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GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board (the “Board”) of directors (the “Directors”) of Greenheart Group Limited (“Greenheart” or the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 (the “Period”), together with the comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	5	297,344	354,167
Cost of sales		<u>(226,072)</u>	<u>(276,905)</u>
Gross profit		71,272	77,262
Other income and gains	5	18,628	2,153
Fair value loss on plantation forest assets		(86,918)	(66,948)
Selling and distribution costs		(92,255)	(108,568)
Administrative expenses		(31,515)	(33,622)
Provisions for impairment		(2,830)	(34,307)
Other operating expenses		(1,076)	(2,309)
Non-cash share option expenses		(1,668)	(599)
Finance costs	6	<u>(22,114)</u>	<u>(21,706)</u>
LOSS BEFORE TAX	7	(148,476)	(188,644)
Tax	8	<u>22,030</u>	<u>31,162</u>
LOSS FOR THE PERIOD		<u>(126,446)</u>	<u>(157,482)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (continued)**

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
<i>Notes</i>	HK\$'000	HK\$'000
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	<u>(16,078)</u>	<u>8,655</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>(16,078)</u>	<u>8,655</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(142,524)</u></u>	<u><u>(148,827)</u></u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO:		
Equity holders of the Company	(107,583)	(127,074)
Non-controlling interests	<u>(18,863)</u>	<u>(30,408)</u>
	<u><u>(126,446)</u></u>	<u><u>(157,482)</u></u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:		
Equity holders of the Company	(123,661)	(118,419)
Non-controlling interests	<u>(18,863)</u>	<u>(30,408)</u>
	<u><u>(142,524)</u></u>	<u><u>(148,827)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Basic and diluted	<u><u>HK\$(0.136)</u></u>	<u><u>HK\$(0.161)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		454,650	471,877
Prepaid land lease payments		29,690	30,548
Goodwill		7,624	7,624
Timber concessions and cutting rights		749,225	758,707
Other intangible assets		515	2,382
Plantation forest assets		350,091	466,231
Prepayments, deposits and other receivables		9,674	9,947
Total non-current assets		1,601,469	1,747,316
CURRENT ASSETS			
Inventories		57,431	46,441
Trade receivables	10	47,782	35,991
Prepayments, deposits and other receivables		54,647	38,629
Due from former affiliated companies	13(b)(iii)	–	7,370
Tax recoverable		2,771	4,068
Cash and cash equivalents		86,139	108,056
Total current assets		248,770	240,555
CURRENT LIABILITIES			
Trade payables	11	47,520	32,603
Other payables and accruals		40,308	30,164
Finance lease payables		10,603	10,117
Loan from a former intermediate holding company	13(a)(i)	–	312,000
Loan from the former immediate holding company	13(a)(ii)	–	62,400
Loans from the immediate holding company	13(a)(i), 13(a)(ii)	401,700	–
Due to the immediate holding company	13(b)(ii)	8,500	–
Due to former affiliated companies	13(b)(iii)	–	4,757
Deposit received from a former fellow subsidiary	13(b)(i)	–	22,565
Convertible bonds	12	172,982	166,981
Tax payable		41,634	37,248
Total current liabilities		723,247	678,835
NET CURRENT LIABILITIES		(474,477)	(438,280)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,126,992	1,309,036

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Loans from the former immediate holding company	13(a)(ii)	–	42,642
Loans from the immediate holding company	13(a)(ii)	27,416	–
Interest-bearing bank borrowings		195,000	195,000
Finance lease payables		3,707	8,699
Deferred tax liabilities		89,344	116,735
Total non-current liabilities		315,467	363,076
NET ASSETS		811,525	945,960
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		8,025	7,899
Reserves		748,769	864,467
		756,794	872,366
Non-controlling interests		54,731	73,594
TOTAL EQUITY		811,525	945,960

Notes:

1. CORPORATE INFORMATION

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

On 31 October 2014, Emerald Plantation Group Limited (“EPGL” or “Former Intermediate Holding Company”), Sino-Capital Global Inc. (“Sino-Capital” or “Former Immediate Holding Company”) and Newforest Limited (“Newforest” or “Immediate Holding Company”), a company incorporated in Cayman Islands, had entered into certain sales and purchase agreements, pursuant to which Newforest conditionally agreed to purchase (i) from Sino-Capital of 496,189,028 ordinary shares of the Company (the “Sale Shares”) (approximately 62.82% equity interest of the Company at that time) for a total consideration of US\$45,000,000 (equivalent to approximately HK\$351,000,000); (ii) from Sino-Capital of approximately 39.61% equity interest in Greenheart Resources Holdings Limited (“Greenheart Resources”, a non-wholly owned subsidiary of the Company), being 3,036,000,000 ordinary shares of Greenheart Resources, for a total consideration of US\$10,000,000 (equivalent to approximately HK\$78,000,000); and (iii) the debt interests of EPGL and Sino-Capital in the Group (collectively the “Sales”). The Sales was completed on 7 May 2015 and Newforest became the holder of the Sale Shares and assumed all the rights and benefits of the loans from EPGL and Sino-Capital.

