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GREENHEART GROUP LIMITED
綠心集團有限公司

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 (the "Year"), together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	6	**606,896**	543,708
Cost of sales		**(486,257)**	(403,988)
Gross profit		**120,639**	139,720
Other income	7	**696**	2,469
Other gains and losses	7	**(34,710)**	(5,571)
Fair value gain on plantation forest assets		**130,801**	65,109
Selling and distribution costs		**(104,292)**	(120,710)
Administrative expenses		**(52,308)**	(60,517)
Finance costs	8	**(20,010)**	(21,480)
PROFIT (LOSS) BEFORE TAX	9	**40,816**	(980)
Income tax expense	10	**(478)**	(26,849)
PROFIT (LOSS) FOR THE YEAR		**40,338**	(27,829)

	Notes	**2017** *HK$'000*	2016 *HK$'000*
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**2,855**	1,644
Item that will not be reclassified to profit or loss			
Revaluation gain on forestry land		**6,228**	7,210
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX OF NIL		**9,083**	8,854
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		**49,421**	(18,975)
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**86,451**	8,735
Non-controlling interests		**(46,113)**	(36,564)
		40,338	(27,829)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**95,534**	17,589
Non-controlling interests		**(46,113)**	(36,564)
		49,421	(18,975)
EARNINGS PER SHARE			
Basic	11	**HK$0.056**	HK$0.006
Diluted	11	**HK$0.056**	HK$0.006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**31 December 2017 HK$'000**	31 December 2016 HK$'000 (Restated)	1 January 2016 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**336,951**	341,508	342,819
Prepaid lease payments		**21,985**	19,764	20,992
Goodwill		**5,651**	5,651	–
Timber concessions and cutting rights		**394,990**	463,750	465,529
Other intangible assets		**23**	98	376
Plantation forest assets		**400,837**	320,682	357,907
Prepayments, deposits and other receivables		**585**	2,276	3,591
Deferred tax assets		**24,356**	4,016	4,449
		1,185,378	1,157,745	1,195,663
CURRENT ASSETS				
Inventories		**23,939**	32,309	35,889
Trade receivables	12	**238,455**	122,366	45,223
Prepayments, deposits and other receivables		**41,245**	39,930	40,784
Amount due from a fellow subsidiary	15(b)(iv)	**500**	185	–
Tax recoverable		**–**	3,166	2,804
Pledged bank deposit		**3,136**	–	–
Cash and cash equivalents		**174,435**	79,312	121,851
		481,710	277,268	246,551
CURRENT LIABILITIES				
Trade payables	13	**30,168**	36,514	32,706
Other payables and accruals		**45,427**	48,427	44,911
Obligations under finance lease				
– amount due within one year		**10,229**	8,778	9,853
Loan from ultimate holding company	15(a)(iii)	**–**	78,000	78,000
Loan from immediate holding company	15(a)(ii)	**8,580**	–	339,300
Amount due to immediate holding company	15(b)(i)	**202**	461	15,597
Amount due to ultimate holding company	15(b)(iii)	**1,101**	1,101	1,101
Tax payable		**33,460**	29,124	55,564
		129,167	202,405	577,032
NET CURRENT ASSETS (LIABILITIES)		**352,543**	74,863	(330,481)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,537,921**	1,232,608	865,182

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000 (Restated)	1 January 2016 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Loan from ultimate holding company	15(a)(iii)	**78,000**	–	–
Loans from immediate holding company	15(a)(ii)	**126,385**	121,844	92,906
Amount due to immediate holding company	15(b)(ii)	**22,860**	16,032	–
Bank borrowings	14	**195,000**	195,000	195,000
Deferred tax liabilities		**194,369**	197,817	183,933
		616,614	530,693	471,839
NET ASSETS		**921,307**	701,915	393,343
CAPITAL AND RESERVES				
Equity attributable to owners of the Company				
Share capital		**16,863**	14,863	9,625
Reserves		**1,131,583**	868,078	528,180
		1,148,446	882,941	537,805
Non-controlling interests		**(227,139)**	(181,026)	(144,462)
TOTAL EQUITY		**921,307**	701,915	393,343

Notes:

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Newforest Limited ("Newforest"), a company incorporated in Cayman Islands and its ultimate parent is Chow Tai Fook Enterprises Limited ("CTFE"), a company incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is different from the functional currency of the Company, United States dollars. The Company is a public company with principal place of business in Hong Kong with its shares listed on the Stock Exchange, where most of its investors are located and therefore, the Directors consider that Hong Kong dollars is preferable in presenting the operating results and financial position of the Group.

2. PRIOR YEAR ADJUSTMENTS

In previous years, deferred tax liabilities in respect of fair value adjustments arising from acquisition of subsidiaries in Suriname were measured and recognised at a rate different from the statutory income tax rate of 36% of the relevant subsidiaries.

As required under HKAS 8, the revision in measurement of deferred tax liabilities in respect of fair value adjustments arising from acquisition of subsidiaries has been applied retrospectively. Comparative figures have been restated accordingly. In addition, a reclassification adjustment was made between deferred tax assets and deferred tax liabilities.

The effects of the adjustments as described above on the Group's financial performance for the years ended 31 December 2017 and 31 December 2016 are as follows:

The comparative figures in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 have not been restated as the amounts involved were immaterial.

Consolidated statement of profit or loss and other comprehensive income

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Decrease in income tax expense	**11,967**	–
Increase in profit and total comprehensive income for the year	**11,967**	–
Increase in profit and total comprehensive income for the year attributable to owners of the Company	**7,504**	–
Decrease in loss and total comprehensive expense for the year attributable to non-controlling interests	**4,463**	–
Increase in profit and total comprehensive income for the year	**11,967**	–
Increase in earnings per share		
– Basic	**HK$0.005**	–
– Diluted	**HK$0.005**	–

The effects of adjustments described above on the Group's financial positions as at 31 December 2017 and 31 December 2016 are as follows:

Consolidated statement of financial position

	31 December 2017 *HK$'000*	31 December 2016 *HK$'000* (Restated)
Increase in deferred tax assets	**–**	4,016
Increase in deferred tax liabilities	**(52,463)**	(68,446)
Effects on net assets	**(52,463)**	(64,430)
Increase in accumulated losses	**(35,179)**	(42,683)
Decrease in non-controlling interests	**(17,284)**	(21,747)
Effects on total equity	**(52,463)**	(64,430)

