GREENHEART GROUP LIMITED
綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board (the "Board") of directors (the "Directors") of Greenheart Group Limited ("Greenheart" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2013 (the "Year"), together with the comparative figures for 2012, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Notes	**2013** ***HK$'000***	2012 *HK$'000*
REVENUE	4	**724,583**	495,226
Cost of goods sold		**(389,112)**	(308,810)
Gross profit		**335,471**	186,416
Other income and gains	4	**8,547**	10,948
Fair value gain on plantation forest assets		**108,847**	94,764
Selling and distribution costs		**(224,155)**	(169,708)
Administrative expenses		**(89,135)**	(79,489)
Other operating expenses		**(103,096)**	(132,324)
Non-cash share option expenses		**(3,060)**	(1,361)
Finance costs	5	**(47,344)**	(39,966)
LOSS BEFORE TAX	6	**(13,925)**	(130,720)
Tax	7	**(46,372)**	(13,657)
LOSS FOR THE YEAR		**(60,297)**	(144,377)

* *For identification purpose only*

	Notes	**2013** *HK$'000*	2012 *HK$'000*
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(1,254)**	8,544
Item that will not be reclassified subsequently to profit or loss			
Revaluation gain on forestry land		**695**	2,612
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR, NET OF TAX OF NIL		**(559)**	11,156
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(60,856)**	(133,221)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**(5,739)**	(76,777)
Non-controlling interests		**(54,558)**	(67,600)
		(60,297)	(144,377)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the Company		**(6,298)**	(65,621)
Non-controlling interests		**(54,558)**	(67,600)
		(60,856)	(133,221)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	**HK$(0.007)**	HK$(0.098)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**458,294**	407,489
Prepaid land lease payments		**14,684**	15,128
Goodwill		**7,624**	7,624
Timber concessions and cutting rights		**710,817**	738,128
Other intangible assets		**6,970**	3,409
Plantation forest assets		**521,764**	500,738
Prepayments, deposits and other receivables		**6,218**	11,663
Total non-current assets		**1,726,371**	1,684,179
CURRENT ASSETS			
Inventories		**58,966**	42,271
Trade receivables	9	**64,242**	35,263
Prepayments, deposits and other receivables		**108,367**	98,333
Tax recoverable		**579**	1,909
Cash and cash equivalents		**204,014**	144,285
Total current assets		**436,168**	322,061
CURRENT LIABILITIES			
Trade payables	10	**46,451**	31,961
Other payables and accruals		**20,337**	32,617
Finance lease payables		**10,600**	7,472
Loan from an intermediate holding company	13(a)(i)	**312,000**	–
Loan from the former ultimate holding company	13(a)(i)	**–**	312,000
Due to affiliated companies	13(b)(ii)	**145**	132
Deposit received from a fellow subsidiary	13(b)(i)	**22,565**	22,565
Convertible bonds	11	**155,919**	214,658
Tax payable		**25,360**	11,991
Total current liabilities		**593,377**	633,396
NET CURRENT LIABILITIES		**(157,209)**	(311,335)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,569,162**	1,372,844

	Notes	**2013**	2012
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	13(a)(ii)	**89,700**	62,400
Interest-bearing bank borrowing	12	**195,000**	–
Finance lease payables		**19,717**	23,669
Deferred tax liabilities		**124,551**	93,878
Total non-current liabilities		**428,968**	179,947
NET ASSETS		**1,140,194**	1,192,897
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**7,899**	7,797
Reserves		**1,002,091**	1,000,338
		1,009,990	1,008,135
Non-controlling interests		**130,204**	184,762
TOTAL EQUITY		**1,140,194**	1,192,897

Notes:

1.1. CORPORATE INFORMATION

Greenheart Group Limited is a limited liability company incorporated in Bermuda, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the Year, on 30 January 2013, Sino-Forest Corporation ("Sino-Forest" or "Former Ultimate Holding Company") announced that it has implemented its plan of compromise and reorganization as approved by the creditors of Sino-Forest on 3 December 2012 and sanctioned by the Ontario Superior Court of Justice on 10 December 2012 pursuant to the Companies' Creditors Arrangement Act (the "Plan") and under which, among other things, all of the shares held by Sino-Forest in its directly owned subsidiaries, including the entire issued share capital of Sino-Capital Global Inc. ("Sino-Capital" or "Immediate Holding Company") were transferred to Emerald Plantation Group Limited ("EPGL" or "Intermediate Holding Company"), a newly formed entity which is ultimately owned by Emerald Plantation Holdings Limited ("EPHL" or "Ultimate Holding Company"), a company incorporated in the Cayman Islands with limited liability.

As at 31 December 2013, the immediate holding company of the Company was Sino-Capital, which is incorporated in the British Virgin Islands ("BVI") and held 496,189,028 shares, representing approximately 62.82% of the issued share capital of the Company, and the ultimate holding company of the Company was EPHL.

1.2. BASIS OF PRESENTATION

The Group had net current liabilities of approximately HK$157,209,000 as at 31 December 2013, of which HK$312,000,000 represented a loan from EPGL, which is repayable on 17 May 2014 pursuant to the supplemental letters signed on 26 March 2012, 28 June 2013, 7 October 2013, and 13 January 2014 ("Intermediate Holding Company Loan"). Notwithstanding the foregoing and up to the date of this announcement, the Group is still in discussion with the Ultimate Holding Company, the parent company of EPGL, concerning a further extension of the repayment date of the Intermediate Holding Company Loan. On the basis that an extension will be agreed, in the opinion of the Directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into consideration the following:

(i) as at 31 December 2013, the Group had an unutilized banking facility of US$5,000,000 (equivalent to HK$39,000,000) from the Bank of New Zealand;

(ii) the Group is prioritizing completion of construction of its new sawmill in west Suriname, which will bring to an end substantially all of the capital expenditure which has been incurred in Suriname over the past two years. The Directors anticipate that the west Suriname operation can become cash flow neutral by end of 2014;

(iii) the Group is exploring different options to obtain alternative sources of funding, in particular to finance the Group's capital expenditure by way of, inter alia, of leases and long term loans;

(iv) if necessary, the Group will consider disposing of certain of its non-current assets to meet its financial obligations; and

(v) various cost control measures have been taken by the Group, and are continuing, to tighten the costs of operations and to reduce various general and administrative expenses.

Accordingly, the consolidated financial statements have been prepared on the going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

1.3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the historical cost convention, except for plantation forest assets and forestry land which are measured at fair value less cost to sell and fair value, respectively. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First Time Adoption of Hong Kong Financial Reporting Standards – Government Loan*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 12 and certain amendments included in *Annual Improvements 2009-2011 Cycle (Include other standards as appropriate)*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(c) The HKFRS 10 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements.

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes.

(f) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the financial statements of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments*: *Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

3. OPERATING SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers (i.e. the Directors) in order to allocate resources to segments and to assess their performance.

