



Greenheart Group
綠心集團

GREENHEART GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)



INTERIM REPORT
2023



5 years+
商界展關懷
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheng Chi-Him, Conrad*

(Non-executive Chairman)

Ding Wai Chuen*

(Chief Executive Officer)

Kenneth Lau*

Lie Ken Jie Remy Anthony Ket Heng*

Suen Chung Yan, Julia*

(appointed on 31 May 2023)

Wong Man Chung, Francis**

Cheung Pak To, Patrick**

To Chun Wai**

Simon Murray*

(retired on 31 May 2023)

* *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

Fung Ka Man

(appointed on 1 January 2023)

AUTHORISED REPRESENTATIVES

Ding Wai Chuen

Fung Ka Man

(appointed on 1 January 2023)

REGISTERED OFFICE

Canon's Court, 22 Victoria Street

Hamilton HM 12, Bermuda

STOCK CODE

94

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

LEGAL ADVISER

LC Lawyers LLP

CORPORATE INFORMATION

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,

On behalf of the board (the "Board") of directors (the "Directors") of Greenheart Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I would like to present to the shareholders of the Company, the interim results of the Group for the six months ended 30 June 2023 (the "Period").

The Group has navigated a dynamic and challenging market environment in the first half of 2023. The property sector in China remains challenging due to high levels of debts and lower buyer confidence, which in turn had reduced the demand for our New Zealand radiata pine. In Suriname, we successfully overcame challenges and resumed our harvesting activities in early 2023 following the extreme weather which caused supply chain disruptions in the recent past. However, it will take time for our Suriname division to fully reflect the impact in its results due to the long production cycle. Meanwhile, the Group has taken necessary strategic measures and operational adjustments to reduce costs.

As a result, the Group's total revenue decreased by 46.7% to HK\$50,733,000 for the Period compared to the same period last year. The net loss of the Group slightly reduced to HK\$50,418,000 for the Period, compared to HK\$63,511,000 for the same period last year.

New Zealand Division

Our New Zealand division faced challenges stemming from reduced demand, primarily influenced by the inactive property market in China. This resulted in a significant decrease in revenue of 45.4%, with a decrease in sales volume of 45.0% being the primary contributor during the Period.

Additionally, a fair value loss in plantation forest assets for the Period amounted to HK\$9,326,000, reflecting a drop in the average selling price on a free on board ("FOB") basis from US\$88 per m³ in December 2022 to US\$73 per m³ in June 2023.

CHAIRMAN'S STATEMENT

Suriname Division

The Suriname division navigated the challenging operating environment by successfully resuming harvesting activities in the early months of the year, overcoming previous supply chain disruptions caused by extreme weather. However, due to the long production cycle, it will take time for the impact of the full normalization to be reflected in the division's results. Consequently, the division recorded a decrease in revenue of 51.2% as compared to the same period last year.

Despite the decrease in revenue, we implemented necessary mitigating adjustments to reduce cost. These efforts resulted in a slight increase of the negative adjusted EBITDA to HK\$5,830,000, compared to HK\$4,252,000 for the same period last year.

PROSPECT

Looking forward, the Group acknowledges the extended period of the challenges in the global economy and will remain vigilant in managing its supply chain and other market uncertainties.

China's economic challenges continue to impact demand, the Group anticipates a prolonged period of lower demand and prices in the New Zealand log market. The Group will seek to diversify our sales to other markets, such as Korea and India, at prices comparable to those in the China market.

Additional revenue is expected to come from west Suriname as the subcontractor of one of our concessions in west Suriname has completed road construction and commenced harvesting in June 2023. The Group will continue to increase the proportion of subcontracting harvesting rights in our concessions as a cost efficient way of increasing our revenue and will continue to improve operational efficiency to reduce costs.

The Group will maintain a prudent financial and cashflow management approach in the current uncertain market environment, seeking sustainable business opportunities to enhance the long-term returns to the shareholders of the Company.



CHAIRMAN'S STATEMENT

APPRECIATION

At the annual general meeting ("AGM") held on 31 May 2023, Mr. Simon Murray retired and decided not to seek re-election. On behalf of the Board, I would like to thank Mr. Murray for his invaluable contribution over the years and wish him well in his future pursuits.

At the same AGM, Ms. Suen Chung Yan, Julia was elected to the Board as a non-executive director. I would like to extend my warm welcome to our new board member and I am confident that Ms. Suen will bring fresh perspective 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 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2023 has presented continued challenge for the Group within the uncertain global economic environment. The Group recorded an unaudited net loss of HK\$50,418,000 during the Period (2022: HK\$63,511,000). The reduction in net loss was mainly caused by the significant decrease in fair value loss in plantation forest assets located in New Zealand.

Revenue

The Group's total revenue reduced by 46.7% to HK\$50,733,000 for the Period compared to the same period last year. Revenue contributed by the New Zealand division and the Suriname division were HK\$40,956,000 (2022: HK\$75,076,000) and HK\$9,777,000 (2022: HK\$20,031,000), respectively.

Revenue from the New Zealand division decreased by 45.4% or HK\$34,120,000 for the Period due to reduced demand from China driven by a weak property market. While the sales volume decreased by 45.0%, the average export selling price on FOB basis increased by 8.0% compared to the same period last year.

