriname division during the Period.

However, the extreme and persistent heavy rain in Suriname had caused unprecedented country-wide flooding, inundating and damaging all major roads, exacerbating the logistic disruption due to COVID-19. This has seriously affected our harvesting and product delivery capability, particularly those of our west Suriname operation which has longest distance to the port among our concessions. As a result, notwithstanding the strong market recovery, the logistic issues had restricted our ability to meet the market demand, with the volume of products sold remained largely the same as that of last period.

Overall, Suriname division recorded a total revenue of HK\$20,031,000 (2021: HK\$19,358,000) and a negative adjusted EBITDA of HK\$4,252,000 (2021: HK\$2,789,000) for the Period.

PROSPECT

Looking ahead, there remain a number of interlinked downside risks in the global economy, including ongoing geopolitical tensions, stagflation concerns, continuing supply chain strains, and appearance of new viral variants. These negative factors will continue to weigh on Greenheart's performance for the remainder of the year.

With particular reference to mainland China, the COVID-19 related lockdown and movement restriction and weak property market may continue to dampen demand for our New Zealand radiata pine. Although there was an improvement in FOB prices of New Zealand radiata pine in July, this was not substantial enough to significantly lift the market away from the historic lows reported in May. The China market for our New Zealand radiata pine will likely continue to be challenging in the second half of the year.

CHAIRMAN'S STATEMENT (continued)

PROSPECT (continued)

In order to reduce the reliance on a single market, the Group has been working closely with our business partners to diversify our sales to Korea and India. In the meantime, we have slowed down the harvesting activities to avoid selling on depressed prices and to wait for market recovery.

As to additional investment in forestry assets, despite the drop of the log price, carbon credit price surged significantly. As a result, the forest owners in New Zealand continued to ask for a significant carbon premium on top of the intrinsic value of the trees. Due to the heightened macro volatility, we will continue to be cautious in making investment decision and not rushing into buying overpriced assets.

The combined impact of extreme weather and the pandemic had deeply affected our Suriname operation for much of the past two years. Despite these negative influences, our Suriname division still managed to have steady increase in revenue, underpinned by quick resumption of the demand from European and US clients for processed lumber and much increased average sale prices, driven by higher value-added products produced particularly from new sawmill located in the capital of Suriname.

Going forward, the Suriname division will continue to improve the operation efficiency and reduce costs through subcontracting, and to generate additional revenue through outsourcing.

The Group will continue to adhere to a prudent financial and cashflow management approach in the operation of our businesses in the current uncertain market environment and seek sustainable business opportunities to enhance the long-term returns to the shareholders of the Company.



CHAIRMAN'S STATEMENT (continued)

APPRECIATION

At the Annual General Meeting held on 24 May 2022, Mr. Tsang On-Yip, Patrick retired and decided not to seek re-election. On behalf of the Board, I would like to thank Mr. Tsang for his valuable contribution over the years and wish him well in his future pursuits.

At the same Annual General Meeting, two new non-executive directors, Messrs. Kenneth Lau and Lie Ken Jie Remy Anthony Ket Heng, were elected to the Board. I would like to extend my welcome to the two new board members and I am confident that they will bring new perspectives and a wealth of financial and management experience to the Group.

Last but not least, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their trust and support, and to our staff for their diligence, contributions and efforts they had made during the Period.

Cheng Chi-Him, Conrad

Non-executive Chairman

Hong Kong, 30 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group incurred an unaudited net loss of HK\$63,511,000. Such increase in net loss was due to the net effect of a decrease in revenue contributed by New Zealand division because of the decelerated demand from China stemming from the COVID-19 related lockdown measures and slowdown and stress in China's property market, a fair value loss on plantation forest assets located in New Zealand, and a reversal of provision for impairment on an earnest money of RMB20,000,000 which was recovered during the Period.

Revenue

The Group's total revenue dropped by 36.1% to HK\$95,107,000 for the Period as compared to the corresponding period last year. Revenue contributed by the New Zealand division and the Suriname division was HK\$75,076,000 (2021: HK\$129,380,000) and HK\$20,031,000 (2021: HK\$19,358,000), respectively.

Revenue contributed by the New Zealand division decreased by 42.0% or HK\$54,304,000 for the Period resulting from the decrease in A-grade logs price of New Zealand radiata pine due to the weak demand from China. As a result, the average export selling price on FOB basis decreased by 27.9% while the sales volume reduced by 24.3% during the Period.

Apart from sales of logs, revenue contributed from forest management services increased by HK\$600,000 to HK\$3,268,000 during the Period.

On the other hand, revenue contributed from Suriname division increased slightly by 3.5% or HK\$673,000 for the Period because of the increase in sales volume and average selling price of lumber, reflecting our strategy in switching to high-value export products. Revenue contributed from the subcontracting fee income decreased by HK\$989,000 to HK\$1,588,000 during the Period as the subcontractor's harvesting activities were affected by the country-wide flooding and the disruption of logistics due to COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Gross loss

A gross loss of HK\$5,148,000 was reported for the Period compared to a gross profit of HK\$27,155,000 in the same period last year. The gross profit contribution from the New Zealand division for the Period was HK\$483,000 (2021: HK\$31,368,000) while the Suriname division recorded a gross loss of HK\$5,631,000 for the Period (2021: HK\$4,213,000).

The Group's gross loss margin for the Period was 5.4% as compared to gross profit margin of 18.3% for the same period last year. The gross profit margin for the Group's New Zealand division for the Period was 0.6% (2021: 24.2%) while the Suriname division recorded a gross loss margin of 28.1% for the Period (2021: 21.8%).

The decrease in gross profit margin of the New Zealand division was because of lower average export selling price on FOB basis and sales volume as mentioned above.