The effects of adjustments described above on the financial position of the Group as at the beginning of the comparative period, i.e. 1 January 2016, are as follows:

Consolidated statement of financial position as at 1 January 2016

	As originally stated *HK$'000*	Adjustments *HK$'000*	As restated *HK$'000*
Deferred tax assets	–	4,449	4,449
Deferred tax liabilities	(115,054)	(68,879)	(183,933)
Effects on net assets		(64,430)	
Accumulated losses	(1,144,859)	(42,683)	(1,187,542)
Non-controlling interests	(122,715)	(21,747)	(144,462)
Effects on total equity		(64,430)	

The effects of adjustments described above on the financial position of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2016, are as follows:

Consolidated statement of financial position as at 31 December 2016

	As originally stated	Adjustments	As restated
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	–	4,016	4,016
Deferred tax liabilities	(129,371)	(68,446)	(197,817)
Effect on net assets		(64,430)	
Accumulated losses	(1,135,897)	(42,683)	(1,178,580)
Non-controlling interests	(159,279)	(21,747)	(181,026)
Effect on total equity		(64,430)	

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments in the first time in the current year. The amendments require an entity to provide disclosures enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for prior year. Apart from the additional disclosure in annual report, the application of these amendments has had no impact on the Group's consolidated financial statements.

4. CHANGES IN ACCOUNTING ESTIMATE

In the application of the Group's accounting policies, which are described in annual report, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period are set out in the annual report.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Timber concessions and cutting rights

In prior years, timber concessions and cutting rights are amortised on a unit-of-production basis, whereby the annual amortisation amount is determined based on the actual logging volume for the year to the projected total standing log volume of the timber concessions and cutting rights.

Following the annual review of the actual consumption of the Group's timber concessions and cutting rights, the Group revised the amortisation method for the timber concessions and cutting rights to straight-line basis with effect from 1 January 2017. The change in accounting estimate is accounted for on a prospective basis. The net carrying amount of timber concessions and cutting rights at 1 January 2017 is amortised on a straight-line basis over the remaining terms of respective licenses for timber concessions and cutting rights. The Directors considered that the revised amortisation method could better reflect the consumption of the economic benefits of the timber concessions and cutting rights. The effect of the change in amortisation method has increased the amortisation in 2017 by HK$24,600,000. Details are set out in the note for timber concessions and cutting rights in the annual report.

5. SEGMENT INFORMATION

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

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

Suriname:	Selective hardwood log harvesting, timber processing, marketing, sale and trading of logs and timber products
New Zealand:	Softwood plantation management, log harvesting, marketing, sale and trading of logs, provision of forest management services and shipping services

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment performance is evaluated based on reportable segment profit (loss), which is a measure of profit (loss) before finance costs, income tax expense, depreciation, forest depletion cost as a result of harvesting and amortisation ("EBITDA"). EBITDA is further adjusted to exclude fair value gain on plantation forest assets, interest income, write-down of inventories, impairment losses, reversal of impairment and non-cash share-based payment expenses ("Adjusted EBITDA"), which is the measure evaluated by the 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 2017

	Suriname *HK$'000*	New Zealand *HK$'000*	Segment total *HK$'000*	Unallocated corporate items *HK$'000*	Consolidated total *HK$'000*
SEGMENT REVENUE – EXTERNAL	21,540	585,356	606,896	–	606,896
SEGMENT RESULTS ("Adjusted EBITDA")	(28,789)	228,838	200,049	(24,528)	175,521
Reconciliation of the segment results: Items other than finance costs, income tax expense, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	130,801	130,801	–	130,801
Interest income	3	36	39	–	39
Impairment of timber concessions and cutting rights***	(43,502)	–	(43,502)	–	(43,502)
Impairment of trade receivables***	(62)	–	(62)	–	(62)
Reversal of impairment of prepaid lease payments***	3,801	–	3,801	–	3,801
Write-down of inventories*	(8,031)	–	(8,031)	–	(8,031)
Share-based payment expenses**	–	–	–	(98)	(98)
EBITDA	(76,580)	359,675	283,095	(24,626)	258,469
Finance costs	(11,757)	(8,253)	(20,010)	–	(20,010)
Forest depletion cost as a result of harvesting*	–	(120,214)	(120,214)	–	(120,214)
Depreciation	(17,436)	(3,763)	(21,199)	(719)	(21,918)
Amortisation of harvest roading included in prepayments*	–	(28,950)	(28,950)	–	(28,950)
Amortisation of timber concessions and cutting rights*	(25,258)	–	(25,258)	–	(25,258)
Amortisation of prepaid lease payments**	(1,228)	–	(1,228)	–	(1,228)
Amortisation of other intangible assets*	(75)	–	(75)	–	(75)
(LOSS) PROFIT BEFORE TAX	(132,334)	198,495	66,161	(25,345)	40,816
SEGMENT ASSETS	594,194	966,784	1,560,978	106,110	1,667,088
SEGMENT LIABILITIES	430,381	312,523	742,904	2,877	745,781
Other segment information					
Capital expenditures#	(1,690)	(101,349)	(103,039)	–	(103,039)

Capital expenditures consist of additions to property, plant and equipment, harvest roading and plantation forest assets, and acquisition of plantation forest assets.

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

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

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

Year ended 31 December 2016

	Suriname HK$'000	New Zealand HK$'000	Segment total HK$'000	Unallocated corporate items HK$'000	Consolidated total HK$'000
SEGMENT REVENUE – EXTERNAL	28,450	515,258	543,708	–	543,708
SEGMENT RESULTS ("Adjusted EBITDA")	(39,339)	198,421	159,082	(24,487)	134,595
Reconciliation of the segment results: Items other than finance costs, income tax expense, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	65,109	65,109	–	65,109
Interest income	6	25	31	–	31
Impairment of trade receivables***	(6,000)	–	(6,000)	–	(6,000)
Write-down of inventories*	(5,760)	–	(5,760)	–	(5,760)
Share-based payment expenses**	–	–	–	(8,488)	(8,488)
EBITDA	(51,093)	263,555	212,462	(32,975)	179,487
Finance costs	(11,158)	(10,322)	(21,480)	–	(21,480)
Forest depletion cost as a result of harvesting*	–	(108,043)	(108,043)	–	(108,043)
Depreciation	(19,706)	(3,482)	(23,188)	(935)	(24,123)
Amortisation of harvest roading included in prepayments*	–	(21,480)	(21,480)	–	(21,480)
Amortisation of timber concessions and cutting rights*	(3,835)	–	(3,835)	–	(3,835)
Amortisation of prepaid lease payments**	(1,228)	–	(1,228)	–	(1,228)
Amortisation of other intangible assets*	(278)	–	(278)	–	(278)
(LOSS) PROFIT BEFORE TAX	(87,298)	120,228	32,930	(33,910)	(980)
SEGMENT ASSETS	663,542	764,017	1,427,559	7,454	1,435,013
SEGMENT LIABILITIES	439,712	291,251	730,963	2,135	733,098
Other segment information					
Capital expenditures#	(4,706)	(45,769)	(50,475)	(32)	(50,507)