Apart from sales of logs, revenue contributed from forest management services decreased by HK\$737,000 to HK\$2,531,000 during the Period because of a drop in harvesting activities in forests managed by the Group resulted from the unfavourable market condition.

Revenue contributed from Suriname division dropped by 51.2% or HK\$10,254,000 for the Period due to the decrease in sales volume and average selling price of logs and timber products, as we are gradually resuming harvesting after the country-wide flooding.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross loss

The Group incurred a gross loss of HK\$6,664,000 (2022: HK\$5,148,000) during the Period. The gross profit contribution from the New Zealand division for the Period was HK\$1,744,000 (2022: HK\$483,000) while the Suriname division recorded a gross loss of HK\$8,408,000 for the Period (2022: HK\$5,631,000).

The Group's gross loss margin for the Period was 13.1% (2022: 5.4%). The gross profit margin for the Group's New Zealand division for the Period was 4.3% (2022: 0.6%), benefiting from a short term increase in export selling prices and lower operating costs due to the depreciation of the New Zealand dollar ("NZD") during the Period.

On the other hand, the Suriname division recorded a gross loss margin of 86.0% for the Period (2022: 28.1%) due to the under-utilised production capacity resulted from limited supply of logs from our concessions.

Other income

Other income mainly represented finance lease income and interest income from bank and other sources. The increase in other income by HK\$414,000 for the Period was mainly contributed by the increase in bank interest income.

Other gains and losses

Other gains and losses represented exchange gains related to the bank borrowings denominated in NZD and a gain on disposal of property, plant and equipment.

Impairment losses reversed on financial assets, net

The impairment losses reversed on financial assets reduced by HK\$24,406,000 for the Period because there was a one-off reversal of impairment on the earnest money in relation to an aborted investment project in China in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Fair value loss on plantation forest assets

The fair value loss on our plantation forest assets in New Zealand amounted to HK\$9,326,000 (2022: HK\$44,323,000) and was based on a valuation report prepared by an independent valuer at the end of the Period. The fair value loss was primarily attributable to the decrease in near term forecast selling price of radiata pine, reflecting the unfavourable market conditions of New Zealand softwood.

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 48.6% or HK\$7,181,000. Such decrease was primarily due to the reduction of sales volume and the depreciation of NZD for New Zealand division.

Administrative expenses

Administrative expenses for the Period decreased by 19.2% or HK\$5,130,000 mainly because of the decrease in depreciation of property, plant and equipment caused by the completion of harvesting activities of some forests in New Zealand.

Finance costs

Finance costs increased by 54.7% or HK\$3,998,000 for the Period. Such increase was mainly due to the increase in interest on bank borrowings and loan from a fellow subsidiary following the general rise in interest rate for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 HK\$2,644,000 (2022: HK\$7,471,000) and HK\$1,516,000 (2022: HK\$1,908,000) 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 foreign currency translation adjustments.

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.

Negative EBITDA

The negative EBITDA of the Group decreased from HK\$20,838,000 for the same period last year to HK\$17,432,000 for the Period. The negative EBITDA of the New Zealand division and Suriname division for the Period were HK\$2,247,000 (2022: HK\$35,129,000) and HK\$5,864,000 (2022: HK\$3,608,000), respectively.

The decrease in the Group's negative EBITDA was primarily caused by the decrease in fair value loss on plantation forest assets in New Zealand, the unfavourable operating results for both New Zealand and Suriname and the absence of a one-off impairment loss reversed on other receivables during the Period.

Loss for the Period attributable to owners of the Company

As a result of the aforementioned, the loss attributable to the owners of the Company narrowed from HK\$51,411,000 for the same period last year to HK\$41,254,000 for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2023, the Group's current assets and current liabilities were HK\$122,948,000 and HK\$66,411,000 respectively (31 December 2022: HK\$139,173,000 and HK\$86,577,000), HK\$73,310,000 (31 December 2022: HK\$71,681,000) of which were cash and bank balances. The Group's outstanding borrowings as at 30 June 2023 represented the loans from immediate holding company amounting to HK\$198,348,000 (31 December 2022: HK\$194,386,000), loan from a fellow subsidiary amounting to HK\$168,685,000 (31 December 2022: HK\$163,236,000), bank borrowings amounting to HK\$23,888,000 (31 December 2022: HK\$24,960,000) and lease liabilities of HK\$15,783,000 (31 December 2022: HK\$17,931,000). Accordingly, the Group's gearing ratio as of 30 June 2023, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 50.6% (31 December 2022: 47.1%).

As at 30 June 2023, 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. The majority of 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, the forest management fee income from the New Zealand division and bank borrowings from the Bank of New Zealand 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 2023. However, we will continue to closely monitor all possible exchange risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank of New Zealand. During the Period, all financial covenants related to the bank loan facilities were met.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The outlook for China's property market remains challenging, with a series of data indicating increasing pressure on the economy. Despite attempts to support the economy, including unexpected interest rate cuts by the central bank, the anticipated economic rebound post-COVID has not materialised.

July's National Bureau of Statistics data in China revealed slower-than-expected growth in retail sales, industrial output, and investment. Industrial output grew at a slower pace of 3.7% year-to-year, while retail sales increased by just 2.5%, highlighting the struggles in business and consumption sectors. Ongoing challenges in the property sector and a weak economy will continue to hinder a sustainable revival.