The Group manages its businesses by geographical location and the chief operating decision makers also review the segment information by such category to allocate resources to segments and to assess their performance. The Group has presented the following three reportable segments:

Suriname:	Engaging in hardwood log harvesting, timber processing, marketing and sale of logs and timber products
New Zealand:	Engaging in softwood log harvesting, marketing and sale of logs
Elsewhere:	Engaging in trading of logs and timber products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of earning/(loss) before finance costs, tax, depreciation, forest depletion costs as a result of harvesting and amortization (the "EBITDA"). The EBITDA is further adjusted to exclude fair value gains or losses on plantation forest assets, government grants, interest income, impairment losses/reversal and non-cash share option expenses (the "Adjusted EBITDA"), which is also a measure evaluated by management.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following table presents revenue, profit/(loss), assets and liabilities information regarding the Group's operating segments for the Year:

Year ended 31 December 2013

	Suriname^	**New Zealand^**	**Elsewhere^**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE	**59,945**	**663,833**	**805**	**–**	**724,583**
SEGMENT RESULTS ("Adjusted EBITDA")	**(76,514)**	**211,216**	**233**	**(47,911)**	**87,024**
Reconciliation of the segment results: Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value gain on plantation forest assets	**–**	**108,847**	**–**	**–**	**108,847**
Government grant of carbon credits	**–**	**3,164**	**–**	**–**	**3,164**
Interest income	**2,214**	**22**	**–**	**207**	**2,443**
Reversal of impairment of other intangible assets***	**–**	**652**	**–**	**–**	**652**
Impairment of trade receivables***	**(74)**	**–**	**–**	**–**	**(74)**
Impairment of timber concessions and cutting rights***	**(11,695)**	**–**	**–**	**–**	**(11,695)**
Impairment of prepayments, deposits and other receivables***	**(2,375)**	**–**	**–**	**–**	**(2,375)**
Write-down of inventories, net***	**(2,125)**	**–**	**–**	**–**	**(2,125)**
Non-cash share options expenses	**–**	**–**	**–**	**(3,060)**	**(3,060)**

	Suriname^	New Zealand^	Elsewhere^	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT RESULTS ("EBITDA")	(90,569)	323,901	233	(50,764)	182,801
Finance costs	(5,906)	(19,090)	–	(22,348)	(47,344)
Forest depletion cost as a result of harvesting*	–	(99,360)	–	–	(99,360)
Depreciation	(22,862)	(1,896)	–	(2,482)	(27,240)
Amortization of harvest roading***	–	(15,433)	–	–	(15,433)
Amortization of timber concessions and cutting rights*	(6,629)	–	–	–	(6,629)
Amortization of prepaid land lease payments**	(444)	–	–	–	(444)
Amortization of other intangible assets***	(276)	–	–	–	(276)
LOSS BEFORE TAX					(13,925)
SEGMENT ASSETS	1,179,625	876,018	–	106,896	2,162,539
SEGMENT LIABILITIES	238,420	624,928	–	158,997	1,022,345
Other segment information					
Capital expenditures#	(63,275)	(47,499)	–	(633)	(111,407)

^ Reportable Segments

Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, timber concessions and cutting rights, harvest roading and plantation forest assets.

* Included in "Cost of goods sold" in the consolidated statement of comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of comprehensive income.

*** Included in "Other operating expenses" in the consolidated statement of comprehensive income.

Year ended 31 December 2012

	Suriname^	New Zealand^	Elsewhere^	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	42,489	450,280	2,457	–	495,226
SEGMENT RESULTS (“Adjusted EBITDA”)	(59,499)	94,963	385	(40,333)	(4,484)
Reconciliation of the segment results: Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value gain on plantation forest assets	–	94,764	–	–	94,764
Government grant of carbon credits	–	5,840	–	–	5,840
Interest income	2,245	56	–	304	2,605
Impairment of other intangible assets***	–	(3,882)	–	–	(3,882)
Impairment of timber concessions and cutting rights***	(63,601)	–	–	–	(63,601)
Impairment of property, plant and equipment***	(632)	–	–	–	(632)
Write-down of inventories, net***	(2,958)	–	–	–	(2,958)
Non-cash share options expenses	–	–	–	(1,361)	(1,361)
SEGMENT RESULTS (“EBITDA”)	(124,445)	191,741	385	(41,390)	26,291
Finance costs	(4,570)	(12,574)	–	(22,822)	(39,966)
Forest depletion cost as a result of harvesting*	–	(85,972)	–	–	(85,972)
Depreciation	(12,829)	(1,348)	–	(2,411)	(16,588)
Amortization of harvest roading***	–	(7,662)	–	–	(7,662)
Amortization of timber concessions and cutting rights*	(6,287)	–	–	–	(6,287)
Amortization of prepaid land lease payments**	(444)	–	–	–	(444)
Amortization of other intangible assets***	(92)	–	–	–	(92)
LOSS BEFORE TAX					(130,720)
SEGMENT ASSETS	1,159,375	787,747	–	59,118	2,006,240
SEGMENT LIABILITIES	222,966	372,475	–	217,902	813,343
Other segment information					
Capital expenditures#	(119,661)	(41,980)	–	(499)	(162,140)

^ Reportable Segments

Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, timber concessions and cutting rights, harvest roading and plantation forest assets.

* Included in "Cost of goods sold" in the consolidated statement of comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of comprehensive income.

*** Included in "Other operating expenses" in the consolidated statement of comprehensive income.

Geographical Information

Revenue is attributed to the following geographical regions of the customers:

	2013	2012
	HK$'000	*HK$'000*
Mainland China	**567,711**	357,727
India	**81,532**	77,200
New Zealand	**35,246**	26,064
Suriname	**15,084**	14,929
Belgium	**13,527**	260
Netherlands	**7,158**	10,260
Hong Kong	**3,282**	2,167
United Kingdom	**630**	101
Singapore	**247**	–
Denmark	**166**	293
South Korea	**–**	6,225
	724,583	495,226

Information on major customers

During the Year, the Group had transactions with three (2012: three) customers who each contributed over 10% of the Group's total gross revenue before export tax for the Year. A summary of revenue earned from each of these major customers is set out below:

	2013	2012
	HK$'000	*HK$'000*
Customer 1	**126,905**	53,847
Customer 2	**106,947**	N/A*
Customer 3	**73,576**	56,335
Customer 4	**N/A***	63,908
	307,428	174,090

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

4. REVENUE, OTHER INCOME AND GAINS

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sales of logs and timber products	**724,583**	495,226
Other income and gains		
Bank interest income	**255**	460
Other interest income	**2,188**	2,145
Rental income for lease of plant and machinery	**2,120**	2,257
Government grants of carbon credits	**3,164**	5,840
Others	**820**	246
	8,547	10,948

5. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on convertible bonds	**17,253**	22,822
Interest on a loan from the Intermediate Holding Company	**11,949**	–
Interest on a loan from the Former Ultimate Holding Company	**–**	12,574
Interest on loans from the Immediate Holding Company	**3,553**	1,830
Interest on finance leases	**2,353**	2,740
Interest on an interest-bearing bank loan	**7,141**	–
Loss on partial early redemption of convertible bonds *(Note 11)*	**5,095**	–
	47,344	39,966