Upon completion of the aforesaid transaction, a mandatory unconditional cash offer (“MGO”) was made by Newforest under The Hong Kong Code on Takeovers and Mergers for all the issued ordinary shares of the Company (other than those already owned by or agreed to be acquired by Newforest and parties acting in concert with it) and the convertible bonds of the Company with a total outstanding principal amount of US\$17,000,000 (“Convertible Bonds”) held by Greater Sino Holdings Limited (“Greater Sino” or “Noteholder”) and the cancellation of all outstanding options granted by the Company under the share option scheme of the Company on 14 May 2015. The MGO was completed on 4 June 2015 and Newforest obtained additional 124,802 ordinary shares of the Company.

Immediate after the MGO and as at 30 June 2015, Newforest held 496,313,830 shares, representing approximately 61.85% of the issued share capital of the Company, and is the Company’s immediate holding company. In the opinion of the Directors, the ultimate holding company of the Company is Chow Tai Fook Enterprises Limited (“CTFE” or “Ultimate Holding Company”), a company incorporated in Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). These interim financial statements have been prepared under the historical cost convention, except for plantation forest assets, forestry land and derivative financial instruments. Plantation forest assets are measured at fair value less costs to sell and forestry land and derivative financial instruments are measured in fair value. These interim financial statements are presented in Hong Kong dollar and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of approximately HK\$474,477,000 as at 30 June 2015, of which HK\$401,700,000 represented the loans from the Immediate Holding Company, with HK\$62,400,000, HK\$312,000,000 and HK\$27,300,000 are repayable on 26 December 2015, 21 March 2016 and 28 June 2016, respectively and the Convertible Bonds of HK\$172,982,000.

Notwithstanding the foregoing, up to the date of this announcement, the Group is still in discussion with the Immediate Holding Company for the extension of the repayment date of the above-mentioned loans from the Immediate Holding Company. 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 of the following:

- (i) on 4 August 2015, the placing of new shares under general mandate was completed and the net proceeds from the placement, after deducting the relating placing commission, professional fees and other related expenses, of approximately HK\$144,800,000 was received;
- (ii) on 12 August 2015, a facility agreement was entered into between CTFE, as lender and Greenheart Resources, as borrower, pursuant to which CTFE has agreed to grant a facility of US\$10,000,000 (HK\$78,000,000) to Greenheart Resources;
- (iii) on 10 July 2015, a supplemental agreement related to the loan agreement dated 27 May 2015 were signed with the Immediate Holding Company, pursuant to which the Immediate Holding Company agreed to provide a further US\$396,100 to Greenheart Resources to finance the Group's operation needs in west Suriname;
- (iv) 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, leases and long term loans;
- (v) the Group has been working to improve operational efficiency and productivity of its Suriname operation by, inter alia, changing the local management team, downsizing the workforce, subcontracting out certain services, and commissioning a bio-energy plant to reduce fuel expenses;
- (vi) if necessary, the Group will consider disposing of certain of its non-current assets to meet its financial obligations; and
- (vii) 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, these unaudited condensed consolidated interim financial statements have been prepared on a 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 unaudited condensed consolidated interim financial statements.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) effective from 1 January 2015, noted below.

Amendments to HKAS19 (2011)	<i>Defined Benefit Plans: Employee Contributions</i>
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Annual improvements 2010-2012 Cycle	<i>Amendments to a number of HKFRSs</i>
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Annual improvements 2011-2013 Cycle	<i>Amendments to a number of HKFRSs</i>
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The adoption of the new and revised HKFRSs has had no significant financial impact on these unaudited condensed consolidated interim financial statements.

4. 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 maker (i.e. the Directors) in order to allocate resources to segments and to assess their performance.