Capital expenditures consist of additions to property, plant and equipment, harvest roading and plantation forest assets, and exclude assets from acquisition of subsidiaries.

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

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

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

Geographical Information

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

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**379,081**	459,228
New Zealand	**207,636**	56,663
Suriname	**5,413**	8,599
The Netherlands	**4,710**	5,766
Belgium	**3,355**	3,413
Hong Kong	**890**	–
India	**123**	5,459
Other countries	**5,688**	4,580
	606,896	543,708

(b) Information about the Group's carrying amount of non-current assets is presented based on the geographical area in which the assets are located:

	2017	2016
	HK$'000	*HK$'000*
Suriname	**539,256**	622,344
New Zealand	**620,800**	528,276
Hong Kong	**966**	3,109
	1,161,022	1,153,729

Information on major customers

During the Year, the Group had transactions with two (2016: three) customers from New Zealand segment who each contributed over 10% of the Group's total revenue for the Year. A summary of revenue earned from each of these major customers is set out below:

	2017	2016
	HK$'000	*HK$'000*
Customer 1	**337,238**	273,097
Customer 2	**124,999**	N/A*
Customer 3	**N/A***	121,388
Customer 4	**N/A***	64,122
	462,237	458,607

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

6. REVENUE

	2017	2016
	HK$'000	*HK$'000*
Sales of logs and timber products	**582,637**	539,156
Forest management fee	**6,072**	4,552
Shipping service fee income	**18,187**	–
	606,896	543,708

7. OTHER INCOME, GAINS AND LOSSES

Other income:

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**39**	31
Compensation from an insurance company	**–**	546
Compensation from early termination of a forest management contract	**–**	702
Rental income from lease of plant and machinery	**252**	925
Others	**405**	265
	696	2,469

Other gains and losses:

	2017	2016
	HK$'000	*HK$'000*
Impairment of:		
– timber concessions and cutting rights	**(43,502)**	–
– trade receivables	**(62)**	(6,000)
Reversal of impairment of prepaid lease payments	**3,801**	–
Gain on disposal of property, plant and equipment	**5,053**	429
	(34,710)	(5,571)

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on loans from immediate holding company	**6,491**	8,951
Interest on loan from ultimate holding company	**3,900**	3,911
Interest on finance leases	**1,366**	1,212
Interest on bank borrowings	**8,253**	7,406
	20,010	21,480

9. PROFIT (LOSS) BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold*	**410,537**	356,305
Cost of services rendered*	**20,071**	1,931
Amortisation of timber concessions and cutting rights*	**25,258**	3,835
Forest harvested as agricultural produce	**120,508**	109,843
Amount capitalised in closing inventories	**(2,459)**	(2,165)
Amount released from opening inventories	**2,165**	365
Forest depletion cost as a result of harvesting*	**120,214**	108,043
Depreciation	**21,918**	24,123
Amortisation of:		
– harvest roading included in prepayments*	**28,950**	21,480
– prepaid lease payments**	**1,228**	1,228
– other intangible assets*	**75**	278

	2017	2016
	HK$'000	*HK$'000*
Write-down of inventories*	**8,031**	5,760
Minimum lease payments under operating leases for land and buildings	**5,128**	5,412
Foreign exchange loss (gain), net***	**1,924**	(1,562)
Auditor's remuneration	**1,950**	1,620
Employee benefits expense (including Directors' remuneration):		
Salaries and allowances	**58,984**	63,592
Share-based payment expenses	**98**	8,488
Pension scheme contributions (defined contribution scheme)	**623**	631
	59,705	72,711

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

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

*** Foreign exchange loss of HK$2,362,000 (2016: HK$2,783,000) and foreign exchange gain of HK$438,000 (2016: HK$4,345,000) are included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.

10. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax – Hong Kong		
Charge for the Year	**11,802**	11,175
Overprovision in prior years	**(178)**	(98)
	11,624	11,077
Current tax – other jurisdictions		
Charge for the Year	**11,421**	414
Withholding tax	**1,201**	1,039
Deferred tax	**(23,768)**	14,319
	478	26,849

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year.

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% (2016: 36%) and 28% (2016: 28%), respectively.

The New Zealand withholding tax is provided in view of the recent legislative change in New Zealand, where non-resident withholding tax is chargeable on the intercompany loan interest income received from a subsidiary incorporated in New Zealand.

11. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	**86,451**	8,735

	2017	2016
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,548,494,150**	1,406,621,477
Effect of dilutive potential ordinary shares:		
Share options	**6,267,569**	1,701,330
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,554,761,719**	1,408,322,807

12. TRADE RECEIVABLES

	31 December 2017 *HK$'000*	31 December 2016 *HK$'000*
Trade receivables	**245,055**	128,904
Less: impairment	**(6,600)**	(6,538)
	238,455	122,366

The Group's trading terms with its customers are mainly letters of credit at sight to 90 days or on open account with credit terms of 5 days to 90 days for others. Each open account customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Overdue balances are reviewed regularly by senior management.

On 2 December 2017, the controlling shareholder of the Group's major customer provided a personal guarantee to the Group in relation to the repayment of the trade receivables owed to the Group. The trade receivables owed from this customer amounted to HK$209,111,000 as at 31 December 2017.