6. LOSS BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold*	**283,123**	216,551
Forest harvested as agricultural produce	**97,523**	90,009
Amount released from/(capitalized in) inventories	**1,837**	(4,037)
Forest depletion cost as a result of harvesting*	**99,360**	85,972

	2013	2012
	HK$'000	*HK$'000*
Amortization of timber concessions and cutting rights	**15,616**	10,167
Less: Amount capitalized in inventories	**(8,987)**	(3,880)
Current year expenditure*	**6,629**	6,287
Amortization of		
harvest roading***	**15,433**	7,662
prepaid land lease payments**	**444**	444
other intangible assets***	**276**	92
Depreciation	**27,240**	16,588
(Reversal of impairment)/impairment of:		
property, plant and equipment***	**–**	632
timber concessions and cutting rights***	**11,695**	63,601
other intangible assets***	**(652)**	3,882
trade receivables***	**74**	–
prepayments, deposits and other receivables***	**2,375**	–
Write-down of inventories, net***	**2,125**	2,958
Loss on disposal of items of property, plant and equipment	**506**	32

* Included in "Cost of goods sold" in the consolidated statement of comprehensive income.

** Included in "Administrative expenses" in the consolidated statement of comprehensive income.

*** Included in "Other operating expenses" in the consolidated statement of comprehensive income.

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year.

New Zealand income tax has been provided at the rate of 28% on the estimated assessable profits arising in New Zealand during the Year. No overseas income tax has been provided during the year ended 31 December 2012 as the subsidiaries operating in overseas countries did not generate any assessable profits arising during the year ended 31 December 2012 based on existing legislation, interpretations and practices in respect thereof.

Subsidiaries established in Suriname and New Zealand are subject to relevant tax rules and regulations of Suriname and New Zealand at the statutory tax rate of 36% and 28%, respectively. One of the Company's major subsidiaries in Suriname is currently enjoying a local income tax exemption for an original period of nine years from 2007 to 2016, which, subject to the approval by the Suriname authorities, may be renewable or extended for a further period upon expiry. During the Year, the effective tax rate, calculated on the basis of total current and deferred tax expenses to as a percentage of operating results, of the Group's New Zealand operation is 24.1% (2012: 16.2%).

	2013	2012
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**13,369**	9,524
Current – Elsewhere		
Charge for the year	**1,324**	–
Foreign exchange difference on income tax recoverable/payable	**6**	(60)
Deferred	**30,686**	2,824
Foreign exchange difference on deferred tax liabilities	**(63)**	1,369
Withholding	**1,050**	–
	46,372	13,657

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the Year attributable to equity holders of the Company, and the weighted average of 787,854,501 (2012: 779,724,104) ordinary shares in issue during the Year.

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2012 as the impact of the share options and convertible bonds outstanding during these years either had no dilutive effect or had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**64,316**	35,263
Less: impairment	**(74)**	–
	64,242	35,263

The Group's trading terms with its customers are mainly letters of credit at sight or on open account with credit terms of 5 days to 35 days, where a 10% to 40% deposit is normally required. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimize 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. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**62,916**	32,496
1 to 3 months	**194**	2,267
Over 3 months	**1,132**	500
	64,242	35,263

10. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**45,690**	30,746
1 to 3 months	**536**	795
Over 3 months	**225**	420
	46,451	31,961

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

11. CONVERTIBLE BONDS

In August 2010, the Company issued US dollar denominated convertible notes with an aggregate principal amount of US$25,000,000 (the "CN") with a maturity date of 17 August 2015 to Greater Sino Holdings Limited (the "Noteholder"), a company in which a director of the Company has an indirect interest, for a total cash consideration of US$24,750,000. The Noteholder has the right to convert the whole or part of the principal amount of the CN into ordinary shares of the Company at HK$2.002 each from time to time and may require the Company to redeem all or part of the CN on each of the dates falling on the third anniversary (i.e. 17 August 2013) and on the fourth anniversary (i.e. 17 August 2014) of the issuance date of the CN at the redemption amount as defined in the terms and conditions of the CN. In addition, the Noteholder may require the Company to redeem the CN in whole or in part following the occurrence of a "Change of Control".

The implementation of the Plan mentioned in note 1.1 to this annual results announcement triggered the "Change of Control" provisions of the CN. Accordingly, the Noteholder became entitled to require the Company to redeem the CN in whole or in part and on 20 February 2013, the Company redeemed US$8,000,000 (equivalent to approximately HK$62,400,000) of the principal amount of the CN at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000) upon the partial exercise by the Noteholder of its redemption right following the occurrence of a "Change of Control". Accordingly, the difference between the redemption amount allocated to the liability component of the CN and the carrying amount of the liability component as at the redemption date of approximately US$653,000 (equivalent to approximately HK$5,095,000) was recognized as loss on partial early redemption of convertible bonds and was charged to profit or loss during the Year.

Following the early redemption as mentioned above and as at 31 December 2013, the outstanding principal amount of the CN was reduced to US$17,000,000 (equivalent to approximately HK$132,600,000). Under the terms and conditions of the CN, the Noteholder may subsequently exercise its redemption right (in whole or in part of its outstanding CN), by giving an exercise notice of at least 30 days prior to such further redemption, at any time prior to the maturity of the CN. Accordingly, the entire outstanding liability component of the CN was classified as a current liability as at 31 December 2013.

As at the date of this announcement, the Group has not received any further notice from the Noteholder with regard to its intention regarding the remaining outstanding principal amount of the CN of US$17,000,000.

12. INTEREST-BEARING BANK BORROWING

As at 31 December 2013, the Group's bank borrowings were denominated in United States dollars and amounted to HK$195,000,000 (equivalent to US$25,000,000), bearing interest at the base rate determined by Bank of New Zealand plus 1.75% per annum. The loan will mature on 30 November 2015. The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the bank which may require the Group to begin repayment of the loan based on the extent of forest depletion. During the Year, none of the financial covenants relating to the bank loan facilities were breached.

As at 31 December 2013, the Group has available unutilized bank loan facilities amounting to HK$39,000,000 (equivalent to US$5,000,000).

13. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in this announcement, the Group entered into the following material transactions with related parties during the Year:

Related party	Nature of transaction	*Notes*	**2013** **HK$'000**	2012 *HK$'000*
The Intermediate Holding Company	Interest expenses paid and payable on a loan	(i)	**11,949**	–
The Former Ultimate Holding Company	Interest expenses paid and payable on a loan	(i)	**–**	12,574
The Immediate Holding Company	Interest expenses paid and payable on loans	(ii)	**3,553**	1,830
Noteholder	Interest expenses paid and payable on the CN	(iii)	**17,253**	22,822
Fellow subsidiary	Reimbursements	(iv)	**4,888**	–

Notes:

(i) On 30 January 2013, the Former Ultimate Holding Company assigned all of its rights and benefits under the Intermediate Holding Company Loan to the Intermediate Holding Company pursuant to the Plan.