The increase of the gross loss margin for the Suriname division during the Period was mainly due to under-utilized production capacity resulted from persistent heavy rain during the Period.

Other income

Other income mainly represented finance lease income and bank and other interest income. It decreased by HK\$189,000 during the Period mainly due to the repayment of the finance lease receivable balance.

Impairment losses reversed on financial assets, net

The reversal of impairment losses on financial assets for the Period was the result of the recovery during the Period of an earnest money of RMB20,000,000 in relation to an aborted investment project in China.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Fair value loss on plantation forest assets

The fair value loss on our plantation forest assets in New Zealand amounted to HK\$44,323,000 (2021: a gain of HK\$24,995,000) and was based on a valuation report prepared by an independent valuer at the end of the Period. The fair value loss was primarily caused by unfavourable market conditions and higher operating costs.

Selling and distribution costs

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

They reduced by 18.8% or HK\$3,420,000. Such decrease was primarily due to the reduction of sales volume and the depreciation of New Zealand dollars ("NZD") for New Zealand division. This reduction was partially offset by the increase in port costs.

Administrative expenses

Administrative expenses for the Period increased by 17.9% or HK\$4,057,000 because of the increase of depreciation of property, plant and equipment due to the additional roading in New Zealand.

Finance costs

The decrease of finance costs for the Period by HK\$497,000 or 6.4% was primarily due to the repayment of US\$25,000,000 of bank loan facilities from Bank of New Zealand during the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Income tax credit

Income tax credit for the Period is mainly comprised of deferred tax credit.

The deferred tax credit for the Period is comprised of the deferred tax credit of HK\$7,471,000 (2021: expense of HK\$5,113,000) and the deferred tax credit of HK\$1,908,000 (2021: HK\$1,729,000) in the New Zealand and Suriname divisions, respectively.

The deferred tax credit in the New Zealand division was mainly due to the taxable temporary differences arising from the fair value loss 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 represents 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 changed from positive EBITDA of HK\$57,172,000 for same period last year to negative EBITDA of HK\$20,838,000 for the Period. The negative EBITDA of the New Zealand division and Suriname division for the Period was HK\$35,129,000 (2021: a positive of HK\$65,664,000) and HK\$3,608,000 (2021: HK\$2,244,000), respectively.

The Group's negative EBITDA was primarily caused by the fair value loss on plantation forest assets in New Zealand as mentioned and deterioration in the underlying operating results of both New Zealand and Suriname, which were partially offset by the impairment loss reversed on other receivables.

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 Group incurred a loss attributable to the owners of the Company of HK\$51,411,000 for the Period, compared to a profit attributable to the owners of the Company of HK\$8,923,000 in the same period last year.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2022, the Group's current assets and current liabilities were HK\$176,116,000 and HK\$78,013,000 respectively (31 December 2021: HK\$202,530,000 and HK\$101,510,000), HK\$98,556,000 (31 December 2021: HK\$92,916,000) of which were cash and bank balances. The Group's outstanding borrowings as at 30 June 2022 represented the loans from immediate holding company amounting to HK\$190,711,000 (31 December 2021: HK\$187,214,000), loan from a fellow subsidiary amounting to HK\$158,936,000 (31 December 2021: HK\$156,500,000), bank borrowings amounting to HK\$24,960,000 (31 December 2021: HK\$24,960,000) and lease liabilities of HK\$19,071,000 (31 December 2021: HK\$22,101,000). Accordingly, the Group's gearing ratio as of 30 June 2022, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 46.2% (31 December 2021: 42.6%).

As at 30 June 2022, 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 NZD, which helps to partly offset the Group's operating expenses payable in NZD. 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 2022. 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. During the Period, all financial covenants related to the bank loan facilities were met.

PROSPECTS

The forestry sector continues to be affected by the knock-on effects of the Ukraine War, COVID-19 recovery and the non-linear impact of inflation on our sales and cost drivers.

The global energy crisis which initially spiked up shipping cost since mid of 2021, has begun to reflect in the daily operational cost in the second quarter of 2022 and continued to increase in the third quarter of 2022, with an expected volatility at least for another 12-18 months. Such increase in cost further squeezed our margin. The drop in margin will be particularly sharp in our New Zealand division as its margin has already been affected by the drop of the price of exports to China.

Demand from China for New Zealand radiata pine log has reduced by 40% and softwood production in New Zealand fell over 23% for the first half of 2022 compared to previous year. We expect further drops in the third quarter as China's log inventory level remained high when the country enters into this traditional low production season. With the drop of shipping logistic cost at the start of the third quarter of 2022 caused by a fall in global production, we cautiously anticipate a better final quarter for 2022. In the first half of 2022, there were several domestic port issues arising from changes in fumigation requirements in certain export market inadequate capacity of log debarking as an alternative to fumigation. We would seek to overcome this by switching some of our export sales to domestic sales.