In the New Zealand division, while the average cost and freight prices into China remain low, the decline in prices has eased at the beginning of the second half of the year. Reduced supplies of logs to China have resulted in decreased port-level inventories, providing support to the log prices.

Concerns regarding China's economy, particularly in the property sector, could continue to impact demand and prices for New Zealand logs. The industry remains watchful of these factors.

The supply chain outlook in Suriname remains challenging. Previous extreme weather disruptions caused a reduction in incoming vessels, leading to an overall decrease in export capacity in Suriname. Although the situation is improving, it will take a few more months to return to normal.

On the other hand, efforts to reduce costs while maintaining operational efficiency have been implemented, and subcontracting harvesting rights will start to generate additional revenue. Despite the short term disruptions, Suriname division aims for gradual improvement and growth, and to establish itself as a sustainable business and make a positive contribution to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON ASSETS

As at 30 June 2023 and 31 December 2022, 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\$141,841,000 (31 December 2022: HK\$146,906,000) ("Forestry Land");
 - b. the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK\$362,708,000 (31 December 2022: HK\$382,123,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land;
 - c. all other present and after-acquired property that is not Personal Property of the Selected Group Companies; and
 - d. the Group's pledged bank deposit with carrying amount of approximately HK\$2,389,000 (31 December 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

CAPITAL EXPENDITURE

During the Period, the Group spent approximately HK\$395,000 (year ended 31 December 2022: approximately HK\$9,298,000) 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 2023 and 31 December 2022, the Group did not have any significant contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2023, the total number of employees of the Group was 145 (31 December 2022: 152). Employees' costs (including Directors' emoluments) amounted to approximately HK\$18,157,000 for the six months ended 30 June 2023 (30 June 2022: HK\$17,051,000). 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>	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	4	50,733	95,107
Cost of sales and services		(57,397)	(100,255)
Gross loss		(6,664)	(5,148)
Other income	6	836	422
Other gains and losses	6	757	–
Impairment losses reversed on financial assets, net	15	890	25,296
Fair value loss on plantation forest assets	13	(9,326)	(44,323)
Share of loss of an associate		(48)	(53)
Selling and distribution costs		(7,606)	(14,787)
Administrative expenses		(21,597)	(26,727)
Finance costs	7	(11,310)	(7,312)
LOSS BEFORE TAX	8	(54,068)	(72,632)
Income tax credit	9	3,650	9,121
LOSS FOR THE PERIOD		(50,418)	(63,511)
OTHER COMPREHENSIVE EXPENSE			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(6,292)	(14,706)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD		(6,292)	(14,706)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(56,710)	(78,217)

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

		For the six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
		Notes	
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(41,254)	(51,411)
Non-controlling interests		(9,164)	(12,100)
		(50,418)	(63,511)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(47,546)	(66,117)
Non-controlling interests		(9,164)	(12,100)
		(56,710)	(78,217)
LOSS PER SHARE			
Basic	11	HK\$(0.022)	HK\$(0.028)
Diluted	11	HK\$(0.022)	HK\$(0.028)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		287,816	298,220
Right-of-use assets		31,706	34,666
Goodwill		5,651	5,651
Timber concessions and cutting rights	12	100,045	104,411
Finance lease receivables		775	1,520
Plantation forest assets	13	362,708	382,123
Prepayments, deposits and other assets		224	627
Interest in an associate		1,503	1,626
		790,428	828,844
CURRENT ASSETS			
Inventories		11,982	13,293
Trade receivables	14	18,193	34,689
Finance lease receivables		1,460	1,403
Prepayments, deposits and other assets		9,086	11,075
Amount due from a fellow subsidiary	19(b)(i)	356	–
Tax recoverable		6,172	7,032
Pledged bank deposit		2,389	–
Bank balances and cash		73,310	71,681
		122,948	139,173

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	16	15,856	14,287
Other payables and accruals		19,998	21,493
Contract liabilities		1,297	1,431
Lease liabilities		3,206	3,801
Loan from a fellow subsidiary	19(a)(ii)	12,685	7,236
Bank borrowings	17	–	24,960
Tax payable		13,369	13,369
		66,411	86,577
NET CURRENT ASSETS		56,537	52,596
TOTAL ASSETS LESS CURRENT LIABILITIES		846,965	881,440

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		30 June	31 December
		2023	2022
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities		12,577	14,130
Loans from immediate holding company	19(a)(i)	198,348	194,386
Loan from a fellow subsidiary	19(a)(ii)	156,000	156,000
Bank borrowings	17	23,888	–
Deferred tax liabilities		92,050	96,112
		482,863	460,628
NET ASSETS		364,102	420,812
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		18,550	18,550
Reserves		785,109	832,655
		803,659	851,205
Non-controlling interests		(439,557)	(430,393)
TOTAL EQUITY		364,102	420,812

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Capital reserve	Land revaluation reserve	Merger reserve	Translation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2023 (audited)	18,550	2,091,657	83,274	846	73,573	265	(13,133)	(1,403,827)	851,205	(430,393)	420,812
Loss for the Period	-	-	-	-	-	-	-	(41,254)	(41,254)	(9,164)	(50,418)
Other comprehensive expense for the Period:											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(6,292)	-	(6,292)	-	(6,292)
Total comprehensive expense for the Period	-	-	-	-	-	-	(6,292)	(41,254)	(47,546)	(9,164)	(56,710)
At 30 June 2023 (unaudited)	18,550	2,091,657	83,274	846	73,573	265	(19,425)	(1,445,081)	803,659	(439,557)	364,102
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months
ended 30 June