The interest expenses on the Intermediate Holding Company Loan were charged based on the London Interbank Offered Rate plus 3.5% per annum, which is unsecured and repayable on 17 May 2014.

(ii) The interest expenses were charged based on the Hong Kong Prime Rate on a loan with principal amount of HK$62,400,000 (i.e. US$8,000,000) and a loan with principal amount of HK$27,300,000 (i.e. US$3,500,000). The loans are unsecured and repayable on 26 March 2015 and 28 June 2016, respectively.

(iii) The amount disclosed represents the imputed interest expenses charged to profit or loss for accounting purposes on the CN issued to a company in which a Director has an indirect interest. The actual coupon calculated based on the coupon rate of 5% per annum as set out in the terms and conditions of the CN is HK$6,661,000 (2012: HK$9,718,000).

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

(b) Outstanding balances with related parties

(i) The deposit received from a fellow subsidiary is trade in nature, and is unsecured and interest-free.

(ii) The amounts due to affiliated companies are unsecured, interest-free and repayable within one year.

(c) Other transaction with related party

During the Year, the Company redeemed US$8,000,000 (equivalent to HK$62,400,000) of the principal amount of the CN at a redemption amount of approximately US$9,542,000 (equivalent to approximately HK$74,426,000). Details of which are set out in note 11 to this announcement and the Company's announcement dated 20 February 2013.

(d) Compensation of key management personnel of the Group

	2013	2012
	HK$'000	*HK$'000*
Short-term employee benefits	**19,187**	15,864
Equity-settled share options	**1,474**	2,086
Pension scheme contributions	**44**	41
	20,705	17,991

14. EVENTS AFTER THE REPORTING PERIOD

The following significant events occurred subsequent to the reporting period:

(a) On 19 December 2013, Greenheart Forest Suriname Suma Limited as the purchaser, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Sumaroeba Holdings A.V.V., an independent third party as the vendor and its two shareholders and an individual (all are independent third parties) as the guarantors, whereby it conditionally agreed to purchase the entire equity interest in Suma Lumber Company N.V. ("Suma Lumber"), a company incorporated in Suriname, which holds several forest concessions, a parcel of land, and sawmill plant and equipment in Suriname, at a total cash consideration of US$7,800,000 (equivalent to HK$60,840,000). The acquisition was made as part of the Group's strategy to expand its Suriname division. The transaction was completed on 12 February 2014 with the first instalment of consideration, being US$5,000,000 in the form of cash paid in full. The remaining consideration will be paid by two instalments in March 2014 and June 2014. Further details are set out in the Company's announcement dated 19 December 2013.

The Group is in the process of finalizing the fair value assessment of the identifiable assets and liabilities of Suma Lumber as at the date of acquisition and therefore the initial accounting for this business combination is not yet completed as at the date of this announcement. Hence, except for the above-mentioned information, other disclosures as required under the relevant HKFRS 3 are not provided in this announcement.

(b) On 27 January 2014, Green Source Holdings Limited, an indirect wholly-owned subsidiary of the Company, and Sino-Wood Trading Limited, a wholly-owned subsidiary of EPHL, entered into the supplemental agreement to renew the contractual period in respect of the master sale and purchase agreement between the parties dated 7 January 2011 in relation to the sale and purchase of logs, standing timber, agri-forest, timber related and agri-related products. The term of the master sale and purchase agreement was renewed for another three years commencing on 28 March 2014 and ending on 27 March 2017.

Further details are set out in the Company's announcement dated 27 January 2014.

(c) On 18 February 2014, Greenheart Forest Central N.V., a wholly owned subsidiary of the Company, entered into an agreement with Greenheart (Suriname) N.V., a non-wholly owned subsidiary of the Company, for the purchase of certain machines and equipment for lumber processing for a consideration of USD2,400,000 (equivalent to approximately HK$18,720,000).

Further details of which are set out in the Company's announcement dated 18 February 2014.

Items 14(b) and 14(c) above also constitute continuing connected transactions and a connected transaction, respectively, as defined in Chapter 14A of the Listing Rules.

15. COMPARATIVE AMOUNTS

During the Year, the measurement methods used to determine reportable segment profit/(loss) have been revised. Accordingly, certain comparative amounts have been reclassified and restated to conform to the presentation of the Year.

16. EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of independent auditor's report on the Group audited consolidated financial statements for the year ended 31 December 2013:

Emphasis of matter

"Without qualifying our opinion, we draw attention to note 2[#] to the consolidated financial statements which indicates that the Group incurred a consolidated net loss attributable to the equity holders of the Company of HK$5,739,000 for the year ended 31 December 2013 and, as of that date, the Group's current liabilities exceeded its current assets by HK$157,209,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As further detailed in note 2[#] to the consolidated financial statements, the Group is still in the process of seeking agreement to extend the repayment date of the loan from the Company's intermediate holding company in the amount of HK$312,000,000 (the "Intermediate Holding Company Loan") from 17 May 2014 to a later date. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group extending the repayment date of the Intermediate Holding Company Loan or obtaining other financial resources as detailed in note 2[#] to the consolidated financial statements. The consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern."

[#]: Being Note 1.2 in this result announcement.

CHAIRMAN'S STATEMENT

Dear Shareholders

2013 was a year of transformation of Greenheart Group Limited ("Greenheart" or the "Company"). At the beginning of the year, the two year long restructuring of our former major shareholder was finally completed and Emerald Plantation Holdings Limited ("EPHL") became the ultimate holding company of Greenheart. As a result of this change, as of 2 October 2013, I took over as non-executive Chairman and Mr. Paul Brough, took over the helm as the interim CEO of Greenheart. I believe Mr. Brough's prior restructuring experience will bring new skills and discipline to the executive team and will help position the Group as it seeks to develop the operating platform it has constructed over the past few years.

In order to strengthen the Company's corporate governance, the board decided to separate the roles of CEO and the Chairman. I was honored to be the chairman of Greenheart's board and feel privileged to be given the opportunity to be able to contribute to the next stage of Greenheart's journey.

Financial Performance

During the year, the Group's New Zealand division delivered strong results. Revenue and EBITDA increased by 47.4% to HK$663,833,000 and 68.9% to HK$323,901,000, respectively. These increases were a result of both increasing log prices and increased logging volumes, mainly fueled by strong demand from China underpinned by continued demand based on a favorable construction market. The impressive performance of our New Zealand business has helped to partially offset the operating loss incurred in our Suriname division and certain one-off losses and expenditure. The Suriname division reported revenue of HK$59,945,000, 41.1% above 2012. An EBITDA loss for the Suriname division of HK$90,569,000 was a 27.2% improvement on the prior year's loss of HK$124,446,000. This resulted in consolidated loss attributable to the equity shareholders of the Company of HK$5,739,000 for the Year.