The Group manages its businesses by geographic location and the chief operating decision maker 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:	Selective hardwood log harvesting, timber processing, marketing and sale of logs and timber products
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New Zealand:	Softwood plantation management, log harvesting, marketing and sale of logs
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Elsewhere:	Trading of logs and timber products
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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 ("EBITDA"). EBITDA is further adjusted to exclude fair value gains or losses on plantation forest assets, government grants, interest income, write-down of inventories, impairment losses/reversal, non-cash share option expenses and reversal of accrued forest concession levy ("Adjusted EBITDA"), which is also a measure evaluated by management.

The following table presents revenue and profit/(loss) information regarding the Group's operating segments for the six months ended 30 June 2015:

For the six months ended 30 June 2015

	Suriname^ HK\$'000	New Zealand^ HK\$'000	Elsewhere^ HK\$'000	Unallocated HK\$'000	Total HK\$'000
SEGMENT REVENUE	<u>32,782</u>	<u>264,562</u>	<u>–</u>	<u>–</u>	<u>297,344</u>
SEGMENT RESULTS ("Adjusted EBITDA")	(16,295)	55,194	–	(15,142)	23,757
Reconciliation of the segment results:					
Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value loss on plantation forest assets	–	(86,918)	–	–	(86,918)
Interest income	7	21	–	–	28
Impairment of property, plant and equipment***	(2,622)	–	–	–	(2,622)
Impairment of trade receivables***	(208)	–	–	–	(208)
Write-down of inventories*	(7,128)	–	–	–	(7,128)
Non-cash share options expenses	–	–	–	(1,668)	(1,668)
Reversal of accrued forest concession levy	<u>13,441</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,441</u>
SEGMENT RESULTS ("EBITDA")	(12,805)	(31,703)	–	(16,810)	(61,318)
Finance costs	(3,393)	(9,406)	–	(9,315)	(22,114)
Forest depletion cost as a result of harvesting*	–	(35,012)	–	–	(35,012)
Depreciation	(14,026)	(1,465)	–	(615)	(16,106)
Amortization of harvest roading*	–	(8,894)	–	–	(8,894)
Amortization of timber concessions and cutting rights*	(4,036)	–	–	–	(4,036)
Amortization of prepaid land lease payments**	(857)	–	–	–	(857)
Amortization of other intangible assets*	(139)	–	–	–	(139)
LOSS BEFORE TAX					<u>(148,476)</u>

For the six months ended 30 June 2014

	Suriname [^] HK\$'000	New Zealand [^] HK\$'000	Elsewhere [^] HK\$'000	Unallocated HK\$'000	Total HK\$'000
SEGMENT REVENUE	<u>41,282</u>	<u>312,436</u>	<u>449</u>	<u>–</u>	<u>354,167</u>
SEGMENT RESULTS ("Adjusted EBITDA")	(39,689)	86,609	18	(16,167)	30,771
Reconciliation of the segment results:					
Items other than finance costs, tax, forest depletion costs as a result of harvesting, depreciation and amortization					
Fair value loss on plantation forest assets	–	(66,948)	–	–	(66,948)
Interest income	270	–	–	17	287
Impairment of goodwill***	(27,854)	–	–	–	(27,854)
Reversal of impairment of other intangible assets***	–	1,019	–	–	1,019
Impairment of property, plant and equipment***	(5,117)	–	–	–	(5,117)
Impairment of prepayments, deposit and other receivables***	(2,355)	–	–	–	(2,355)
Write-down of inventories*	(3,310)	–	–	–	(3,310)
Non-cash share options expenses	–	–	–	(599)	(599)
SEGMENT RESULTS ("EBITDA")	(78,055)	20,680	18	(16,749)	(74,106)
Finance costs	(3,460)	(9,551)	–	(8,695)	(21,706)
Forest depletion cost as a result of harvesting*	–	(61,753)	–	–	(61,753)
Depreciation	(12,408)	(1,180)	–	(732)	(14,320)
Amortization of harvest roading*	–	(10,607)	–	–	(10,607)
Amortization of timber concessions and cutting rights*	(5,790)	–	–	–	(5,790)
Amortization of prepaid land lease payments**	(224)	–	–	–	(224)
Amortization of other intangible assets*	(138)	–	–	–	(138)
LOSS BEFORE TAX					<u>(188,644)</u>

[^] Reportable Segments

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

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

*** Included in "Provisions for impairment" in the consolidated statement of comprehensive income.

Geographical information

Revenue is attributed to the following geographical regions:

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Mainland China	219,343	271,695
New Zealand	21,684	20,614
Hong Kong	19,212	3,997
Belgium	12,048	12,907
India	11,670	30,581
Suriname	8,487	12,484
Netherlands	3,306	136
Denmark	953	1,184
United States of America	315	330
Aruba	203	–
Germany	123	117
Thailand	–	122
	<u>297,344</u>	<u>354,167</u>

Information about major customers

During the six months ended 30 June 2015, the Group had transactions with two customers (2014: one customer) of the New Zealand division who contributed over 10% of the Group's total gross revenue before export tax for the Period. A summary of revenue earned from each of these major customers is set out below:

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Customer 1	58,592	80,114
Customer 2	48,325	N/A*
	<u>106,917</u>	<u>80,114</u>

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

5. REVENUE, OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue		
Sales of logs and timber products	297,344	354,167
Other income and gains		
Bank interest income	28	29
Other interest income	—	258
Gain on disposal of carbon credits	2,999	—
Rental income for the lease of plant and machinery	1,801	1,464
Reversal of accrued forest concession levy	13,441	—
Others	359	402
	18,628	2,153

6. FINANCE COSTS

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on Convertible Bonds	9,315	8,695
Interest on a loan from a Former Intermediate Holding Company	4,142	5,867
Interest on loans from the Former Immediate Holding Company	1,909	2,224
Interest on loans from the Immediate Holding Company	2,620	—
Interest on finance leases	631	1,236
Interest on interest-bearing bank borrowings	3,497	3,684
	22,114	21,706

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Forest harvested as agricultural produce	35,970	64,834
Amount capitalized in inventories	(958)	(3,081)
Forest depletion cost as a result of harvesting [#]	35,012	61,753
Amortization of timber concessions and cutting rights	9,482	4,485
Amount released from/(capitalized in) inventories	(5,446)	1,305
Current period expenditure [#]	4,036	5,790
Fair value loss on derivative financial instruments [#]	3,385	—

[#] Included in "Cost of sales" disclosed in the condensed consolidated statement of comprehensive income.

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

New Zealand income tax has been provided at the rate of 28% (2014: 28%) on the estimated assessable profits arising in New Zealand during the Period.

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.

In 2014, the New Zealand Inland Revenue has commenced a transfer pricing audit on an indirect subsidiary of the Company which relates primarily to the interest rate paid for an intercompany loan. Up to the date of this announcement, the tax audit is still ongoing and therefore it is not practicable to state the outcome, amount and timing of additional income tax payment, if any. The Directors of the Company are of the opinion that it is not probable that the New Zealand Inland Revenue will succeed in assessing any material additional income tax and, accordingly, no provision for any liability has been made in these financial statements.

	For the six months ended	
	30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the Period	4,386	8,612
Current – Elsewhere	942	–
Foreign exchange difference on income tax		
(payable)/recoverable	130	(1,577)
Deferred	(22,300)	(41,207)
Foreign exchange difference on deferred tax liabilities	(5,188)	3,010
	(22,030)	(31,162)

9. 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 Period attributable to equity holders of the Company, and the weighted average of 793,414,659 (2014: 789,889,104) ordinary shares in issue during the Period.

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 six months ended 30 June 2015 and 2014 as the impact of the share options and Convertible Bonds outstanding during these periods had either no dilutive effect or had an anti-dilutive effect on the basic loss per share amounts presented.

10. TRADE RECEIVABLES

	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	48,334	36,427
Less: impairment	(552)	(436)
	47,782	35,991

The Group's trading terms with its customers are mainly letters of credit at sight to 90 days for New Zealand export sales or on open account with credit terms of 5 days to 60 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 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 aging analysis of the trade receivables as at the end of the Period, based on invoice date and net of impairment, is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 month	45,622	29,291
1 to 3 months	1,925	6,532
Over 3 months	235	168
	47,782	35,991

11. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the Period, based on invoice date, is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 month	47,055	32,270
1 to 3 months	137	35
Over 3 months	328	298
	47,520	32,603

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

12. CONVERTIBLE BONDS

In August 2010, the Company issued US dollar denominated convertible notes with an aggregate principal amount of US\$25,000,000 with a maturity date of 17 August 2015 to Greater Sino Holdings Limited (“Greater Sino” or 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 Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds at the redemption amount as defined in the terms and conditions of the Convertible Bonds. In addition, the Noteholder may require the Company to redeem in whole or in part of the Convertible Bonds following the occurrence of a “Change of Control”.