	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	9,908	(2,089)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(4,018)	14,189
NET CASH USED IN FINANCING ACTIVITIES	(3,059)	(3,068)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,831	9,032
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	71,681	92,916
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,202)	(3,392)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	73,310	98,556
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	73,310	98,556

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, a company incorporated in Cayman Islands and its ultimate parent is Chow Tai Fook Capital Limited, a company incorporated in the British Virgin Islands. 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 ("HK\$"), which is different from the functional currency of the Company, United States dollars ("US\$"). 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 HK\$ 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 new and 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 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs

In the current Period, the Group has, for the first time, applied the following new and amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

Except as described below, the application of the new and 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 on application of Amendments to HKAS 8 Definition of Accounting Estimates**

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs (continued)

3.2 *Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

3.2.1 *Accounting policies*

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs (continued)

3.2 *Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)*

3.2.2 *Transition and summary of effects*

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. REVENUE

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Types of goods or services		
Sales of logs and timber products	45,151	90,251
Forest management fee	2,531	3,268
Total revenue from contracts with customers	47,682	93,519
Subcontracting fee income	3,051	1,588
Total revenue	50,733	95,107

(i) Disaggregation of revenue from contracts with customers

Segments	For the six months ended 30 June 2023		
	Suriname (Unaudited) HK\$'000	New Zealand (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Types of goods or services			
Sales of logs and timber products	6,726	38,425	45,151
Forest management fee	–	2,531	2,531
Total	6,726	40,956	47,682

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 2023		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Timing of revenue recognition			
A point in time	6,726	38,425	45,151
Over time	-	2,531	2,531
Total	6,726	40,956	47,682

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 2023		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers	6,726	40,956	47,682
Subcontracting fee income	3,051	-	3,051
Revenue disclosed in segment information	9,777	40,956	50,733

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 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

For the six months ended 30 June 2022

Segments	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

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 2022		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers	18,443	75,076	93,519
Subcontracting fee income	1,588	–	1,588
Revenue disclosed in segment information	20,031	75,076	95,107

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 2023		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
New Zealand*	–	40,956	40,956
Suriname	3,540	–	3,540
Dubai	1,229	–	1,229
Hong Kong	1,036	–	1,036
Denmark	923	–	923
The United States	692	–	692
China	570	–	570
Other countries	1,787	–	1,787
Total	9,777	40,956	50,733

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 2022		
	Suriname (Unaudited)	New Zealand (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
New Zealand*	–	75,076	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

* 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\$3,051,000 (2022: HK\$1,588,000) is included in the revenue from customers located in Suriname above for the six months ended 30 June 2023.

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 to 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

The Group entered into contracts with subcontractors pursuant to which the subcontractors are granted the right to operate in certain forest concession areas in Suriname division. The income received from the subcontractors varies and it is billed at a predetermined rate based on each volume of the output of logs and the subcontractors are 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.

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Lease payments that are fixed	3,051	1,588
Variable lease payments that do not depend on an index or a rate	-	-
Total revenue arising from leases	3,051	1,588

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 the Management based on reportable segment Adjusted EBITDA (as defined below), which is a measure of loss before tax and excluding finance costs, interest income, finance lease income and other non-cash items comprising depreciation, forest depletion cost as a result of harvesting, amortisation of timber concessions and cutting rights, harvest roading costs, fair value loss 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, earnings before interest, taxes, depreciation and amortisation ("EBITDA") and loss before tax for each reportable segment.

Details of geographical segment information are disclosed in note 4.

Segment revenue and results

The following table presents revenue, results and other information regarding the Group's operating segments for the six months ended 30 June 2023:

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2023

	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	9,777	40,956	50,733	-	50,733
SEGMENT RESULTS (“Adjusted EBITDA”)	(5,830)	5,604	(226)	(9,328)	(9,554)
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	-	(9,326)	(9,326)	-	(9,326)
Interest income and finance lease income	110	521	631	7	638
(Provision) reversal of impairment of trade receivables	(64)	954	890	-	890
Reversal of write-down of inventories*	(80)	-	(80)	-	(80)
EBITDA	(5,864)	(2,247)	(8,111)	(9,321)	(17,432)
Finance costs	(3,962)	(7,322)	(11,284)	(26)	(11,310)
Forest depletion cost as a result of harvesting*	-	(11,726)	(11,726)	-	(11,726)
Depreciation**	(3,005)	(4,912)	(7,917)	(728)	(8,645)
Harvest roading costs*	-	(589)	(589)	-	(589)
Amortisation of timber concessions and cutting rights***	(4,366)	-	(4,366)	-	(4,366)
LOSS BEFORE TAX	(17,197)	(26,796)	(43,993)	(10,075)	(54,068)

* Included in “Cost of sales and services” in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

** Depreciation of HK\$2,193,000 is included in “Cost of sales and services” in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

*** Amortisation of timber concessions and cutting rights of HK\$4,366,000 is included in “Cost of sales and services” in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

5. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

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)

Segment revenue and results (continued)

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

Information about major customers

During the six months ended 30 June 2023, the Group had transactions with two (2022: one) customer(s) from New Zealand segment who individually contributed over 10% of the Group's total revenue for the Period. A summary of revenue earned from each of these major customers is set out below:

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Customer 1	17,143	60,605
Customer 2	13,605	N/A*

- * 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Bank and other interest income	532	43
Finance lease income	106	142
Others	198	237
	836	422

Other gains and losses:

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Exchange gains	677	–
Gain on disposal of property, plant and equipment	80	–
	757	–

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

7. FINANCE COSTS

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on loans from immediate holding company	3,962	3,497
Interest on loan from a fellow subsidiary	6,054	2,706
Interest on lease liabilities	542	639
Interest on bank borrowings	752	470
	11,310	7,312

8. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Forest harvested as agricultural produce (note 13)	11,397	13,824
Amount capitalised in closing inventories	(815)	(2,511)
Amount released from opening inventories	1,144	8,526
	11,726	19,839
Forest depletion cost as a result of harvesting*	11,726	19,839
Amortisation of timber concessions and cutting rights*	4,366	5,511

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

9. INCOME TAX CREDIT

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
The income tax credit comprises:		
Current tax – Hong Kong		
Charge for the period	–	–
Current tax – other jurisdictions		
Charge for the period	510	258
Deferred tax	(4,160)	(9,379)
	(3,650)	(9,121)

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% (2022: 36%) and 28% (2022: 28%), respectively.

10. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

11. LOSS PER SHARE

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	(41,254)	(51,411)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	1,854,991,056	1,854,991,056

The diluted loss per share for the six months ended 30 June 2023 and 2022 was same as the basic loss per share as there were no potential ordinary shares in issue for the six months ended 30 June 2023 and 2022.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

12. TIMBER CONCESSIONS AND CUTTING RIGHTS

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Cost		
At beginning of the Period/year	880,459	880,459
Amortisation and impairment		
At beginning of the Period/year	776,048	737,573
Amortisation during the Period/year	4,366	37,533
Provision of impairment during the Period/year	–	942
At end of the Period/year	780,414	776,048
Carrying values		
At end of the Period/year	100,045	104,411

The Group currently owns certain natural forest concessions and cutting rights for the exploitation of timbers on parcels of land in Suriname, which are subject to compliant of certain laws and regulations in Suriname. The 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.

As disclosed in note 4, the Group entered into contracts with subcontractors pursuant to which the subcontractors are granted the right to operate in certain forest concession areas in Suriname division under operating lease arrangement.

One of the Group's timber concessions in central Suriname with land area of approximately 25,000 hectares expired in 2020. The business operation related to this concession was minimal before the expiration. The Group has submitted application for this concession according to the time specified by local Suriname forestry bureau. During the year ended 31 December 2022, the Group obtained the final renew concession license for a period of 10 years with effect from 26 August 2022 to 25 August 2032.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

12. TIMBER CONCESSIONS AND CUTTING RIGHTS (continued)

Five of the Group's timber concessions with a total area of approximately 42,000 hectares in west and central Suriname, had been expired in previous years 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 2023, the Group's total timber concessions and cutting rights in Suriname covered a land area of approximately 323,000 hectares (31 December 2022: 323,000 hectares), excluding those expired in which the Group has submitted application for renewal at the end of the reporting period.

13. PLANTATION FOREST ASSETS

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Net carrying amount at beginning of the Period/year	382,123	411,173
Additions	1,308	4,165
Harvested as agricultural produce (logs) (note 8)	(11,397)	(29,965)
Changes in fair value less costs to sell (recognised in profit or loss)	(9,326)	(3,250)
Net carrying amount at end of the Period/year	362,708	382,123

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 2022: 12,700 hectares), of which approximately 10,600 hectares (31 December 2022: 10,600 hectares) was productive area as at 30 June 2023. All the productive area was owned by the Group as freehold, except for approximately 66 hectares (31 December 2022: 66 hectares) which are subject to the restrictions as set out in relevant New Zealand regulations.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued)

As at 30 June 2023, the Group owned radiata pine plantation forest assets in New Zealand with aggregate land area of approximately 15,306 hectares (31 December 2022: 15,306 hectares).

For the six months ended 30 June 2023, the Group harvested a total of 55,000 m³ (2022: 62,000 m³) from the Group's plantation forest assets.

As at 30 June 2023, the Group has mature biological assets (radiata pines aged 20 years or above) of 816 hectares (31 December 2022: 798 hectares) and immature biological assets (radiata pines aged below 20 years) of 11,600 hectares (31 December 2022: 11,927 hectares).

The harvested area of the Group's plantation forest assets up to 30 June 2023 is around 10,259 hectares (31 December 2022: 10,163 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 2023 and 31 December 2022. 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 the fair value.

For the valuation of plantation forest assets in New Zealand as at 30 June 2023, Indufor updated the values from the full narrative valuation as at 31 December 2022 and relied on the field inspection results and base values provided in the valuation as at 31 December 2022. The plantation forest assets have not been re-inspected for valuation as at 30 June 2023, but the stocked area, log prices, production and transport costs have been updated for the valuation as at 30 June 2023.