Having regard to the disappointing performance of our Suriname division, notwithstanding an improvement in financial performance, the Board and the management have taken action to address areas of under-performance with the objective of improving returns and ensuring that the long term configuration of this business is appropriate and effective. In connection with this, a new country general manager for Suriname was appointed at the beginning of 2014. His given priorities are to reduce operating costs, complete the construction of sawmill facilities as efficiently as possible and to strengthen collaboration between forestry operations, sawmill production, sales and logistics Other than the above measures, we will continue to expand our sales presence in Europe with the help of FSC certification and to strengthen our hardwood sales and marketing efforts in the USA by relocating our sales offices for Europe, the USA and the Caribbean region to Suriname. At the same time, we will seek to leverage

EPHL's sales platform in China to increase our customer base and develop a better understanding of our customers' needs. Our short term objective is to make our west Suriname operation – our biggest facility in Suriname – cash flow neutral by the end of 2014.

Steps have also been taken since the last quarter of 2013 to reduce costs in our Hong Kong Head Office, which resulted in the departure of a number of staff and a reduction in other overheads. Steps to reduce costs and increase efficiency across Hong Kong, New Zealand and Suriname are continuing and are expected to make a significant contribution to improved cash flow in 2014.

Outlook

Looking forward, in view of the gradual but seemingly sustained recovery of the global economy, the continued diminishing supply of wood fibre, increasing public awareness and increasing regulation regarding sustainable wood related products, the Board remains optimistic about the longer-term prospects for the Group's timber business.

China remains our largest market and out market share continues to increase. Consensus estimate's put China's GDP growth at close to 7.5% for 2014, contributing to growth in construction market for New Zealand softwood logs and growth in interior decorating for our Suriname hardwood flooring, panel and furniture products. In the short term, logging volumes and sales volumes in the New Zealand division with be maintained with plans to harvest 700,000 m^3 of logs in 2014. At the same time, the Group will actively look for appropriate acquisition opportunities in order to enhance and strengthen the sustainability of its long-term production profile in New Zealand. For Suriname, management will continue to streamline and improve the way the division does business, focusing on cost reduction, enhancing operating efficiency and optimization of resources. Given the steps taken in the last few months, management anticipate an improvement in our financial performance in 2014 and are confident that these changes will turn the Company into a more attractive investment for our shareholders.

In closing, on behalf of the Board, I want to take this opportunity to thank our staff for their efforts and continuing loyalty to Greenheart during this challenging and transformative period. We would also like to thank our shareholders for their patience and support over the past two years and we look forward to delivering improved returns on your investment in the years ahead.

Wang Tong Sai, Eddie
Non-executive Chairman

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group maintained high growth and reported record-high revenues of HK$724,583,000 during the Year. This significant growth was in large part due to the Group's New Zealand division due to increasing demand from China. Production volume was increased while at the same time log prices rose through the Year and logistics costs fell. The New Zealand division has performed well since it was acquired at the beginning of 2011, achieving record revenue of HK$663,833,000 and EBITDA of HK$323,901,000 for the Year. However, the Group's financial performance has been impacted and offset by the operating loss recorded in the Suriname division and certain one-off corporate and compliance related expenses.

Although the revenue of Suriname increased significantly by 41.1% to HK$59,945,000, its negative EBITDA only reduced slightly by HK$33,876,000 to HK$90,569,000 for the Year. This was primarily because of a decline in gross profit margin principally as a result of clearance sales of certain lower grade lumber, higher unallocated operating expenses caused by operational inefficiencies and underutilized production capacity. In addition, impairment provisions were taken on one of the timber concessions in Suriname.

Benefiting from the outstanding business results of the New Zealand division and certain cost control measures taken in the last quarter of the Year, the Group's loss attributable to the shareholders reduced significantly by 92.5% to HK$5,739,000 for the Year from HK$76,777,000 in 2012.

Revenue

The Group's total revenue was up 46.3% to HK$724,583,000 for the Year, with HK$663,833,000 (2012: HK$450,280,000) from the New Zealand division and HK$59,945,000 (2012: HK$42,489,000) from the Suriname division.

The significant growth in sales of the New Zealand radiata pine was mainly driven by the increasing demand for New Zealand radiata pine in China. The export sales volume and the average export selling price of the New Zealand radiata pine, increased to 582,000 m^3 (2012: 460,000 m^3) and US$138.4 per m^3 (2012: US$117.8 per m^3), for the Year. Of the increase in sales, approximately 27% was due to increase in volume and 73% was due to increase in price.

The Group's Suriname division also grew steadily during the Year. The revenue contributed from the Suriname division increased from HK$42,489,000 for last year to HK$59,945,000 for the Year. Notwithstanding the increase in revenue, the financial performance of the Suriname division did not meet expectations, due primarily to a number of operating and logistical issues. These are currently being addressed by the new management team in Suriname.

Other than the above, the trading business of logs and lumber products also contributed HK$805,000 to the Group's revenue during the Year (2012: HK$2,457,000).

Gross profit

The Group's gross profit for the Year was approximately HK$335,471,000, representing an 80.0% increase from HK$186,416,000 for 2012. The gross profit contribution from the New Zealand and Suriname divisions were approximately HK$319,768,000 (2012: HK$169,655,000) and HK$15,470,000 (2012: HK$16,376,000), respectively. The significant increase in the Group's gross profit was mainly attributable to the increase in export volumes from New Zealand of approximately 122,000 m^3 and a higher average export selling price during the Year. The gross profit for the Suriname division remained stable during the Year. The gross profit for the Group's trading business was HK$233,000 (2012: HK$385,000) for the Year.

The Group's gross profit margin for the Year was approximately 46.3% as compared to 37.6% for last year. The gross profit margin for the Group's New Zealand and Suriname divisions for the Year were 48.2% and 25.8% (2012: 37.7% and 38.5%), respectively. The increase in the gross profit margin for the New Zealand division was due to increased average selling prices during the Year. The gross profit margin for Suriname division decreased during the Year as the Group focused on stock clearance in the second half of 2013 and sold more low value timber products with lower profit margins than the standard products. It is expected the situation will improve once the Group resume selling higher grade products and the marketing efforts on lesser known species begin to pay off.

Other income and gains

Other income and gains amounted to HK$8,547,000 (2012: HK$10,948,000) for the Year, mainly representing the recognition of the fair value gains of approximately 242,000 units (2012: 151,000 units) of New Zealand carbon credits granted by the New Zealand Ministry of Primary Industries of HK$3,164,000 (2012: HK$5,840,000), bank and other interest income of HK$2,443,000 (2012: HK$2,605,000) and rental income for the lease of plant and machinery of HK$2,120,000 (2012: HK$2,257,000). The decrease of HK$2,401,000 as compared with HK$10,948,000 for last year was primarily because the fair value of each unit at the date of grant for the New Zealand carbon credits was much lower during the Year, despite more units being granted.