Due to the Change of Control in the Company's shareholding during the year ended 31 December 2013, the Noteholder required the Company to redeem the Convertible Bonds 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 Convertible Bonds at a redemption amount of approximately US\$9,542,000 (equivalent to approximately HK\$74,426,000). As a result, the outstanding principal amount of the Convertible Bonds was reduced to US\$17,000,000 (equivalent to approximately HK\$132,600,000) as at 31 December 2013 and 2014 and 30 June 2015. Under the terms and conditions of the Convertible Bonds, the Noteholder may subsequently exercise its redemption right (in whole or in part of its outstanding Convertible Bonds), by giving an exercise notice of at least 30 days prior to such further redemption, at any time prior to the maturity of the Convertible Bonds. As at 31 December 2014 and 30 June 2015, in view that the Convertible Bonds mature within one year, the entire outstanding liability component of the Convertible Bonds was classified as current liabilities as at 31 December 2014 and 30 June 2015.

On 14 July 2015, the Company received a notice from the Noteholder in which the Company was requested to redeem the Convertible Bonds on the maturity date of the Convertible Bonds, being 17 August 2015 (the "Maturity Date"), pursuant to the terms of the Convertible Bonds ("Redemption at Maturity").

Subsequent to the Period end, on 17 August 2015, the Convertible Bonds were fully redeemed at the redemption amount of US\$22,162,780 (equivalent to HK\$172,870,000).

- * As detailed in note 15(b) to this results announcement, as a result of the completion of the share placement at the Company on 4 August 2015, the conversion price of the outstanding Convertible Bonds has been adjusted from HK\$2.002 to HK\$1.943.

13. RELATED PARTY DISCLOSURES

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

Name of related party	Nature of transaction	Notes	For the six months ended 30 June	
			2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
The Immediate Holding Company	Interest expenses paid and payable on loans	(i), (ii)	2,620	–
A Former Intermediate Holding Company	Interest expenses paid and payable on a loan	(i)	4,142	5,867
The Former Immediate Holding Company	Interest expenses paid and payable on loans	(ii)	1,909	2,224
Noteholder	Interest expenses paid and payable on the Convertible Bonds	(iii)	9,315	8,695
The Former Ultimate Holding Company and a former fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iv)	1,247	3,027
Former fellow subsidiary	Reimbursements	(v)	67	–
Former fellow subsidiary	Sales of logs and timber products	(vi)	4,366	–

Notes:

- (i) On 7 May 2015, the Former Intermediate Holding Company assigned all of its rights and benefits under its loan to the Group, to the Immediate Holding Company.

The interest expenses were charged on an unsecured loan with principal amount of HK\$312,000,000 (i.e. US\$40,000,000) and interest rate based on London Interbank Offered Rate plus 3.5% per annum and repayable on 21 March 2016.

- (ii) On 7 May 2015, the Former Immediate Holding Company assigned all of its rights and benefits under its loans to the Group, to the Immediate Holding Company.

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) which is repayable on 26 December 2015;
- an unsecured loan with principal amount of HK\$27,300,000 (i.e. US\$3,500,000) which is repayable on 28 June 2016;
- an unsecured loan with principal amount of HK\$23,400,000 (i.e. US\$3,000,000) (31 December 2014: HK\$15,342,000 (i.e. US\$1,967,000)) which is repayable on 19 June 2017; and
- an unsecured loan with principal amount of HK\$4,016,000 (i.e. US\$515,000) which is drawn down during the Period and repayable on 27 May 2018.

(iii) The amount disclosed above represents the imputed interest expenses charged to the profit or loss for accounting purpose for the Convertible Bonds. The actual coupon calculated based on the coupon rate of 5% per annum as set out in the terms and conditions of the Convertible Bonds is HK\$3,314,000 (2014: HK\$3,315,000).

(iv) The license fee and administrative expenses were recharged to Emerald Plantation Holdings Limited (“EPHL” or “Former Ultimate Holding Company”) and a former fellow subsidiary with reference to the actual costs incurred.

(v) The reimbursements were recharged by a former fellow subsidiary with reference to the actual costs incurred and paid on behalf of the Group in relation to certain administrative expenses.

(vi) The sales of logs and timber products to a former fellow subsidiary were made with reference to the prevailing market prices and under normal commercial terms of the sales of similar type of products.

(b) Outstanding balances with related parties

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

(ii) The amounts due to the immediate holding company as at 30 June 2015 represented interest payables in relation to the loans from Immediate Holding Company, which were unsecured and repayable on demand.