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 2023 and 31 December 2022 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 2023		
Unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$58-89/m³	US\$81/m³
Yield (m ³ /ha) (stands planted prior to 1997)	626-760	696
Yield (m ³ /ha) (including young stands)	338-760	546
Production costs	US\$14-40/m³	US\$32/m³
Transport costs	US\$7-22/m³	US\$17/m³
Discount rate	7%	7%
As at 31 December 2022		
Unobservable input		
Forecast unit log price at wharf gate (AWG)	US\$72-96/m ³	US\$84/m ³
Yield (m ³ /ha) (stands planted prior to 1997)	588-760	686
Yield (m ³ /ha) (including young stands)	338-961	539
Production costs	US\$27-45/m ³	US\$33/m ³
Transport costs	US\$8-24/m ³	US\$18/m ³
Discount rate	7%	7%

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 2023 and 31 December 2022, which was determined by reference to discount rates published by public entities and government agencies in New Zealand, weighted average cost of capital analysis, internal rate of return analysis, surveyed opinion of forest valuers' practice and the implied discount rate of forest sales transactions mainly in New Zealand over a period of time.

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

For the six months ended 30 June 2023

	Increase (decrease) in production costs %	Increase (decrease) in loss before tax HK\$'000
Change in production costs		
If the production costs increase	5	31,694
If the production costs decrease	(5)	(31,694)
	Increase (decrease) in transport costs %	Increase (decrease) in loss before tax HK\$'000
Change in transport costs		
If the transport costs increase	5	16,468
If the transport costs decrease	(5)	(16,468)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. PLANTATION FOREST ASSETS (continued)

For the six months ended 30 June 2023 (continued)

	Increase (decrease) in log price %	(Decrease) increase in loss before tax HK\$'000
Change in log price		
If the log price increases	5	(78,470)
If the log price decreases	(5)	78,470
	Increase (decrease) in discount rate %	Increase (decrease) in loss before tax HK\$'000
Change in discount rate		
If the discount rate increases	1	33,768
If the discount rate decreases	(1)	(38,211)
For the six months ended 30 June 2022		
	Increase (decrease) in production costs %	Increase (decrease) in loss before tax HK\$'000
Change in production costs		
If the production costs increase	5	34,019
If the production costs decrease	(5)	(34,019)

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

As at 30 June 2023 and 31 December 2022, the Group's plantation forest assets with carrying amounts of HK\$362,708,000 (31 December 2022: HK\$382,123,000) were pledged to secure banking facilities granted to the Group (note 17).

As at 30 June 2023 and 31 December 2022, 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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade receivables		
– contracts with customers	24,806	42,465
– operating lease receivables	742	469
	25,548	42,934
Less: Allowance for credit losses		
– contracts with customers	(7,350)	(8,242)
– operating lease receivables	(5)	(3)
Net trade receivables	18,193	34,689

As at 1 January 2022, trade receivables from contracts of customers amounted to HK\$41,672,000.

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 the 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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 1 month	11,309	13,847
From 1 to 3 months	6,748	19,566
Over 3 months	136	1,276
	18,193	34,689

As at 30 June 2023, included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK\$7,839,000 (31 December 2022: HK\$28,825,000) which were past due as at the reporting date. Out of the past due balances, HK\$6,883,000 (31 December 2022: HK\$19,644,000) 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 2023 have been subsequently settled.

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Impairment loss reversed, net in respect of		
– trade receivables	(890)	(851)
– other receivables	–	(24,445)
	(890)	(25,296)

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 unaudited condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 1 month	13,288	11,172
From 1 to 3 months	491	555
Over 3 months	2,077	2,560
	15,856	14,287

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Bank loans, secured	23,888	24,960
The carrying amounts of above borrowings are repayable*:		
Within a period of more than one year but not exceeding two years	23,888	–
The carrying amounts of above borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities)		
	–	24,960
Less: Amounts due within one year shown under current liabilities	–	(24,960)
Amounts show under non-current liabilities	23,888	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

During the six months ended 30 June 2023, 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 2024 to 1 May 2025 and the total amount of loan facilities was reduced from US\$5,000,000 (approximately HK\$39,000,000) to NZ\$5,000,000 (approximately HK\$24,199,500), of which NZ\$5,000,000 was utilised as at 30 June 2023.

As at 30 June 2023, the Group's bank loans from BNZ Loan Facilities were denominated in New Zealand dollars (31 December 2022: United States dollars), bearing interest at the base rate plus 1.15% (31 December 2022: 1.15%) per annum and repayable on 1 May 2025 (31 December 2022: 1 May 2024).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

17. BANK BORROWINGS (continued)

As at 30 June 2023 and 31 December 2022, 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\$141,841,000 (31 December 2022: HK\$146,906,000);
 - b. the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK\$362,708,000 (31 December 2022: HK\$382,123,000) (*note 13*) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land;
 - c. all other present and after-acquired property that is not Personal Property of the Selected Group Companies; and
 - d. the Group's pledged bank deposit with carrying amount of approximately HK\$2,389,000 (31 December 2022: nil).

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Floating rate	23,888	24,960

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

18. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Financial assets		
Amortised cost	97,355	110,217
Financial liabilities		
Amortised cost	422,001	411,142

19. RELATED PARTY DISCLOSURES

- (a) Other than as disclosed elsewhere in these unaudited 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	
			2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Immediate holding company	Interest expenses paid and payable on loans	(i)	3,962	3,497
Fellow subsidiary	Interest expenses paid and payable on a loan	(ii)	6,054	2,706
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iii)	355	443

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 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 1 April 2024. On 21 June 2023, supplemental letters in relation to above loans were signed with immediate holding company to further extend the maturity date of these loans from 1 April 2024 to 1 April 2025.