In Suriname, we have been through the abnormal persistent heavy rain that had caused a drop of 67% of our forestry production in the first half of 2022. With the flooding issues slowly improved and the damaged road getting repaired, we would be able to increase our production to meet the pent up demands for high quality tropical hardwood lumber in the US and European markets. We would make use of our further processing facilities recently expanded in the city of Paramaribo to refine our rough cut lumber into dressed lumber with higher saleable value. This strategy has resulted in a 64% increase of our average dressed lumber sales price in the first half of 2022 and we expect the contribution from this category of lumber will continue to increase. Although the unexpected unfavourable factors in the last two years have slowed down the turnaround of our Suriname division, we are confident that we are back on track on the road to recovery.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CHARGE ON ASSETS

As at 30 June 2022 and 31 December 2021, 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 carrying amount of approximately HK\$128,564,000 (31 December 2021: HK\$140,215,000) ("Forestry Land");
 - b. the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK\$356,654,000 (31 December 2021: HK\$411,173,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land; and
 - c. all other present and after-acquired property that is not Personal Property of the Selected Group Companies.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2022, the Group spent approximately HK\$5,345,000 (year ended 31 December 2021: approximately HK\$14,913,000) 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 2022 and 31 December 2021, the Group did not have any significant contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, the total number of employees of the Group was 156 (31 December 2021: 168). Employees' costs (including Directors' emoluments) amounted to approximately HK\$17,051,000 for the six months ended 30 June 2022 (30 June 2021: HK\$18,550,000). 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

		For the six months ended 30 June	
	<i>Notes</i>	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	95,107	148,738
Cost of sales and services		(100,255)	(121,583)
Gross (loss) profit		(5,148)	27,155
Other income	6	422	611
Other gains and losses	6	-	(302)
Impairment losses reversed (recognised) on financial assets, net	15	25,296	(123)
Fair value (loss) gain on plantation forest assets	13	(44,323)	24,995
Share of loss of an associate		(53)	(68)
Selling and distribution costs		(14,787)	(18,207)
Administrative expenses		(26,727)	(22,670)
Finance costs	7	(7,312)	(7,809)
(LOSS) PROFIT BEFORE TAX	8	(72,632)	3,582
Income tax credit (expense)	9	9,121	(4,847)
LOSS FOR THE PERIOD		(63,511)	(1,265)
OTHER COMPREHENSIVE EXPENSE			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(14,706)	(4,667)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD		(14,706)	(4,667)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(78,217)	(5,932)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000
(LOSS) PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
	Owners of the Company	(51,411)	8,923
	Non-controlling interests	(12,100)	(10,188)
		(63,511)	(1,265)
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
	Owners of the Company	(66,117)	4,256
	Non-controlling interests	(12,100)	(10,188)
		(78,217)	(5,932)
(LOSS) EARNINGS PER SHARE			
	Basic	HK\$(0.028)	HK\$0.005
	Diluted	HK\$(0.028)	HK\$0.005

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		285,591	304,907
Right-of-use assets		36,106	38,996
Goodwill		5,651	5,651
Timber concessions and cutting rights	12	137,375	142,886
Plantation forest assets	13	356,654	411,173
Prepayments, deposits and other assets		619	2,143
Interest in an associate		1,693	1,826
		823,689	907,582
CURRENT ASSETS			
Inventories		20,303	40,318
Trade receivables	14	34,021	42,169
Finance lease receivables		1,924	4,716
Prepayments, deposits and other assets		14,810	14,867
Amount due from a fellow subsidiary	19(b)(i)	470	428
Tax recoverable		6,032	7,116
Bank balances and cash		98,556	92,916
		176,116	202,530

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables	16	30,146	27,479
Other payables and accruals		18,875	45,800
Contract liabilities		844	1,430
Lease liabilities		3,417	3,581
Loan from a fellow subsidiary	19(a)(ii)	2,936	500
Tax payable		21,795	22,720
		78,013	101,510
NET CURRENT ASSETS			
		98,103	101,020
TOTAL ASSETS LESS CURRENT LIABILITIES			
		921,792	1,008,602

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		15,654	18,520
Loans from immediate holding company	19(a)(i)	190,711	187,214
Loan from a fellow subsidiary	19(a)(ii)	156,000	156,000
Bank borrowings	17	24,960	24,960
Deferred tax liabilities		96,004	105,228
		483,329	491,922
NET ASSETS			
		438,463	516,680
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		18,550	18,550
Reserves		832,812	898,929
		851,362	917,479
Non-controlling interests		(412,899)	(400,799)
TOTAL EQUITY			
		438,463	516,680

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company											Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Land revaluation reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2022 (audited)	18,550	2,091,657	83,274	-	846	59,728	265	(1,166)	(1,335,675)	917,479	(400,799)	516,680
Loss for the Period	-	-	-	-	-	-	-	-	(51,411)	(51,411)	(12,100)	(63,511)
Other comprehensive expense for the Period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(14,706)	-	(14,706)	-	(14,706)
Total comprehensive expense for the Period	-	-	-	-	-	-	-	(14,706)	(51,411)	(66,117)	(12,100)	(78,217)
At 30 June 2022 (unaudited)	18,550	2,091,657	83,274	-	846	59,728	265	(15,872)	(1,387,086)	851,362	(412,899)	438,463
At 1 January 2021 (audited)	18,550	2,091,657	83,274	4,687	846	50,853	265	7,562	(1,303,424)	954,270	(378,506)	575,764
Profit (loss) for the period	-	-	-	-	-	-	-	-	8,923	8,923	(10,188)	(1,265)
Other comprehensive expense for the period:												
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(4,667)	-	(4,667)	-	(4,667)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(4,667)	8,923	4,256	(10,188)	(5,932)
At 30 June 2021 (unaudited)	18,550	2,091,657	83,274	4,687	846	50,853	265	2,895	(1,294,501)	958,526	(388,694)	569,832

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(2,089)	6,639
NET CASH FROM (USED IN) INVESTING ACTIVITIES	14,189	(9,301)
NET CASH USED IN FINANCING ACTIVITIES	(3,068)	(8,786)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,032	(11,448)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	92,916	167,684
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,392)	(1,852)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	98,556	154,384
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	98,556	154,384

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").

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 amendments to 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 2022 are the same as those followed in the presentation of the Group's annual financial statements for the year ended 31 December 2021.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to HKFRSs

In the current Period, the Group has, for the first time, applied the following amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018 – 2020</i>

Except as described below, the application of 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.