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

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:

	31 December 2017 *HK$'000*	31 December 2016 *HK$'000*
Within 1 month	**17,137**	43,591
From 1 to 3 months	**54,467**	76,019
Over 3 months	**166,851**	2,756
	238,455	122,366

13. 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:

	31 December 2017	31 December 2016
	HK$'000	*HK$'000*
Within 1 month	**27,473**	32,996
From 1 to 3 months	**178**	613
Over 3 months	**2,517**	2,905
	30,168	36,514

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

14. BANK BORROWINGS

As at 31 December 2017 and 2016, the Group's bank borrowings were denominated in United States dollars, bearing interest at the base rate determined by the Bank of New Zealand (the "Bank"), plus 1.65% per annum and repayable on 28 February 2019.

The Group's bank loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank. During the Year, one of the financial covenants was not complied with, therefore resulted in an event of review according to the bank loan facilities agreement with the Bank. The Group has rectified the non-compliance and the Bank has confirmed the continuity of the bank loan facilities offered to the Group before the end of the reporting period. As at 31 December 2017, all financial covenants relating to the bank loan facilities were met.

As at 31 December 2017 and 2016, the Group's bank loan facilities are secured by:

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

(ii) a fixed charge over:

- (a) the Group's forestry land (located in New Zealand) with a carrying value of approximately HK$108,447,000 (2016: HK$99,858,000) ("Forestry Land");
- (b) the Group's plantation forest assets (located in New Zealand) with a carrying value of approximately HK$333,831,000 (2016: HK$320,682,000) 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.

15. RELATED PARTY DISCLOSURES

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

Related party	Nature of transaction	*Notes*	**2017** **HK$'000**	2016 *HK$'000*
Immediate holding company	Interest expenses paid and payable on loans	(i), (ii)	**6,491**	8,951
Ultimate holding company	Interest expenses paid and payable on a loan	(iii)	**3,900**	3,911
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iv)	**2,905**	180

Notes:

(i) The interest expenses were charged on an unsecured loan with principal amount of HK$312,000,000 (i.e. US$40,000,000) based on the London Interbank Offered Rate plus 3.5% per annum. The principal amount and the interest payable were capitalised on 22 March 2016.

(ii) 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). On 10 March 2017, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2018 to 31 March 2019;
- an unsecured loan with principal amount of HK$27,300,000 (i.e. US$3,500,000). On 10 March 2017, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2018 to 31 March 2019;
- an unsecured loan with principal amount of HK$23,400,000 (i.e. US$3,000,000). On 10 March 2017, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2018 to 31 March 2019;
- an unsecured loan with principal amount of HK$7,106,000 (i.e. US$911,000). On 10 March 2017, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 27 May 2018 to 31 March 2019;
- an unsecured loan with principal amount of HK$6,179,000 (i.e. US$792,200) which is repayable on 25 October 2019; and
- an unsecured loan with principal amount of HK$8,580,000 (i.e. US$1,100,000) which is repayable on 31 December 2018.

(iii) The interest expenses were charged on an unsecured loan with principal amount of HK$78,000,000 (i.e. US$10,000,000) with interest rate based on the Hong Kong Prime Rate. On 10 March 2017, a supplemental agreement was signed with ultimate holding company to extend the maturity date of the loan principal from 12 August 2017 to 31 March 2019.

(iv) 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 to immediate holding company in current liabilities as at 31 December 2017 and 2016 represented the interest payables in relation to the loans from immediate holding company, which were unsecured and repayable on 31 December 2018 and on demand, respectively.

(ii) The amount due to immediate holding company in non-current liabilities as at 31 December 2017 represented the interest payables in relation to the loans from immediate holding company, which were unsecured and repayable on 31 March 2019 and 25 October 2019.

The amount due to immediate holding company in non-current liabilities as at 31 December 2016 represented the interest payables in relation to the loans from immediate holding company, which were unsecured and repayable on 31 March 2018 and 25 October 2019.

(iii) The amount due to ultimate holding company as at 31 December 2017 and 2016 represented interest payables in relation to the loan from ultimate holding company, which was unsecured and repayable within one year.

(iv) The amount due from a fellow subsidiary as at 31 December 2017 and 2016 was unsecured, interest-free and repayable within one year.

(c) Compensation of key management personnel of the Group

	2017	2016
	HK$'000	*HK$'000*
Short-term employee benefits	**11,642**	12,080
Share-based payment expenses	**–**	6,639
Pension scheme contributions	**72**	72
	11,714	18,791

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events occurred subsequent to the end of the reporting period:

(a) On 29 December 2017, a wholly-owned subsidiary of the Company entered into a cooperation framework agreement with a company in Jiangxi Province, PRC, with its principal business engaged in timber trading, timber port investment and operations, logistics services, and timber industrial park investment, development and management (the "Target in Jiangxi") and its two beneficial owners for a possible investment in the Target in Jiangxi by the Group at a consideration to be mutually agreed (the "Proposed Investment in Jiangxi"). Further details are set out in the Company's announcement dated 4 January 2018.

Subsequent to 31 December 2017, the Group paid a deposit of RMB20,000,000 (equivalent to HK$24,162,000) as earnest money. The Group is in the process of discussion on the Proposed Investment in Jiangxi. Further announcement in respect of the Proposed Investment in Jiangxi will be made by the Company in the event any formal agreement has been signed.

(b) On 26 January 2018, Silver Mount Group Limited, a wholly-owned subsidiary of the Company, entered into the fourth supplemental facility agreement with Greenheart Resources Holdings Limited, a non wholly-owned subsidiary of the Company, pursuant to which the parties conditionally agreed to, among other things, (i) increase the facility amount to HK$371 million; (ii) extend the repayment date of the outstanding amount drawn under the facility to 30 November 2020; and (iii) extend the drawdown period. Independent shareholders' approval was sought at the special general meeting held on 12 March 2018.

Further details are set out in the Company's announcements dated 26 January 2018 and 12 March 2018, and circular dated 15 February 2018, respectively.

(c) On 30 January 2018, a wholly-owned subsidiary of the Company entered into a cooperation framework agreement with two companies in Gabon, Africa, with their principal business engaged in forest harvesting, timber trading and industrial timber processing (the "Targets in Gabon") and their beneficial owner for a possible acquisition of certain equity interests and/or investment in the Targets in Gabon by the Group at a consideration to be mutually agreed (the "Proposed Investment in Gabon"). Further details are set out in the Company's announcement dated 31 January 2018.