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 2023 and 31 December 2022.

(ii) The interest expenses were charged on 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 2023 and 31 December 2022.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

19. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes: (continued)

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

(b) Outstanding balances with related parties

- (i) The amount due from a fellow subsidiary as at 30 June 2023 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	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Short-term employee benefits	7,895	5,244
Pension scheme contributions	15	27
	7,910	5,271

20. CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group did not have any significant contingent liabilities.

21. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in other sections of these unaudited 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 2023.

OTHER INFORMATION

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

As at 30 June 2023, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests and short positions 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").

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 the annual general meeting held on 24 May 2022 (the "Share Option Scheme"). The Share Option Scheme remains in force for ten years from the date of adoption and will expire on 23 May 2032. From the date of adoption of the Share Option Scheme up to 30 June 2023, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme. As at 30 June 2023, the maximum number of share options issuable under the Share Option Scheme was 185,499,105, which represented approximately 10.0% of the issued share capital of the Company.

OTHER INFORMATION

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 2023, 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 Shareholders	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company %
Newforest Limited	Beneficial owner (Notes 1 & 2)	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
Chow Tai Fook Capital Limited	Interest of controlled corporation (Note 1)	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 Nominee Limited	Interest of controlled corporation (Note 1)	1,122,005,927	–	60.49

OTHER INFORMATION

Name of Shareholders	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company %
Sharpfield Holdings Limited	Interest of controlled corporation (Notes 1 & 2)	1,122,005,927	–	60.49
Gallant Elite International Limited	Interest of controlled corporation (Notes 1 & 3)	1,122,005,927	–	60.49
China Forestry Group Corporation	Interest of controlled corporation (Note 4)	110,000,000	–	5.93
Hong Kong Genghis Khan Group Limited	Beneficial owner (Note 5)	110,000,000	–	5.93
Ge Jian	Interest of controlled corporation (Note 5)	110,000,000	–	5.93

OTHER INFORMATION

Notes:

1. Newforest Limited is directly and beneficially owned as to 40% by Gallant Elite International Limited and as to 60% by Sharpfield Holdings Limited. Both Gallant Elite International Limited and Sharpfield Holdings Limited are wholly-owned subsidiaries of Chow Tai Fook Nominee Limited. Chow Tai Fook Nominee Limited is owned as to 99.90% by Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is owned as to 81.03% by 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, 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. Cheng Chi-Him, Conrad and Mr. Lie Ken Jie Remy Anthony Ket Heng are directors of each of Newforest Limited and Sharpfield Holdings Limited.
3. Mr. Lie Ken Jie Remy Anthony Ket Heng is a director of Gallant Elite International Limited.
4. 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.
5. 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.

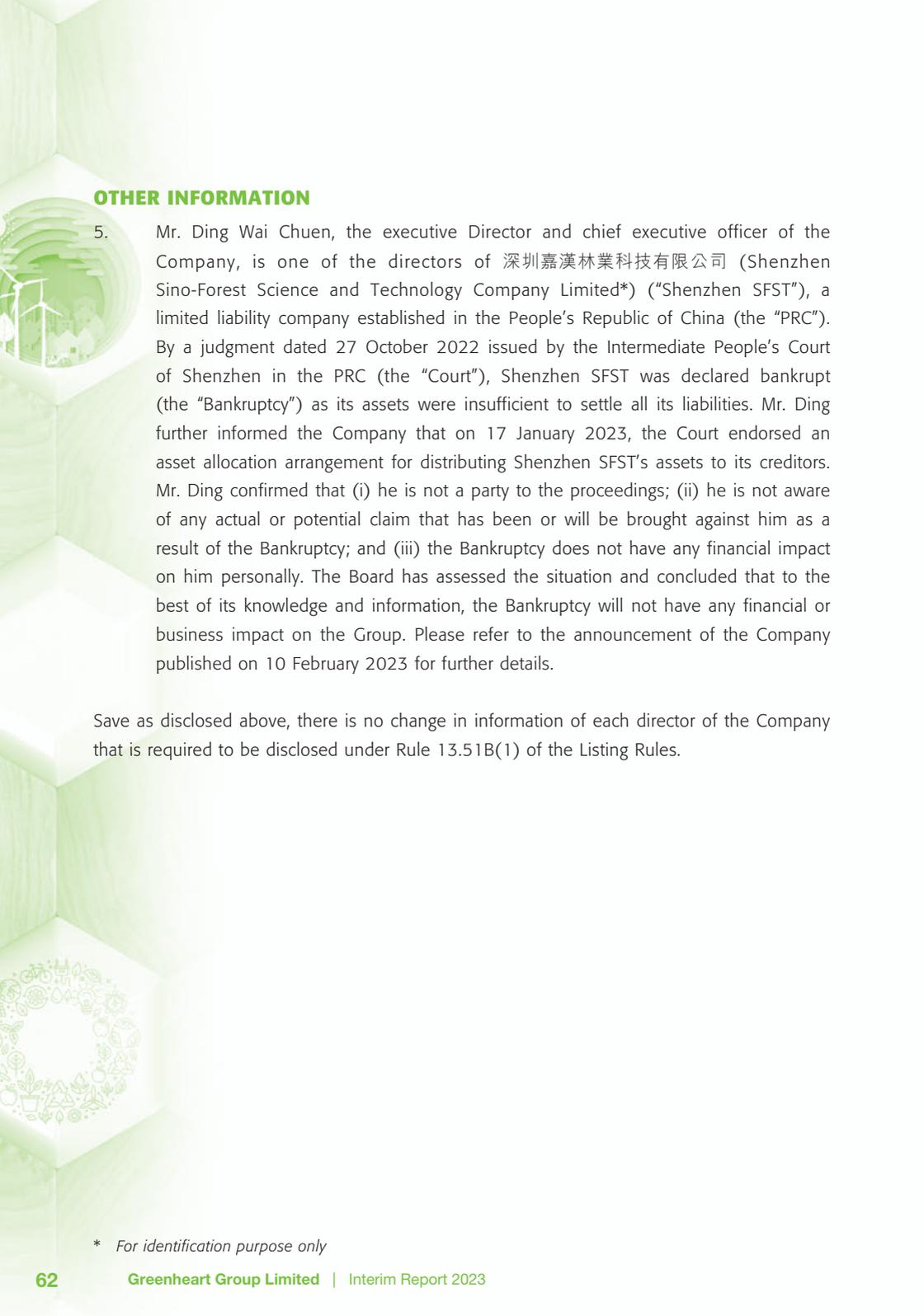
Save as disclosed above, the Company has not been notified by any person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company as at 30 June 2023 which were required to be notified 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