3.1 Impacts and changes in accounting policies on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

3.1.1 Accounting policies

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

3.1.2 Transition and summary of effects

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current period had no impact on these unaudited condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 **Impacts and changes in accounting policies on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021**

3.2.1 **Accounting policies**

Leases

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

The Group accounts for changes in lease payments resulting from rent concessions in the same way it would account for the changes applying HKFRS 16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

3.2.2 **Transition and summary of effects**

The application of the amendment has had no material impact on the Group's financial position and performance.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.3 ***Impacts and accounting policies on application of Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use***

3.3.1 ***Accounting policies***

Property, plant and equipment

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing the related assets functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss.

3.3.2 ***Transition and summary of effects***

The application of the amendment has had no material impact on the Group's financial position and performance.

3.4 ***Impacts and accounting policies on application of Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract***

3.4.1 ***Accounting policies***

Provisions

Onerous contracts

For assessment of outstanding unfulfilled contracts as at 1 January 2022, the unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs (to specify, e.g. direct labour and materials) and an allocation of other costs (to specify, e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.4 **Impacts and accounting policies on application of Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract (continued)**

3.4.2 **Transition and summary of effects**

The Group has applied the amendments to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1 January 2022. The application of the amendments has had no material impact on the Group's financial position and performance.

3.5 **Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020**

The Group has applied the annual improvements which make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments in the current period had no impact on these unaudited condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Types of goods or services		
Sales of logs and timber products	90,251	143,493
Forest management fee	3,268	2,668
Total revenue from contracts with customers	93,519	146,161
Subcontracting fee income	1,588	2,577
Total revenue	95,107	148,738

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

	For the six months ended 30 June 2022		
Segments	Suriname (Unaudited) HK\$'000	New Zealand (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Types of goods or services			
Sales of logs and timber products	18,443	71,808	90,251
Forest management fee	–	3,268	3,268
Total	18,443	75,076	93,519

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 2022		
	Suriname (Unaudited) HK\$'000	New Zealand (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Timing of revenue recognition		
A point in time	18,443	71,808	90,251
Over time	–	3,268	3,268
Total	18,443	75,076	93,519

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 2022		
	Suriname (Unaudited) HK\$'000	New Zealand (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Revenue from contracts with customers	18,443	75,076
Subcontracting fee income	1,588	–	1,588
Revenue disclosed in segment information	20,031	75,076	95,107

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE (continued)

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

	For the six months ended 30 June 2021		
Segments	Suriname (Unaudited) HK\$'000	New Zealand (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Types of goods or services			
Sales of logs and timber products	16,781	126,712	143,493
Forest management fee	–	2,668	2,668
Total	16,781	129,380	146,161
	For the six months ended 30 June 2021		
Segments	Suriname (Unaudited) HK\$'000	New Zealand (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Timing of revenue recognition			
A point in time	16,781	126,712	143,493
Over time	–	2,668	2,668
Total	16,781	129,380	146,161

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 2021		
	Suriname (Unaudited) HK\$'000	New Zealand (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	Revenue from contracts with customers	16,781	129,380
Subcontracting fee income	2,577	–	2,577
Revenue disclosed in segment information	19,358	129,380	148,738

Geographical markets

Information about the Group's revenue from external customers is presented based on the location of customers with reference to the billing address, regardless of the destination of the shipment:

Segments	For the six months ended 30 June 2022		
	Suriname (Unaudited) HK\$'000	New Zealand (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	New Zealand*	–	75,076
The United States	3,972	–	3,972
Mauritius	2,586	–	2,586
Hong Kong	2,458	–	2,458
Suriname	2,231	–	2,231
China	1,801	–	1,801
Belgium	1,602	–	1,602
Denmark	1,380	–	1,380
India	1,302	–	1,302
Other countries	2,699	–	2,699
Total	20,031	75,076	95,107

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE (continued)

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

Segments	For the six months ended 30 June 2021		
	Suriname	New Zealand	Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
New Zealand*	–	129,380	129,380
Hong Kong	5,083	–	5,083
Suriname	4,010	–	4,010
India	2,866	–	2,866
Belgium	1,668	–	1,668
The Netherlands	1,290	–	1,290
Mauritius	1,215	–	1,215
Taiwan	819	–	819
Denmark	669	–	669
Other countries	1,738	–	1,738
Total	19,358	129,380	148,738

* 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\$1,588,000 (2021: HK\$2,577,000) is included in the revenue from customers located in Suriname above for the six months ended 30 June 2022.

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 overseas 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 overseas 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 each volume of the output of logs and the subcontractor is committed to have a minimum output of logs and fixed payments in each year. It is accounted for as an operating lease arrangement under HKFRS 16. The contract was expired in May 2022 and renewed for further two years.

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Lease payments that are fixed	1,588	2,577
Variable lease payments that do not depend on an index or a rate	-	-
Total revenue arising from leases	1,588	2,577

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 and provision of forest management 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 (loss) profit 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 (loss) gain on plantation forest assets, (reversal of) 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.