Subsequent to the reporting period, the Group paid a deposit of RMB10,000,000 (equivalent to HK$12,300,000) as earnest money. The Group is in the process of discussion on the Proposed Investment in Gabon. Further announcement in respect of the Proposed Investment in Gabon will be made by the Company in the event any formal agreement has been signed.

(d) On 28 February 2018, the Group obtained the forest concession in central Suriname where was previously withdrawn by the Suriname Ministry of Environmental Planning, Land and Forest Management on 19 January 2017. The gross area of the concession was approximately 43,000 hectares. As at the date of this announcement, total area of the timber concessions and cutting rights held by the Group increased to approximately 365,000 hectares.

17. COMPARATIVE AMOUNTS

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of my fellow members of the Board of the Company, I am pleased to announce the annual results of the Group for the Year.

The improved market conditions in global wood industry, particularly in China and the concerted efforts to reduce the operating costs and strengthen the operation efficiency, enable us to record a much enhanced operating profit for the Year.

Although the Group's result was negatively impacted by the provision of impairment for the Suriname division, reflecting the delay of the full production capacity caused by the prolonged concession renewed process, we successfully delivered a net profit of HK$40.3 million in 2017 (2016: net loss of HK$27.8 million) and EBITDA of HK$258.5 million (2016: HK$179.5 million). The profit attributable to the owners of the Company increased substantially by HK$77,716,000 to HK$86,451,000 (2016: HK$8,735,000). Basic earnings per share was HK cents 5.6 (2016: HK cents 0.6).

Other than the improvement of the operating results, 2017 has also been a year of meaningful progress in Greenheart's strategic evolution. During the Year, the Company has successfully completed a placement of 200 million shares with the total net proceeds of approximately HK$169,827,000. A portion of the proceeds was used to acquire a forestry right over the land in North Auckland, New Zealand (the "Rototuna Meridian Forest") in September 2017. Following that, in October 2017, the Group entered into a joint venture agreement in relation to the formation of a joint venture company in China with the scope of business principally engaged in the provision of environmental restoration and greening services in China.

Near the Year end and soon after that, the Group entered into two separate cooperation framework agreements, which provide the Group exclusive rights to review two potential investment opportunities, one in China and the other one in Gabon. The Company believes that based on the preliminary assessment and subject to further detailed due diligence review, these two potential investment opportunities fit into the Group's strategy in broadening our business horizons to other regions and business area which can bring high growth potential and add on value to the Group's existing business. We will discuss these two potential investment opportunities further in the following section.

BUSINESS PERFORMANCE

New Zealand Division

China's demand for New Zealand radiata pine remained firm throughout the Year. Although there were some minor fluctuations, mainly in relation to the shipping rates, other factors affecting the log prices held constant and therefore the export price for A-grade New Zealand radiata pine on cost and freight ("CFR") basis to China stayed at around US$137.9 per m^3 (2016: US$124.6 per m^3) during the Year.

During the Year, the Group harvested a total of 589,000 m^3 of New Zealand radiata pine and generated revenue of approximately HK$585,356,000, a 13.6% year-on-year increase. As a result of the increase of the average selling price, the Adjusted EBITDA, which excluded the fair value gain on plantation forest assets, of New Zealand division increased by HK$30,417,000, or 15.3%, to HK$228,838,000 for the Year.

At present, the usual fundamentals underpinning the New Zealand radiata pine market are almost all positive. China sentiment in the industry is very bullish towards the future log prices. As a result, a total of HK$94,177,000 fair value gain, after netting off the related deferred tax, was recorded for the Group's plantation forest assets in New Zealand.

Suriname Division

Notwithstanding that the value of the tropical logs and lumber, including those from Suriname, in China continuously improved in the recent years and the Group has successfully promoted several lesser known species of Suriname wood to China over the years, Suriname division's result remained disappointing during the Year.

Due to a number of reasons, such as the uncertainty of local government policies, shortage of skilled labour, underdeveloped infrastructure, Suriname division was still struggling and not able to turnaround its performance according to the original schedule. During the Year, the productivity of Suriname division was seriously hampered by the prolonged renewal process of its largest forest concession in the west. As a result, the revenue generated by Suriname division decreased substantially by 24.3% to HK$21,540,000 during the Year. A provision of impairment on timber concessions and cutting rights of HK$43,502,000 was made for west Suriname due to the negative adjustment on the timing for the fully implementation of the proposed recovery plan.

The poor performance of Suriname division has significantly lower the Group's overall result. While the Group still believed in the potentials in Suriname's timber industry, actions must be taken as soon as possible to restore the profitability of Suriname division and ensure the Group's capital and resources are used in areas which can generate growth and best result. A strategy review is underway and various options (including but not limited to the subcontracting of certain activities to seasoned operators) are under considerations. The Company will keep the shareholders and market informed should there be any significant progress or recommendation arise.

THE WAY FORWARD

China's imports of wood and wood products continues to increase in 2017. The increase is in response to the stable economy and a decline in domestic production, caused mainly by the restrictions on harvest of natural forest. The demand of wood in China is expected to remain strong over the medium to longer term. Therefore, China will need to import more wood as a result of the strong domestic demand and a decline in domestic productions.

New Zealand continues to be China's largest softwood importing country. Given the successful track record of our New Zealand business and our established network and knowledge, the Group will place priorities in developing or investing in New Zealand's plantation assets to accelerate our business growth. The Company has identified several potential acquisition targets in New Zealand and anticipated to consummate one or two acquisitions during the 2018, should the terms of the transactions are suitable. The Group is also actively searching for other appropriate overseas wood or wood related assets to fill the large wood deficit in China. Subsequent to the year end, in January 2018, a non-binding agreement was signed which granted the Group an exclusive right to review an opportunity to tap into a sizeable wood resources in Gabon, Africa.

As I have outlined over the past year, Greenheart has been transitioning the Group from a traditional wood and wood products supplier business into ones we believe will generate attractive return in the years ahead as the wood industry adopt to change as a result of economy growth, increasing concern of environmental protection, government policies etc.

Following the gradual shift of China's economic center of gravity to inland provinces, the wood consumption in China expanded from the coastal provinces in South East to middle inland provinces. Such move has created opportunities for inland river ports, warehousing and fulfillment related business. Given that, the Group has entered into a cooperative framework agreement in relation to a possible investment opportunity in a company in Jiangxi Province, China, with its principal business engaged in timber trading, timber port investment and operations, logistics service, timber industrial park investment etc.