Fair value gain on plantation forest assets

The fair value gain on the plantation forest assets of HK$108,847,000 (2012: HK$94,764,000) was primarily attributable to higher average selling prices reflecting continuing strong demand for New Zealand radiata pine. The relevant qualifications, experience and independence of the valuer, the work performed by the valuer and the key inputs and assumptions used in the valuation will be set out the annual report.

Selling and distribution costs

Selling and distribution costs mainly represents trucking, barging and export handling expenses, ocean freight and logistic related costs for Suriname logs and lumber sales and ocean freight and logistic related costs incurred for New Zealand sales. The significant increase during the Year was primarily attributable to the increase in sales volume from New Zealand, which is primarily sold on a cost and freight basis.

As a percentage of revenue, sales and distribution costs fell approximately 3 percent during the Year, primarily due to the increase of the average selling price of New Zealand radiata pine and the increase of the percentage of sawn timber sold from Suriname, which by nature has a lower unit cost of distribution than logs.

Administrative expenses

Administrative expenses increased by HK$9,646,000 to HK$89,135,000 for the Year. The increase was mainly attributable to certain one-off expenses, which included the remuneration and out-of-pocket expenses of a former director of the Company of HK$4,888,000, severance and notice payments for staff redundancies of HK$1,605,000, and legal and professional fees of HK$1,764,000 incurred in relation to the unconditional mandatory general offer made by Emerald Plantation Group Limited ("EPGL", a wholly-owned subsidiary of the ultimate holding company) during the Year.

Other operating expenses

During the Year, other operating expenses mainly represented unallocated operating and manufacturing overhead expenses incurred in the Suriname logging and sawmill operations of HK$71,229,000 (2012: HK$51,575,000), a provision for impairment on the Suriname timber concessions and cutting rights of HK$11,695,000 (2012: HK$63,601,000), and amortization of harvest roads in the New Zealand division of HK$15,433,000 (HK$7,662,000).

The provision for impairment of HK$11,695,000 made for the Year is related to one of the timber concessions, located in central Suriname acquired in late 2012, mainly related to a possible significant increase in annual forest concession license fees ("Annual Fee") promulgated by the Suriname government shortly before the end of the Year. No provision is made for other timber concessions and cutting rights held by the Group as their fair market value as at the year end is higher than their carrying amounts even after taking into account the increased Annual Fee.

Apart from the impairment provision mentioned above, the Group's other operating expenses also included the unallocated operating and manufacturing overhead expenses incurred in the Suriname logging and sawmill operations which increased by HK$19,654,000 during the Year. Such increase was mainly attributable to a slow down in forestry activities and certain sawmill activities in order to synchronize them with planned processing facilities in west Suriname. In addition, a change in log species mix input into the sawmill (with the primary objective of producing a wider variety of products for customers) also affected the sawmill's overall performance as it increased machinery set-up time and impacted efficiency.

In addition, the temporary slowdown in sawmill activities in central Suriname caused by the breakdown of a major generator and other mechanical problems, which have been subsequently replaced and repaired, and extra costs incurred in order to prepare for the Forest Stewardship Council ("FSC") audit in June 2013 also resulted in higher other operating expenses recorded in central Suriname during the Year. The Group successfully renewed its FSC full certificate in July 2013 and resumed normal operations in central Suriname thereafter.

Following the frustration of a subcontracting agreement in relation to certain harvesting rights in east Suriname as announced by the Company on 5 April 2013, the operations in east Suriname were restricted to selling and disposal of logs on hand and moving the harvested logs from the forest landings to the central log yard. A total of HK$13,984,000 was incurred for east Suriname operation during the Year. As most of the logs have been moved out to the central log yard by the end of the Year, it is therefore not expected that further significant operating costs will be incurred in east Suriname in 2014.

In New Zealand, increased amortization of harvest roads of HK$7,771,000 was experienced during the Year as the Group constructed more harvest roading in New Zealand to support increased harvesting.

Non-cash share option expenses

Share option expenses incurred in the Year of HK$3,060,000 were non-cash in nature and represented mainly the fair value of those previously granted share options which became vested immediately as a result of the unconditional mandatory general offer made by EPGL during the Year.

Finance costs

Finance costs increased by HK$7,378,000 to HK$47,344,000 for the Year. The increase was mainly attributable to the net effect of the following (i) a full year's interest of HK$3,120,000 (2012: approximately nine months interest of HK$1,830,000) incurred on a loan with a principal amount of HK$62,400,000 granted by Sino-Capital on 26 March 2012 to proportionately finance the Group's operations in west Suriname which is owned as to 60.39% by the Group and as to 39.61% by Sino-Capital; (ii) interest of HK$7,141,000 (2012: Nil) incurred on a US$30,000,000 loan and overdraft facility granted by Bank of New Zealand; (iii) a loss of HK$5,095,000 arising from the early redemption of US$8,000,000 principal amount of the convertible note by the Noteholder in February 2013 ("Early Redemption") and (iv) a decrease in interest incurred on the convertible note of HK$5,569,000 as a result of the Early Redemption.

Tax

Tax charges incurred for the Year mainly represented a deferred tax charge of HK$30,686,000 (2012: HK$2,824,000), and a general tax provision of HK$14,693,000 (2012: HK$9,524,000) attributable to the New Zealand division, plus withholding tax of HK$1,050,000 (2012: Nil) resulting from the remittance of intercompany interest and net exchange differences arising from the translation of foreign currency denominated income tax recoverable and deferred tax liabilities.

The deferred tax charge for the Year mainly represented the net movement of taxable temporary differences arising from the New Zealand division of HK$29,434,000 (2012: HK$11,925,000), which included the utilization of tax losses, fair value gains on New Zealand plantation forest assets, different amortization/depreciation rates for tax and accounting purposes related to the New Zealand plantation forest and forest roads assets and the Year end foreign currency translation adjustment for United States dollar denominated term loans etc. In addition to this, the deferred tax charge for the Year also included temporary differences arising from the New Zealand plantation forest assets which have a tax base denominated in the New Zealand dollars. As the New Zealand dollar against the United States dollar (the Group's functional currency) did not move significantly (31 December 2013: 0.8214; 31 December 2012: 0.8288), a deferred tax charge of HK$1,252,000 (2012: deferred tax credit of HK$9,101,000) was recorded for this temporary difference between the tax base and the carrying amount of the New Zealand plantation forest assets solely related to fluctuation of the New Zealand dollar exchange rate.

EBITDA

The EBITDA of the Group increased from HK$26,291,000 for 2012 to HK$182,801,000 for the Year, an increase of HK$156,510,000.

The significant growth in EBITDA of the Group was largely contributed by the New Zealand division, which benefited from the higher average selling prices and increased harvest volumes. As a result, the EBITDA of New Zealand division increased by HK$132,160,000 from HK$191,741,000 for last year to HK$323,901,000 for the Year.

In addition, due to the commencement of the operation of phase one of the processing facility in west Suriname and the continuing implementation of cost management measures, the negative EBITDA of the Suriname division reduced by HK$33,876,000 for the Year, a decrease of approximately 27.2% as compared with that of last year.