Details of 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 2022:

For the six months ended 30 June 2022

	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	20,031	75,076	95,107	-	95,107
SEGMENT RESULTS ("Adjusted EBITDA")	(4,252)	8,178	3,926	(6,560)	(2,634)
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 loss on plantation forest assets	-	(44,323)	(44,323)	-	(44,323)
Interest income and finance lease income	143	28	171	14	185
(Provision) reversal of impairment of trade receivables	(137)	988	851	-	851
Reversal of impairment of other receivables	-	-	-	24,445	24,445
Reversal of write-down of inventories*	638	-	638	-	638
EBITDA	(3,608)	(35,129)	(38,737)	17,899	(20,838)
Finance costs	(3,497)	(3,768)	(7,265)	(47)	(7,312)
Forest depletion cost as a result of harvesting*	-	(19,839)	(19,839)	-	(19,839)
Depreciation**	(3,382)	(11,731)	(15,113)	(728)	(15,841)
Harvest roading costs*	-	(3,291)	(3,291)	-	(3,291)
Amortisation of timber concessions and cutting rights***	(5,511)	-	(5,511)	-	(5,511)
(LOSS) PROFIT BEFORE TAX	(15,998)	(73,758)	(89,756)	17,124	(72,632)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS (continued)

- * Included in “Cost of sales and services” in the condensed consolidated statement of profit or loss and other comprehensive income.
- ** Depreciation of HK\$2,229,000 is included in “Cost of sales and services” in the condensed consolidated statement of profit or loss and other comprehensive income.
- *** Amortisation of timber concessions and cutting rights of HK\$5,511,000 is included in “Cost of sales and services” 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 2021

	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	19,358	129,380	148,738	–	148,738
SEGMENT RESULTS ("Adjusted EBITDA")	(2,789)	40,813	38,024	(6,278)	31,746
Reconciliation of the segment results:					
Items other than finance costs, income tax expense, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	24,995	24,995	–	24,995
Interest income and finance lease income	357	4	361	30	391
Reversal (provision) of impairment of trade receivables	25	(148)	(123)	–	(123)
Reversal of write-down of inventories*	163	–	163	–	163
EBITDA	(2,244)	65,664	63,420	(6,248)	57,172
Finance costs	(3,504)	(4,265)	(7,769)	(40)	(7,809)
Forest depletion cost as a result of harvesting*	–	(23,913)	(23,913)	–	(23,913)
Depreciation**	(4,001)	(6,432)	(10,433)	(1,989)	(12,422)
Harvest roading costs*	–	(3,872)	(3,872)	–	(3,872)
Amortisation of timber concessions and cutting rights***	(5,574)	–	(5,574)	–	(5,574)
(LOSS) PROFIT BEFORE TAX	(15,323)	27,182	11,859	(8,277)	3,582

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS (continued)

- * Included in "Cost of sales and services" in the condensed consolidated statement of profit or loss and other comprehensive income.
- ** Depreciation of HK\$2,622,000 is included in "Cost of sales and services" in the condensed consolidated statement of profit or loss and other comprehensive income.
- *** Amortisation of timber concessions and cutting rights of HK\$5,574,000 is included in "Cost of sales and services" in the condensed consolidated statement of profit or loss and other comprehensive income.

Information on major customers

During the six months ended 30 June 2022, the Group had transactions with one (2021: one) customer from New Zealand segment who individually 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Customer 1	60,605	N/A*
Customer 2	N/A*	109,984

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

6. OTHER INCOME, OTHER GAINS AND LOSSES

Other income:

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Bank and other interest income	43	35
Finance lease income	142	356
Others	237	220
	422	611

Other gains and losses:

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Loss on early termination of a lease	-	(302)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

7. FINANCE COSTS

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on loans from immediate holding company	3,497	3,497
Interest on loan from a fellow subsidiary	2,706	–
Interest on lease liabilities	639	749
Interest on bank borrowings	470	3,563
	7,312	7,809

8. (LOSS) PROFIT BEFORE TAX

The Group's (loss) profit before tax for the Period has been arrived at after charging:

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Forest harvested as agricultural produce (note 13)	13,824	31,469
Amount capitalised in closing inventories	(2,511)	(8,868)
Amount released from opening inventories	8,526	1,312
Forest depletion cost as a result of harvesting*	19,839	23,913
Amortisation of timber concessions and cutting rights	5,511	5,574

* Included in "Cost of sales and services" 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) EXPENSE

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The income tax (credit) expense comprises:		
Current tax – Hong Kong		
Charge for the period	–	356
Current tax – other jurisdictions		
Charge for the period	258	523
Withholding tax	–	584
Deferred tax	(9,379)	3,384
	(9,121)	4,847

Under the two-tiered profits tax rates regime introduced in Hong Kong in 2018, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. 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% (2021: 36%) and 28% (2021: 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 2022 (six months ended 30 June 2021: nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share attributable to owners of the Company	(51,411)	8,923
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,854,991,056	1,854,991,056

The computation of diluted (loss) earnings per share for the six months ended 30 June 2022 and 2021 did not assume the effect of the Group's share options since their assumed exercise would result in a (decrease) increase in (loss) earnings per share.

12. TIMBER CONCESSIONS AND CUTTING RIGHTS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Cost		
At beginning of the Period/year	880,459	880,459
Amortisation and impairment		
At beginning of the Period/year	737,573	740,336
Amortisation during the Period/year	5,511	10,022
Reversal of impairment during the Period/year	-	(12,785)
At end of the Period/year	743,084	737,573
Carrying values		
At end of the Period/year	137,375	142,886

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

12. TIMBER CONCESSIONS AND CUTTING RIGHTS (continued)

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 above carrying values represent the concession and cutting rights in west and central Suriname whereas the carrying value of concession and cutting rights in east Suriname is negligible. 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. The directors of the Company consider that their useful lives should include the second term as the term of concession and cutting rights can be renewed without significant costs.

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 2022 and 31 December 2021.

Six of the Group's timber concessions with a total area of 67,000 hectares, had been expired and were in the process of renewal. The business operation related to these concessions was minimal before the expiration. The Group has submitted application for these concessions according to the time specified by local Suriname forestry bureau. As at the date of these financial statements, all applications are still under review by local Suriname forestry bureau.