Taking all of the aforementioned into consideration, the Board is confident that the Company is on the right track turning Greenheart into a unique asset owner and operator which not only owns precious wood fibre resources but also provide infrastructure and solutions to bring overseas wood fibre to China which we believed can provide sustainable remarkable return to its shareholders and healthy cashflow to support the future growth.

BONUS ISSUE OF SHARES

The Directors propose to make a bonus issue of one new share for every ten existing shares held by shareholders whose names are on the register of members of the Company as at 7 June 2018. The necessary resolution will be proposed at the forthcoming annual general meeting on 30 May 2018 (the "2018 AGM"), and if passed, share certificates will be posted on 22 June 2018.

APPRECIATION

On behalf of the Board of Directors, I wish to extend my sincere gratitude to every management and staff at all levels for their contributions and efforts over the Year. I would also like to thank all my fellow directors for their incisive contributions as we continue our efforts on positioning the Group for future growth.

Last but not least, on behalf of the Board of Directors, I wish to express our sincere appreciation to all our new and existing shareholders for your confidence and steadfast support.

I am confident that our business ambitions and concerted efforts are geared towards making further strides and delivering sustainable long term shareholders value in the years ahead.

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong
27 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group produced a good result for the year due to the strong performance of New Zealand division. In 2017, a net profit of HK$40,338,000, compared with a net loss of HK$27,829,000 in 2016, was recorded. The remarkable performance of the New Zealand division was mainly due to improved underlying operating profit (i.e. Adjusted EBITDA) and a substantial increase of the fair value gain on the plantation forest assets benefited mainly from the increased forecasted selling price. Negative contributions were, however, still seen from Suriname division. A substantial non-cash impairment on timber concessions and cutting rights in Suriname of HK$43,502,000 was recorded for west Suriname as the recovery plan was far lagging behind the original schedule.

Revenue

The Group recorded total revenue of HK$606,896,000, an increase of HK$63,188,000 or 11.6% as compared with that of last year. The increase was mainly attributable to the improvement in the selling prices in the New Zealand division during the Year.

Revenue contributed by the New Zealand division increased by 13.6% to HK$585,356,000 from HK$515,258,000 as compared with that of last year. Such increase was largely a result of the stronger export prices of New Zealand radiata pine. In particular, the average selling price increased to US$114.7 per m^3 for the Year, as compared to US$106.0 per m^3 for the same period last year. Meanwhile, the sales volume was little changed at 627,000 m^3 (2016: 617,000 m^3).

Apart from sales of logs, revenue generated from forest management service increased by 33.4% year-on-year to HK$6,072,000. Further, the Group recorded a new stream of shipping service fee income of HK$18,187,000 during the Year.

Revenue contributed by Suriname division dropped sharply by 24.3%, falling from HK$28,450,000 to HK$21,540,000 during the Year as no production in west Suriname for five months, awaiting for the approval of the renewal of one of its largest concession.

Gross profit

Gross profit was HK$120,639,000 for the Year, representing a decrease of approximately HK$19,081,000 or 13.7% year-on-year. New Zealand division contributed a gross profit of HK$184,682,000 (2016: HK$185,932,000), while Suriname division reported a gross loss of HK$64,043,000 (2016: HK$46,212,000).

During the Year, gross profit margin was 19.9% compared with 25.7% in 2016. The gross profit margin for the Group's New Zealand division for the Year was 31.6% (2016: 36.1%) while Suriname division recorded a gross loss margin of 297.3% (2016: 162.4%).

In addition to the increased non-cash forest depletion cost due to the increase in fair value of the plantation forest assets, the increased cartage and logging cost also reduced the gross profit margin for New Zealand division slightly during the Year.

The gross loss margin for Suriname division deteriorated substantially further during the Year, which was principally because of higher unit fixed costs as a result of low production volume and the cease of the pallet business during the Year.

Other income

Other income amounted to HK$696,000 (2016: HK$2,469,000) for the Year, mainly representing rental income received from subcontractors in Suriname for the lease of plant and machinery of HK$252,000 (2016: HK$925,000) and bank interest income of HK$39,000 (2016: HK$31,000).

Other income for the year ended 31 December 2016 included two one-off items: (i) the compensation received for early termination of a forest management contract of HK$702,000 due to the change of ownership of the related forest assets and (ii) the insurance claim received for a damaged machinery of HK$546,000. No such events happened during the Year.

Other gains and losses

Other gains and losses comprised of (i) impairment on timber concessions and cutting rights of HK$43,502,000 (2016: nil); (ii) impairment on trade receivables of HK$62,000 (2016: HK$6,000,000); (iii) reversal of impairment of prepaid lease payments of HK$3,801,000 (2016: nil); and (iv) gain on disposal of property, plant and equipment of HK$5,053,000 (2016: HK$429,000).

The impairment on timber concessions and cutting rights for the Year was mainly attributable to the west Suriname in which the carrying value of cash-generating unit of the forestry and timber business was in excess of its recoverable amount. Accordingly, impairment was allocated to timber concessions and cutting rights of the cash-generating unit.

Reversal of impairment of prepaid lease payments for the Year was primarily due to the increase in fair value less costs of disposal of certain leasehold land in Suriname based on the valuation reports at the end of the Year prepared by an independent valuer.

The gain on disposal of property, plant and equipment for the Year was due to the disposal of certain idle vehicles in Suriname during the Year.

The impairment on trade receivables for 2016 was made as a result of a dispute regarding the quality of certain low grade Suriname lumber sold.

Fair value gain on plantation forest assets

The fair value gain on the plantation forest assets in New Zealand amounted to HK$130,801,000 (2016: HK$65,109,000) for the Year. The gain was calculated based on the valuation report at the end of the Year prepared by an independent valuer, and was primarily attributable to the increase in the forecasted near term selling price of most log grades. Additional information in relation to these independent valuations is set out in the note to this management discussion and analysis section.

Selling and distribution costs

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

During the Year, selling and distribution costs amounted to HK$104,292,000, representing a 13.6% decrease from HK$120,710,000 in 2016. The decrease was mainly attributable to the decrease in freight cost as a result of the reduction of the volume of New Zealand radiata pine sold under the CFR term. Such effect was partially offset by the increase in per unit freight charge from US$13.3/$m^3$ to US$18.9/$m^3$, reflecting the recovery of global crude oil price and surge on freight demand during the Year.