CHANGES TO THE COMPOSITION OF THE BOARD AND UPDATES ON THE INFORMATION OF DIRECTORS

The changes to the composition of the Board and updates on the information of Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since 1 January 2023 were as follows:

1. Mr. Simon Murray retired as a non-executive Director of the Company, with effect after the conclusion of the annual general meeting of Company held on 31 May 2023.
2. Ms. Suen Chung Yan, Julia has been appointed as a non-executive Director of the Company, with effect after the conclusion of the annual general meeting of the Company held on 31 May 2023.
3. Mr. To Chun Wai, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of each of DeTai New Energy Group Limited (stock code: 559) and NOVA Group Holdings Limited (stock code: 1360) with effect from 18 April 2023 and 12 May 2023 respectively, in which both of them are listed companies in Hong Kong.
4. Following the recommendation of the remuneration committee of the Company, the Board of the Company has reviewed and approved to adjust the directors' fees of each of the non-executive Directors and each of the independent non-executive Directors from HK\$240,000 per annum to HK\$360,000 per annum with effect from 1 June 2023.



OTHER INFORMATION

5. Mr. Ding Wai Chuen, the executive Director and chief executive officer of the Company, is one of the directors of 深圳嘉漢林業科技有限公司 (Shenzhen Sino-Forest Science and Technology Company Limited*) (“Shenzhen SFST”), a limited liability company established in the People’s Republic of China (the “PRC”). By a judgment dated 27 October 2022 issued by the Intermediate People’s Court of Shenzhen in the PRC (the “Court”), Shenzhen SFST was declared bankrupt (the “Bankruptcy”) as its assets were insufficient to settle all its liabilities. Mr. Ding further informed the Company that on 17 January 2023, the Court endorsed an asset allocation arrangement for distributing Shenzhen SFST’s assets to its creditors. Mr. Ding confirmed that (i) he is not a party to the proceedings; (ii) he is not aware of any actual or potential claim that has been or will be brought against him as a result of the Bankruptcy; and (iii) the Bankruptcy does not have any financial impact on him personally. The Board has assessed the situation and concluded that to the best of its knowledge and information, the Bankruptcy will not have any financial or business impact on the Group. Please refer to the announcement of the Company published on 10 February 2023 for further details.

Save as disclosed above, there is no change in information of each director of the Company that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

* For identification purpose only

OTHER INFORMATION

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit Committee of the Company (the “Audit Committee”) has reviewed and discussed with the management the unaudited condensed consolidated interim financial statements of the Group for the Period. Based on the review and discussion with the management, the Audit Committee was satisfied that the unaudited condensed consolidated interim financial statements of the Group for the Period were prepared in accordance with applicable accounting standards and fairly presented the Group’s financial position and results for the Period.

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 all applicable code provisions of the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules throughout the Period with the exception of the deviation as set out below:

Code Provision B.2.2 requires every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the Chairman and the Managing Director of the Company shall not be subject to retirement by rotation under the existing Bye-laws of the Company. Mr. Cheng Chi-Him, Conrad is the non-executive Chairman of the Company. Given the essential role in the leadership of the Company by the Chairman and the non-executive nature of chairmanship, the Board is of the view that such deviation is vital to the stability and continuity of the key management of the Company and the Board considers that the deviation is acceptable.

Save as disclosed above, the Directors are not aware of any deviation from the applicable code provisions of the Corporate Governance Code as set forth in Part 2 of Appendix 14 to the Listing Rules throughout the Period.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors (the “Code of Conduct”) on terms no less exacting than the required standards as set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the Period.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 uncertainties that may cause actual results, performance or events to differ materially from those expressed or implied in such statements.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to our shareholders, clients and suppliers for their continuous and valuable support and to extend its appreciation to our management and staff for their diligence and dedication to the Group.

By Order of the Board

Greenheart Group Limited

Ding Wai Chuen

Executive Director and Chief Executive Officer

Hong Kong, 30 August 2023

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 Ms. Suen Chung Yan, Julia, 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>