As at 30 June 2022, the Group's total timber concessions and cutting rights in Suriname covered a land area of approximately 298,000 hectares (31 December 2021: 298,000 hectares), excluding those expired in which the Group has submitted applications for renewal at the end of the reporting period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Net carrying amount at beginning of the Period/year	411,173	455,131
Additions	3,628	4,717
Harvested as agricultural produce (logs) (<i>note 8</i>)	(13,824)	(75,305)
Changes in fair value less costs to sell (recognised in profit or loss)	(44,323)	26,630
	356,654	411,173

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 2021: 12,700 hectares), of which approximately 10,600 hectares (31 December 2021: 10,600 hectares) was productive area as at 30 June 2022. All the productive area was owned by the Group as freehold, except for approximately 66 hectares (31 December 2021: 66 hectares) which are subject to the restrictions as set out in relevant New Zealand regulations.

As at 30 June 2022, the Group owned radiata pine plantation forests in New Zealand with aggregate land area of approximately 15,775 hectares (31 December 2021: 15,819 hectares).

For the six months ended 30 June 2022, the Group harvested a total of 62,000 m³ (2021: 152,000 m³) from the Group's plantation forest assets.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued)

As at 30 June 2022, the Group has mature biological assets (radiata pines aged 20 years or above) of 1,024 hectares (31 December 2021: 1,048 hectares) and immature biological assets (radiata pines aged below 20 years) of 11,432 hectares (31 December 2021: 11,425 hectares).

The harvested area of the Group's plantation forest assets as at 30 June 2022 is around 10,000 hectares (31 December 2021: 9,816 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 2022 and 31 December 2021. The key valuers involved in this valuation are registered members 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 2022, Indufor updated the values from the full narrative valuation as at 31 December 2021 and relied on the field inspection results and base values provided in the valuation as at 31 December 2021. The plantation forest assets have not been re-inspected for valuation as at 30 June 2022, but the stocked area, log prices, production and transport costs have been updated for the valuation as at 30 June 2022.

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 2022 and 31 December 2021 comprised of log price projections, discount rate and other unobservable inputs including plantation yield, production costs and transport costs. Below is a quantitative summary of the key and other inputs to the valuation of plantation forest assets under the discounted cash flow technique:

	Range	Average/Applied
As at 30 June 2022		
Unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$73-97/m³	US\$83/m³
Yield (m ³ /ha) (stands planted prior to 1997)	388-787	632
Yield (m ³ /ha) (including young stands)	338-787	527
Production costs	US\$25-52/m³	US\$34/m³
Transport costs	US\$8-25/m³	US\$18/m³
Discount rate	7.25%	7.25%
As at 31 December 2021		
Unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$76-101/m ³	US\$90/m ³
Yield (m ³ /ha) (stands planted prior to 1997)	29-760	398
Yield (m ³ /ha) (including young stands)	29-760	528
Production costs	US\$28-47/m ³	US\$36/m ³
Transport costs	US\$8-34/m ³	US\$18/m ³
Discount rate	7.25%	7.25%

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 2022 and 31 December 2021, 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) profit before tax (due to changes in the sensitivity factors on the fair value of plantation forest assets).

For the six months ended 30 June 2022

Change in production costs	Increase (decrease) in production costs %	Increase (decrease) in loss before tax HK\$'000
If the production costs increase	5	34,019
If the production costs decrease	(5)	(34,019)
Change in transport costs	Increase (decrease) in transport costs %	Increase (decrease) in loss before tax HK\$'000
If the transport costs increase	5	18,089
If the transport costs decrease	(5)	(18,089)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued)

For the six months ended 30 June 2022 (continued)

	Increase (decrease) in log price %	(Decrease) increase in loss before tax HK\$'000
Change in log price		
If the log price increases	5	(82,439)
If the log price decreases	(5)	82,439

	Increase (decrease) in discount rate %	Increase (decrease) in loss before tax HK\$'000
Change in discount rate		
If the discount rate increases	1	63,027
If the discount rate decreases	(1)	(80,735)

For the six months ended 30 June 2021

	Increase (decrease) in production costs %	(Decrease) increase in profit before tax HK\$'000
Change in production costs		
If the production costs increase	5	(33,215)
If the production costs decrease	(5)	33,215

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued)

For the six months ended 30 June 2021 (continued)

	Increase (decrease) in transport costs %	(Decrease) increase in profit before tax HK\$'000
Change in transport costs		
If the transport costs increase	5	(17,439)
If the transport costs decrease	(5)	17,439
	Increase (decrease) in log price %	Increase (decrease) in profit before tax HK\$'000
Change in log price		
If the log price increases	5	86,914
If the log price decreases	(5)	(86,914)
	Increase (decrease) in discount rate %	(Decrease) increase in profit before tax HK\$'000
Change in discount rate		
If the discount rate increases	1	(67,665)
If the discount rate decreases	(1)	87,446

As at 30 June 2022, the Group's plantation forest assets with carrying amounts of HK\$356,654,000 (31 December 2021: HK\$411,173,000) were pledged to secure banking facilities granted to the Group (*note 17*).

As at 30 June 2022 and 31 December 2021, the Group has no commitment for the development and acquisition of biological assets.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

14. TRADE RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade receivables		
– contracts with customers	41,132	50,040
– operating lease receivables	409	500
	41,541	50,540
Less: Allowance for credit losses		
– contracts with customers	(7,518)	(8,368)
– operating lease receivables	(2)	(3)
Net trade receivables	34,021	42,169

As at 1 January 2021, trade receivables from contracts of customers amounted to HK\$16,359,000.