Administrative expenses

Administrative expenses decreased by 13.6% or HK$8,209,000 for the Year. This was mainly due to the decrease in share-based payment expenses by HK$8,390,000, which were non-cash in nature and represented the amortisation of the fair value of share option granted in September 2016.

Finance costs

Finance costs represented (i) interest on loans from Newforest Limited ("Newforest" or "Immediate Holding Company") of HK$6,491,000 (2016: HK$8,951,000); (ii) interest on loan from Chow Tai Fook Enterprises Limited ("CTFE" or "Ultimate Holding Company") of HK$3,900,000 (2016: HK$3,911,000); (iii) interest on bank borrowings of HK$8,253,000 (2016: HK$7,406,000); and (iv) interest on finance leases of HK$1,366,000 (2016: HK$1,212,000).

The decrease in finance costs by HK$1,470,000 to HK$20,010,000 for the Year was primarily the result of the savings on interest expenses subsequent to the capitalisation of loan from Newforest of HK$312,000,000 (i.e. US$40,000,000) on 22 March 2016, which was partly offset by the increase in interest on bank borrowings following the general rise in London Interbank Offered Rates ("LIBOR") throughout 2017.

Income tax expense

Income tax expense for the Year mainly represented a tax provision of HK$23,045,000 (2016: HK$11,491,000) for New Zealand division, a deferred tax credit of HK$23,768,000 (2016: deferred tax charge of HK$14,319,000), and withholding tax of HK$1,201,000 (2016: HK$1,039,000) resulting from the intercompany interest.

The deferred tax charge for the Year comprised of deferred tax charge of HK$22,420,000 (2016: HK$13,304,000) and deferred tax credit of HK$46,188,000 (2016: deferred tax charge of HK$1,015,000) in New Zealand and Suriname divisions, respectively.

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

The deferred tax credit in Suriname division represented the net movement of taxable temporary differences arising from amortisation of fair value adjustments in previous years' acquisition of subsidiaries and the recognition of tax losses during the Year.

EBITDA

The EBITDA of the Group increased by HK$78,982,000 to HK$258,469,000 for the Year.

The improvement in EBITDA of the Group was primarily contributed by New Zealand division. The EBITDA of New Zealand division increased from HK$263,555,000 last year to HK$359,675,000 for the Year as a result of the improvement in underlying operating results together with the increase in fair value gain on plantation forest assets.

Due to the substantial impairment on timber concessions and cutting rights made for the Year as mentioned above, the negative EBITDA of Suriname division was increased from HK$51,093,000 last year to HK$76,580,000.

Profit for the Year attributable to owners of the Company

As a result of the aforementioned, the profit attributable to owners of the Company increased to HK$86,451,000 for the Year from HK$8,735,000 for 2016.

Equity attributable to owners of the Company

The equity attributable to owners of the Company increased by HK$265,505,000 to HK$1,148,446,000 as at 31 December 2017 from HK$882,941,000 as at 31 December 2016. Such increase was mainly contributed by the completion of the subscription of new shares under general mandate by China Forestry International Resource Company Limited and Hong Kong Genghis Khan Group Limited on 22 August 2017 and 28 September 2017, respectively, where 200,000,000 new shares were issued for HK$169,827,000 net cash consideration.

Additional information related to valuations of plantation forest assets

The Group's plantation forest assets were independently valued by Indufor Asia Pacific Limited ("Indufor") as at 31 December 2017 and 2016, except for the Mclnnes Forestry Right with a total land area of approximately 23 hectares, which was newly acquired in December 2017. Indufor is an independent professional forest specialist consulting firm. The key valuers involved in the valuation is a member of the New Zealand Institute of Forestry, and has no present or prospective interest in the Group's plantation forest assets, and no personal interest or bias with respect to the Group. In the opinion of the Directors, Indufor is independent and competent to determine the fair value of the Group's plantation forest assets.

As part of the independent valuation, a ground inspection was conducted by Indufor in relation to certain areas of the Group's plantation forest assets so as to verify the physical existence and quality in 2017 and 2016. In addition, a high level area validation exercise using satellite imagery was performed for Mangakahia Forest, the Group's largest radiata pine plantation forest assets located in the Northland region of New Zealand with a total area of 12,700 hectares. The area verification covered the entire planted forest area in Mangakahia Forest.

The quality of the radiata pine is also assessed based on three criteria: the forest health, yield and grade mix. A high-level review of the status and general health and quality of the plantation forest assets mainly included:

(a) Reliance on the forest health surveillance report prepared by an independent third party specialising in forest health for Mangakahia Forest and health survey prepared by the Group for Rototuna Meridian Forest with a total land area of approximately 500 hectares, which was newly acquired in 2017. No forest health issues were identified that would have a material bearing on the forest valuation result.

(b) Assessment of the yield and grade mix of the plantation forest assets based on (i) the actual harvesting records obtained from forest manager since the acquisition of the plantation forest assets. The actual yield data for the full extent of the harvesting was considered; and (ii) the yield tables prepared by the previous owners of the plantation forest assets which the Group obtained during due diligence works in respective years.

(c) Comparing the forest planted area maps provided by the forest manager with a sample of newly planted stands inspected by Indufor during the field inspection.

LIQUIDITY AND FINANCIAL REVIEW

As at 31 December 2017, the Group's current assets and current liabilities were HK$481,710,000 and HK$129,167,000 (2016: HK$277,268,000 and HK$202,405,000), respectively, of which the Group maintained cash and bank balances of approximately HK$174,435,000 (2016: HK$79,312,000). The Group's outstanding borrowings as at 31 December 2017 represented the loans from immediate holding company amounting to HK$134,965,000 (2016: HK$121,844,000), the loan from ultimate holding company amounting to HK$78,000,000 (2016: HK$78,000,000), bank borrowings amounting to HK$195,000,000 (2016: HK$195,000,000) and obligations under finance lease of HK$10,229,000 (2016: HK$8,778,000). Accordingly, the Group's gearing ratio, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 36.4% (2016: 45.7%).