Loss for the Year attributable to equity holders of the Company

As a result of the above, the loss attributable to the equity holders of the Company reduced from HK$76,777,000 for 2012 to HK$5,739,000 for the Year, representing a 92.5% reduction.

Event after the reporting period

Details of the significant events after the reporting period of the Group are set out in note 14 to this announcement.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2013, the Group's current assets and current liabilities were HK$436,168,000 and HK$593,377,000 (2012: HK$322,061,000 and HK$633,396,000), respectively, of which the Group maintained cash and bank balances of approximately HK$204,014,000 (2012: HK$144,285,000). The Group's outstanding borrowings as at 31 December 2013 represented the loan from intermediate holding company amounting to HK$312,000,000 (2012: HK$312,000,000), loans from Sino-Capital (a 100% subsidiary of EPGL) amounting to HK$89,700,000 (2012: HK$62,400,000), interest bearing bank borrowings amounting to HK$195,000,000 (2012: Nil) and finance lease payables of HK$30,317,000 (2012: HK$31,141,000). Accordingly, the Group's gearing ratio, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to equity holders of the Company, was 62.1% (2012: 40.2%).

Notwithstanding the Group's net current liabilities of HK$157,209,000 as at 31 December 2013 (2012: HK$311,335,000), the Directors, after taking into account the unutilized banking facility of HK$39,000,000, the possible sell-off of certain non-current assets and other measures as mentioned in note 1.2 to the announcement, are of the view that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future.

As at 31 December 2013, there were 789,889,104 ordinary shares of the Company in issue.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in United States dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

Most of the Group's sales are denominated in United States dollars, to which Hong Kong dollar is pegged and is the same currency in which all the Group's outstanding borrowings, and the majority of costs and expenses incurred in Hong Kong and Suriname are denominated. The domestic sales generated from the New Zealand plantation assets are denominated in New Zealand dollars which helps to partly offset the Group's operating expenses payable in New Zealand dollars. During the Year, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2013. However, management will continue to closely monitor all possible exchange rate risk arising from the Group's existing operations and new investments in the future and will implement necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

PROSPECTS

During the Year, the New Zealand division delivered strong results, taking advantage of the growing demand for radiata pine as a key construction and building material in China. Looking forward, the first quarter of 2014 has seen log prices remain at or slightly above levels witnessed at the end of 2013 and the market in general remains of the view that GDP growth of mainland China will remain at around 7.5% or slightly lower in 2014. The recent introduction of two-child policy and rural land reforms are likely to boost housing demand further. From the supply side, local demand for the softwood logs from the Pacific North West is growing due to the recovery of United States and Canadian economies and the supply of Canadian SPF lumber is decreasing. Russian logs had 38% of the China imported logs market shares two years ago but its market share reduced to 24% in 2013. The reduction in Russian log volume is primarily due to infrastructure limitation, high operating costs and over cutting of accessible resource. All of these factors could potentially reduce available supply of logs for China and maintain high price levels. However, management will continue to monitor economic indicators carefully and adjust logging volumes should it be deemed necessary.

As noted above, the New Zealand radiata log prices in the first two months of 2014 have been maintained at the levels of the last quarter of 2013. A-grade logs are now at around USD157/JAS in China, which is a 13% year-on-year increase. The target harvest volume is 700,000 m^3 in 2014, an approximately 6% increase from 662,000 m^3 in 2013. In addition, management has successfully negotiated better contract rates with certain external operators during contract renewal. Management are therefore expecting that the performance of the New Zealand division will continue to remain strong for at least the first half of 2014.

Regarding the Group's Suriname division, the outlook for both tropical log and lumber prices on the international market will still be largely driven by China demand, which is expected to be positive. Other than China, the European and USA markets are also important as they are significant users of higher value lumber grades. The FSC certification status in central Suriname has facilitate penetration into these two markets. Greenheart's current configuration, with a head office in Hong Kong and production base in Suriname, is intended to serve demand from both China and Europe/USA. So far, both demand and market prices for the same or similar products has grown steadily over the past two years. The impetus for the success of the Suriname division is to deliver the right products to customers using the shortest time and at the lowest costs. To meet this objective, further adjustments will be made to the product range, in terms of species, size and quality, in 2014.

After incurring significant capital expenditure on sawmills over the past three years, management intend to complete all significant sawmill-related expenditure in 2014 and to make the Suriname division cash flow neutral by the end of 2014. A new general manager for Suriname joined the Group in January 2014. He has started to address these challenges with initiatives in cost rationalization, organization rightsizing, improved productivity, inventory control, operational efficiency, product range consolidation and an improved sales and production planning process. Significant progress has already been made and will continue for the rest of the year.

Externally, the recent sharp increase of the Annual Fee has caught the entire Suriname forestry industry by surprise. No public or industry consultation took place before the increase in Annual Fee was introduced. Greenheart, together with other industry participants, who have reacted adversely to the proposed increases, is doing its utmost to convince the Suriname government to reconsider the magnitude of the increase, or to consider delaying implementation of the increase, or provide relief to legitimate operators such as Greenheart. Meanwhile, a detailed review of the Group's existing forest assets portfolio in Suriname is underway in order to ascertain if adjustment to the investment strategy or existing concessions portfolio as a result of this change is needed. At present, management remain cautiously optimistic about the longer-term prospects for the Suriname forestry industry.

In parallel with the operational rationalization measures taken in Suriname, a comprehensive review of the Company's corporate overhead structure and costs in Hong Kong has also commenced, and is ongoing, and actions, including sharing office space and certain administrative staff with EPHL, have been taken to enhance operational efficiency and cost effectiveness.

Overall, in 2014, management will continue to focus on costs, returns and cash conservation to drive sustainable financial performance improvements and deliver greater value to shareholders.

CHARGE ON ASSETS

As at 31 December 2013 and 2012, the Group's bank loan facilities are secured by:

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

(ii) A Fixed Charge over:

   a. the Group's forestry land with the net carrying amount of approximately HK$109,324,000 (2012: HK$109,608,000) ("Forestry Land");

   b. the Group's plantation forest assets with the net carrying amount of approximately HK$521,764,000 (2012: HK$500,738,000) 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.

DIVIDEND

The Board has resolved not to recommend any dividend for the Year.

CAPITAL EXPENDITURE

During the Year, the Group incurred capital expenditure of approximately HK$79,797,000 (2012: approximately HK$128,598,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

On 19 December 2013, Greenheart Forest Suriname Suma Limited as the purchaser, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Sumaroeba Holdings A.V.V., an independent third party as the vendor and its two shareholders and an individual (all are independent third parties) as the guarantors, whereby it has conditionally agreed to purchase the entire equity interest in Suma Lumber Company N.V. ("Suma Lumber"), a company incorporated in Suriname which holds several forest concessions, a parcel of land, sawmill plant and equipment in Suriname, at a total cash consideration of US$7,800,000 (equivalent to HK$60,840,000). The transaction was completed on 12 February 2014. Suma Lumber is the entity through which the Group's central Suriname operations are managed.