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 30 days or on open account with credit terms of 5 days to 30 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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	19,273	20,210
From 1 to 3 months	14,511	21,955
Over 3 months	237	4
	34,021	42,169

As at 30 June 2022, included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$23,144,000 (31 December 2021: HK\$33,900,000) which were past due. Out of the past due balances, HK\$12,842,000 (31 December 2021: HK\$21,493,000) were past due 30 days or more but are not considered as credit impaired having regard to the historical repayment from the trade debtors, as well as forward-looking information that is available without undue cost or effort. Over 99% trade receivable balances at 30 June 2022 have been subsequently settled.

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

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Impairment loss (reversed) recognised, net in respect of		
– trade receivables	(851)	123
– other receivables	(24,445)	–
	(25,296)	123

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 2021.

During the six months ended 30 June 2022, the Group reversed the impairment allowance for other receivables of HK\$24,445,000, which had been made to refundable earnest money due to settlement of the respective outstanding was received.

16. TRADE PAYABLES

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	24,730	21,605
From 1 to 3 months	65	642
Over 3 months	5,351	5,232
	30,146	27,479

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Bank loans, secured	24,960	24,960

The carrying amounts of above borrowings are repayable:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within one year	-	-
Within a period of more than one year but not exceeding two years	24,960	-
Within a period of more than two years but not exceeding five years	-	24,960
Amounts show under non-current liabilities	24,960	24,960

During the year ended 31 December 2021 the Group's bank loan facilities from the Bank of New Zealand ("BNZ Loan Facilities") were renegotiated with final maturity date extended from 1 May 2022 to 1 May 2024 and the interest rate decreased to base rate ("Based Rate") determined by the Bank of New Zealand plus 1.15% per annum. During the year ended 31 December 2021, US\$25,000,000 (approximately HK\$195,000,000) of BNZ Loan Facilities was repaid. After the repayment, the total amount of loan facilities was reduced from US\$30,000,000 (approximately HK\$234,000,000) to US\$5,000,000 (approximately HK\$39,000,000), of which US\$3,200,000 (approximately HK\$24,960,000) was utilised as at 31 December 2021.

The above changes in terms of the Group's bank loan facilities for the year ended 31 December 2021 were assessed to be non-substantial modifications of financial liabilities, and gain or loss resulting from these non-substantial modifications was insignificant to the Group.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

17. BANK BORROWINGS (continued)

As at 30 June 2022, the Group's bank loans from BNZ Loan Facilities were denominated in United States dollars, bearing interest at the Base Rate plus 1.15% (31 December 2021: 1.15%) per annum and repayable on 1 May 2024 (31 December 2021: 1 May 2024).

As at 30 June 2022 and 31 December 2021, the BNZ Loan Facilities were 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 carrying amount of approximately HK\$128,564,000 (31 December 2021: HK\$140,215,000);
 - b. the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK\$356,654,000 (31 December 2021: HK\$411,173,000) (*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.

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Floating rate		
– due after one year	24,960	24,960

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

18. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Financial assets		
Amortised cost	139,000	140,435
Financial liabilities		
Amortised cost	413,440	430,983

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:

Relationships	Nature of transactions	Notes	For the six months ended 30 June	
			2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Immediate holding company	Interest expenses paid and payable on loans	(i)	3,497	3,497
Fellow subsidiary	Interest expenses paid and payable on loans	(ii)	2,706	–
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iii)	443	1,119

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).

On 26 August 2021, supplemental letters in relation to above loans were signed with immediate holding company to extend the maturity date of these loans from 31 March 2022 to 31 March 2023 with effect from 30 June 2021. On 28 June 2022, supplemental letters in relation to above loans were signed with immediate holding company to further extend the maturity date of these loans from 31 March 2023 to 31 March 2024.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes: (continued)

(i) (continued)

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 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 were classified as non-current as at 30 June 2022 and 31 December 2021.

- (ii) On 4 November 2021, a loan agreement was signed with a fellow subsidiary, a wholly-owned subsidiary of the ultimate holding company in respect of an unsecured loan with principal amount of HK\$156,000,000 (i.e. US\$20,000,000) with interest rate based on the 3-month US\$ LIBOR plus 2.86% per annum, and repayable in November 2024.

Based on the loan agreement, 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 wholly-owned subsidiary of the Company, without the lender's prior written consent or (b) after the 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 were classified as non-current as at 30 June 2022 and 31 December 2021.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. RELATED PARTY DISCLOSURES (continued)

(b) Outstanding balances with related parties

- (i) The amount due from a fellow subsidiary as at 30 June 2022 and 31 December 2021 was unsecured, interest-free and repayable within one year.

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short-term employee benefits	5,244	5,197
Pension scheme contributions	27	27
	5,271	5,224

20. CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, 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. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on 30 August 2022.

OTHER INFORMATION

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

As at 30 June 2022, 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 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Long Positions in ordinary shares and underlying shares of the Company:

Name of Director	Capacity	Number of Shares held and underlying Shares interested	Approximate percentage of the total issued share capital of the Company %
Simon Murray	Beneficial owner	2,239,477	0.12

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
			%
Wong Man Chung, Francis	Beneficial owner	8,800,000 (Note 1)	0.18

Note:

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

OTHER INFORMATION (continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted at its special general meeting held on 28 June 2012 (the "Existing Share Option Scheme"). Such scheme shall be valid and effective for a period of ten years ending on 28 June 2022. At the annual general meeting of the Company held on 24 May 2022, the Existing Share Option Scheme was terminated upon the adoption of a new share option scheme (the "New Share Option Scheme") by an ordinary resolution passed by the shareholders of the Company. From the date of adoption of the New Share Option Scheme up to 30 June 2022, no share option has been granted.