As at 31 December 2017, there were 1,686,337,506 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 the Hong Kong dollars is pegged. All the Group's outstanding borrowings, and the majority of costs and expenses incurred in Hong Kong and Suriname are also denominated in United States dollars. The domestic sales generated from the New Zealand plantation forest assets and the forest management fee income from New Zealand division are denominated in New Zealand dollars, which helps to partially 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 2017. 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 (the "Bank"). During the Year, one of the financial covenants was not complied with, therefore, resulted in an event of review according to the bank loan facilities agreement with the Bank. The Group has rectified the non-compliance and the Bank has confirmed the continuity of the bank loan facilities offered to the Group. As at the date of this announcement, all financial covenants related to the bank loan facilities were met.

PROSPECTS

China remains the key market for the Group's major wood products, with only minor volumes for South East Asia, Europe and India. China closed for year 2017 with an actual gross domestic product (GDP) growth of 6.9%, up 0.3% with the real estate sector contributing to 6.5% to the GDP growth, excluding the construction sector. The combination sector accounts for over 13% of the GDP growth. The Chinese Government has announced the GDP growth target would be 6.5% for 2018.

New Zealand logs and wood products (mainly New Zealand radiata pine) exported to China in 2017 reached a record high of US$2.33 billion, US$519 million higher than in 2016. China continues to be New Zealand's major destination for log exports, making up 83% of New Zealand logs exports for the 11 months ended 30 November 2017.

So far, all the information coming of China has pointed towards or better demand for New Zealand radiata pine in the short to medium term. The latest announcement about the building regulations in China has included New Zealand radiata pine in the Chinese Code of Design, allowing buildings to be designed using New Zealand wood grade and sizing. CFR prices closed at US$141-143 per m^3 for A-grade log in December 2017 and it is expected that February/March 2018 prices will have a further US$1-2 per m^3 increase.

2017 was a momentous year for our New Zealand division in terms of financial results. As we look to 2018 and beyond, we will continue the efforts in the acquisitions of New Zealand radiata pine assets through either short term stumpage and/or long term land and tree acquisitions and expand our radar from Northlands to other parts of New Zealand.

While New Zealand division's developments are encouraging, the performance of Suriname division continued to be disappointing and was a drag on the Group's results and shareholders value. A strategic review is underway to determine the actions needed to reduce further cash and resources poured into Suriname division and to restore a balanced profitability of those business divisions within the Group.

Having said that, through the operation team's concerted efforts, Suriname division did achieve several key milestones in 2017, i.e. successful extensions of our largest west forest concession of 127,000 hectares, signed collaboration with in-country harvesting experts in the operations on our east concessions, and the successful marketing of high volume lesser known species to the export market. From operation perspective, the local management will remain disciplined and focused in returning log harvesting and sawmill production volumes to highest possible levels through further collaboration projects with proven log harvesting companies, outsourcing of our processing plants to successful Asia operators and upscaling in-housing marketing capabilities beyond the current established markets and wood products to enhance conversion yield, especially in the recovery product space.

On the corporate level, the Company has announced two separate non-binding cooperation framework agreements for two potential investments towards and after the end of the Year. The Group also entered into a joint venture agreement in relation to the formation of a joint venture company in China to be principally engaged in the provision of environmental restoration and greening services in China during the Year. In order to sustain further growth, the Group will continue to actively explore various form of strategic business opportunities, and will develop or invest in new business whenever it generate attractive return to the Group and the shareholders.

CHARGE ON ASSETS

As at 31 December 2017 and 2016, the Group's bank loan facilities are secured by:

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

(ii) a Fixed Charge over:

  a. the Group's forestry land (located in New Zealand) with a net carrying value of approximately HK$108,447,000 (2016: HK$99,858,000) ("Forestry Land");

  b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$333,831,000 (2016: HK$320,682,000) 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 Directors do not recommend the payment of any final dividend for the Year (2016: Nil).

ISSUE OF BONUS SHARES

The Directors propose to make a bonus issue ("Bonus Issue") of one new shares ("Bonus Shares") credited as fully paid for every ten existing shares held by the shareholders whose names appeared on the register of members of the Company on 7 June 2018. The relevant resolution is subject to (i) approval by the shareholders at the 2018 AGM, and if passed;(ii) upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Bonus Shares and (iii) compliance with the relevant legal procedures and requirements (if any) under the applicable laws of the Bermuda and the Bye-laws to effect the Bonus Issue, share certificate(s) for the

Bonus Shares will be despatched to the shareholders on or around 22 June 2018, Friday. The Bonus Shares, upon issuance, will rank pari passu in all respects with the existing shares. A circular containing further details of the Bonus Issue will be despatched to the shareholders on or around 27 April 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(i) from 25 May 2018 to 30 May 2018, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to attend and vote at the 2018 AGM. In order to qualify for attending and voting at the 2018 AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 24 May 2018; and

(ii) from 6 June 2018 to 7 June 2018, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to the Bonus Shares. In order to qualify for the proposed Bonus Shares, all completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 5 June 2018.

CAPITAL EXPENDITURE

During the Year, the Group incurred capital expenditure of approximately HK$9,249,000 (2016: approximately HK$14,047,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

The Group had no material business acquisitions or disposals for the Year.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 16 to the consolidated financial statements contained in this announcement.

SHARE OPTION SCHEME

As at 31 December 2017, there were share options for 39,195,000 ordinary shares of HK$0.01 each in the share capital of the Company granted by the Company pursuant to the share option scheme adopted by the shareholders of the Company on 28 June 2012 (the "Share Option Scheme"), which were valid and outstanding. Movements of the outstanding share options of the Company during the Year are set out below:

	Number of shares
As at 1 January 2017	39,455,000
Grant during the Year	–
Lapsed during the Year	(200,000)
Cancelled during the Year	–
Exercised during the Year	(60,000)
As at 31 December 2017	39,195,000

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the total number of employees of the Group was 317 (2016: 354). Employment costs (including Directors' emoluments) amounted to approximately HK$59,705,000 for the Year (2016: HK$72,711,000). 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.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group, auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with the management and external auditors the consolidated financial statements for the Year. During the Year, three meetings were held by the Audit Committee, one of which was attended by the external auditors.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2017, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 a minor deviation as explained below:

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard 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 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, despite the fact that 2017 was a challenging year.

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

Hong Kong, 27 March 2018

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

Website: http://www.greenheartgroup.com