Save as disclosed above, the Group had no material business acquisitions or disposals for the Year.

CONTINGENT LIABILITIES

On 5 March 2014, a legal letter was served to Greenheart (Suriname) N.V. an indirect non-wholly owned subsidiary of the Company, by a contractor for outstanding contracting fee and certain out of pocket expense totaling HK$990,000 (equivalent to US$127,000). In the opinion of the Directors, the amount is not payable as the contractor did not perform the construction work as stipulated by the Group. After consulting with the Group's legal counsel, it is not considered probable that the contractor will succeed in the claim and accordingly, no additional provision has been made in the consolidated financial statements.

As at 31 December 2013, the Group did not have any other significant contingent liabilities (2012: Nil).

SHARE OPTION SCHEME

As at 1 January 2013, there were a total of 46,222,070 share options outstanding under the Company's share option schemes. A total of 31,792,070 share options were granted by the Company pursuant to the share option scheme adopted by the shareholders of the Company on 22 March 2002 and had expired on 22 March 2012 (the "Old Share Option Scheme") and a total of 14,430,000 share options were granted by the Company pursuant to the share option scheme adopted by the shareholders of the Company on 28 June 2012 (the "New Share Option Scheme"). Movements of the outstanding share options of the Company during the Year:

	Old Share Option Scheme	**New Share Option Scheme**	**Total**
As at 1 January 2013	31,792,070	14,430,000	46,222,070
Lapsed during the Year	(13,927,490)	–	(13,927,490)
Cancelled during the Year	(17,864,580)	(4,265,000)	(22,129,580)
Exercised during the Year	–	(10,165,000)	(10,165,000)
As at 31 December 2013	–	–	–

Note:

(a) Due to the unconditional mandatory general cash offer ("Option Offer") made to the Company's option holders by EPGL (please refer to the offer document from EPGL relating to, among other things, the Option Offer dated 21 February 2013 for further details) for the then outstanding options granted under the Old Share Option Scheme and the New Share Option Scheme, (i) all unvested options have been vested when the Option Offer was made on 21 February 2013; (ii) each option holder (or his personal representative(s)) may exercise all options (in whole or in part) at any time within 14 days after the Option Offer was made ("Change of Control Period"); and (iii) any vested option not exercised during the Change of Control Period would automatically lapse pursuant to the terms of the Old Share Option Scheme and the New Share Option Scheme. The option holders may accept the Option Offer whereby the options involved were cancelled. For the number of acceptance of the Option Offer, please refer to the Company's announcement dated 21 March 2013.

Accordingly, as at the date of this announcement, there are no outstanding options granted by the Company as a result of the Option Offer.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2013, the number of employees of the Group was 566 (2012: 532). Employment costs (including Directors' emoluments) amounted to approximately HK$107,485,000 for the Year (2012: HK$78,206,000). The significant increase was because more workers were hired in Suriname in preparation for the completion of the sawmill line in west Suriname and the increase production capacity in central Suriname. Remuneration includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical benefits are provided to all levels of personnel and retirement benefits schemes are made available to personnel in accordance with relevant regulations in their respective jurisdictions.

AUDIT COMMITTEE

During the year, Mr. Paul Brough was appointed as an additional member of the audit committee of the Company (the "Audit Committee") on 30 August 2013. He ceased to be member of the Audit Committee upon his re-designation as an executive Director and interim Chief Executive Officer on 2 October 2013.

The Audit Committee currently has four members comprising the three independent non-executive Directors, namely Mr. Wong Che Keung, Richard (Chairman), Mr. Wong Kin Chi and Mr. Tong Yee Yung, Joseph and one non-executive Director, namely, Mr. Colin Denis Keogh who was appointed on 31 March 2014. None of them are partners or employees of the former or existing auditors of the Company. The Board considers the Audit Committee to have 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; to review the periodic reports prepared by the Internal Audit Department 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 management and external auditors the consolidated financial statements for the Year.

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 the code provisions set out in CG Code throughout the Year except for certain minor deviations as explained below:

1. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. Following the resignation of Mr. Chan Tak Yuen, Allen on 29 August 2011, Mr. William Judson Martin ("Mr. Martin"), the chairman, chief executive officer and executive director of the Company, assumed the role of Chairman of the Board with effect from 29 August 2011. Prior to Mr. Martin's resignation as chairman, chief executive officer, president and executive director of the Company on 30 September 2013, the Company's day-to-day operation was managed by the Executive Management Committee which comprised Mr. Martin, Mr. Andrew Fyfe, the Chief Operating Officer and Ms. Tse Nga Ying, Daphne, the Chief Financial Officer. The Executive Management Committee enjoys delegated authority from the Board for the conduct of the day-to-day business of the Group. As such, the Board was of the opinion that, although Mr. Martin was both the Chairman of the Board and the chief executive officer of the Company during the period from 1 January 2013 to 30 September 2013, this arrangement would provide the Group with strong and consistent leadership and allow for more effective and efficient business decision making and execution. Mr. Martin tendered his resignation on 30 September 2013, following which Mr. Brough and Mr. Wang Tong Sai, Eddie were appointed as interim Chief Executive Officer and non-executive Chairman, respectively on 2 October 2013. Mr. Brough was also re-designated as an executive Director on that date and replaced Mr. Martin as a member of the Executive Management Committee. Accordingly, the Company now complies fully with the code provision A.2.1 of the CG Code.

2. Under code provision A.2.7 of the CG Code, the chairman should at least hold meetings with the non-executive Directors (including independent non-executive Directors) annually without the executive Directors present. However, as the Chairman was appointed in late 2013 and as he required some time to familiarize himself with the Group, such a meeting did not take place until 23 January 2014 being the earliest practicable date for holding such meeting.

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

4. Under Code Provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. It was noted that one independent non-executive Director, Mr. Wong Che Keung, Richard and two non-executive Directors, Mr. Simon Murray and Mr. Colin Denis Keogh were unable to attend the annual general meeting of the Company held on 28 June 2013 while one non-executive Director, Mr. Simon Murray was unable to attend the special general meeting of the Company held on 21 November 2013, all due to unavoidable business commitments.

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

FORWARD LOOKING STATEMENTS

This announcement 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.

APPRECIATION

The Group's continued success depends on all our 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
Paul Jeremy Brough
Interim Chief Executive Officer and
Executive Director

Hong Kong, 31 March 2014

As at the date hereof, the Board comprises two executive Directors, namely, Messrs. Paul Jeremy Brough and Hui Tung Wah Samuel, three non-executive Directors, namely, Messrs. Simon Murray, Colin Denis Keogh and Wang Tong Sai Eddie and three independent non-executive Directors, namely, Messrs. Wong Che Keung Richard, Tong Yee Yung Joseph and Wong Kin Chi.

Website: http://www.greenheartgroup.com