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 2022, 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 (Note 1)	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 & 5)	1,122,005,927	–	60.49

OTHER INFORMATION (continued)

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

Long Positions in Shares and underlying Shares: (continued)

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company %
Chow Tai Fook Nominee Limited	Interest of controlled corporation (Note 6)	1,122,005,927	–	60.49
Gateway Asia Resources Limited	Interest of controlled corporation (Notes 1 & 2)	1,122,005,927	–	60.49
Sharpfield Holdings Limited	Interest of controlled corporation (Notes 1 & 3)	1,122,005,927	–	60.49
China Forestry Group Corporation	Interest of controlled corporation (Note 7)	110,000,000	–	5.93
Hong Kong Genghis Khan Group Limited	Interest of controlled corporation (Note 8)	110,000,000	–	5.93
Ge Jian	Interest of controlled corporation (Note 8)	110,000,000	–	5.93
Osman Mohammed Arab and Lai Wing Lun	Agent of charged shares (Note 9)	1,122,005,927	–	60.49
Idea Perfect Holdings Limited	Person having a security interest in shares (Note 10)	448,802,370	–	24.19
VMS Investment Group Limited	Beneficial owner and interest of controlled corporation (Note 10)	473,588,370	–	25.53
Mak Siu Hang Viola	Interest of controlled corporation (Note 10)	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, an 81.03% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. As such, Mr. Wu Wai Leung, Danny, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares in which Newforest Limited is interested by virtue of Part XV of the SFO.
2. 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. Lie Ken Jie Remy Anthony Ket Heng is a director of Newforest Limited and senior vice president of Chow Tai Fook Enterprises Limited.
5. Mr. Kenneth Lau is a managing principal of Chow Tai Fook Enterprises Limited.
6. Chow Tai Fook Nominee Limited ("CTFN") registered 400 shares in Newforest Limited (representing 40% of the entire issued share capital of Newforest Limited) in the name of CTFN of 15 June 2022, pursuant to the share mortgage executed by Gateway Asia Resources Limited and CTFN in favour of CTFN dated 21 November 2019. As such, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares in which Newforest Limited is interested by virtue of Part XV of the SFO.
7. 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.
8. 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.

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)

9. Mr. Osman Mohammed Arab and Mr. Lai Wing Lun were appointed as the joint and several receivers and managers of the entire issued share capital of Gateway Asia Resources Limited on 6 May 2022, pursuant to (i) the share mortgage executed by Mr. Wu Wai Leung, Danny and Chow Tai Fook Nominee Limited ("CTFN") in favour of CTFN; and (ii) the second share mortgage executed by Mr. Wu Wai Leung, Danny and Idea Perfect Holdings Limited ("Idea Perfect") in favour of Idea Perfect, both dated 21 November 2019. As such, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun are deemed to be interested in the Shares in which Newforest Limited is interested by virtue of Part XV of the SFO.

10. 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 2022 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 THE INFORMATION OF DIRECTORS

The following changes to the composition of the Board and the information of Directors were effected during the Period:

1. Mr. Tsang On-Yip, Patrick retired as a non-executive Director of the Company with effect from 24 May 2022. Upon his retirement, he also ceased to be a member of each of the audit committee (the "Audit Committee") and nomination committee (the "Nomination Committee") of the Company.
2. Mr. Kenneth Lau and Mr. Lie Ken Jie Remy Anthony Ket Heng have been appointed as non-executive Directors of the Company with effect from 24 May 2022.
3. Mr. Lie Ken Jie Remy Anthony Ket Heng has been appointed as a member of the Audit Committee with effect from 13 June 2022.
4. Mr. Kenneth Lau has been appointed as a member of the remuneration committee (the "Remuneration Committee") of the Company with effect from 13 June 2022.
5. Mr. Cheung Pak To, Patrick has been appointed as a member of the Nomination Committee with effect from 13 June 2022.
6. Mr. Wong Man Chung, Francis has ceased to be a member of the Nomination Committee with effect from 13 June 2022.
7. Mr. Wong Man Chung, Francis resigned as an independent non-executive director, a member of the audit committee and a member of the strategy and investment committee of GCL Technology Holdings Limited (stock code: 3800) with effect from 31 May 2022.

OTHER INFORMATION (continued)

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee has three members comprising two independent non-executive Directors, namely Mr. Wong Man Chung, Francis (Chairman) and Mr. To Chun Wai and one non-executive Director, namely, Mr. Lie Ken Jie Remy Anthony Ket Heng. 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 2022.

COMPLIANCE WITH RULE 3.21 OF THE LISTING RULES AND THE TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

Following the retirement of Mr. Tsang On-Yip, Patrick after the conclusion of the annual general meeting held on 24 May 2022, the number of members of the Audit Committee fell below the minimum number of three as required under Rule 3.21 of the Listing Rules. In addition, the number of members of the Remuneration Committee also fell below the minimum number of three as required under Article 3 of the terms of reference of the Remuneration Committee. Following the appointments of Mr. Lie Ken Jie Remy Anthony Ket Heng as a member of the Audit Committee and Mr. Kenneth Lau as a member of the Remuneration Committee with effect from 13 June 2022, each of the Audit Committee and the Remuneration Committee comprises one non-executive Director and two independent non-executive Directors, in compliance with Rule 3.21 of the Listing Rules and Article 3 of the terms of reference of the Remuneration Committee.

OTHER INFORMATION (continued)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 the applicable code provisions of the CG Code as set out in Part 2 of Appendix 14 to the Listing Rules throughout the Period.

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. 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 2022.

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, 30 August 2022

As at the date hereof, the Board comprises one executive Director, namely Mr. Ding Wai Chuen, four non-executive Directors, namely Messrs. Cheng Chi-Him, Conrad, Kenneth Lau, Lie Ken Jie Remy Anthony Ket Heng and Simon Murray, 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>