(iii) Included in the amounts due from former affiliated companies as at 31 December 2014 was a trade balance with a former fellow subsidiary of HK\$3,031,000 with credit terms of 60 days which was unsecured and interest-free. The remaining balances with the Former Ultimate Holding Company and a former fellow subsidiary were unsecured, interest-free and repayable within one year.

The amounts due to former affiliated companies as at 31 December 2014 represented interest payables in relation to loans from Former Immediate Holding Company and loan from Former Intermediate Holding Company amounting to HK\$4,756,000 and HK\$1,000 respectively, which were unsecured and repayable on demand.

- (c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	6,600	10,589
Equity-settled share option	964	343
Pension scheme contribution	20	21
	7,584	10,953

14. COMPARATIVE AMOUNTS

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

15. EVENTS AFTER THE REPORTING PERIOD

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

- (a) On 14 July 2015, the Company received a notice from Greater Sino, in which the Company was requested to redeem the Convertible Bonds on the maturity date of the Convertible Bonds, being 17 August 2015, pursuant to the terms of the Convertible Bonds. The Convertible Bonds was redeemed at the redemption amount of US\$22,162,780 on 17 August 2015.

Further details are set out in the Company's announcements dated 15 July 2015.

- (b) On 15 July 2015, the Company entered into the placing agreement with the placing agent pursuant to which the Company agreed to place through the placing agent, on a best-effort basis, an aggregate of up to 160,000,000 placing shares, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons, at the placing price of HK\$0.93 per placing share (the "Placing").

On 4 August 2015, the Placing was completed and net proceeds of approximately HK\$144,800,000 were received.

Further details are set out in the Company's announcements dated 15 July 2015 and 4 August 2015.

- (c) On 17 July 2015, the board of directors of the Company granted a total of 13,700,000 share options under the share option scheme adopted by the Company on 28 June 2012 to subscribe for a total of 13,700,000 shares of HK\$0.01 each in the share capital of the Company to certain directors of the Company at a subscription price of HK\$1.23 per share.

Further details are set out in the Company's announcement dated 17 July 2015.

- (d) On 12 August 2015, a facility agreement was entered into between CTFE, as lender and Greenheart Resources, as borrower, pursuant to which CTFE has agreed to grant a facility of US\$10,000,000 to Greenheart Resources.

LETTER TO SHAREHOLDERS

Dear Shareholders,

Championing Innovation and Sustainability from the Ground Up

The first half of 2015 saw the continued global economic sluggishness, including the slowing down of the powerhouse, China. Against the backdrop, the Group delivered a fairly reasonable financial performance. During the Period under review, the worldwide market conditions were volatile and challenging. The depressed real estate market in China posed a fundamental impact on our industry. Nevertheless, we managed to revert the downward trend with a net loss of HK\$126,446,000, decrease of HK\$31,036,000 as compared to the same period of last year. The contained decrease was credited to a number of one-off non-cash events during the Period.

New Zealand

Our operation in New Zealand has experienced a significant decline of 22.8 percent in export prices of A-grade radiata pine. The Group has acted promptly to address the situation with various measures, including termination of the contract with the exclusive shipping agent, which would provide the Group more flexibility in selecting ports and vessels. We will closely monitor the market conditions, and adjust the harvesting volume where necessary.

Suriname

The management team of Greenheart has spearheaded reforms to enhance the efficiency of the operation in Suriname. A new generation of senior executives with high caliber and competencies has been brought in to lead the local team in Suriname. They will report directly to the Group's head office in Hong Kong under the re-organised and consolidated management flow. The new arrangement will modernize, and bring our Suriname operation more aligned with the vision and direction of Greenheart's management team.

We are working with several industry participants to bolster the effectiveness of sales efforts in different markets, and to maximize the synergies in logistics and distribution networks. We have been devoting attention to enhance efficiency and productivity, revamping the local management team, and streamlining the workforce so as to better define areas of responsibilities among business units.

In the second half of 2015, we will focus on overhauling of the Suriname operation to boosting the cost efficiency and liquidity so as to cope with market headwinds. Certain cost control measures have also been introduced by the Group's head office to tighten the operation cost and reduce general and administrative expenses.

Leveraging China’s “New Normal”

After a decade of spectacular growth, China is entering the stage of a more gradual development pace, coined as the “new normal”. The phenomenon is not a cause for anxiety but optimism as pointed out by many economic analysts. Beijing is carving a new path for sustainable and better growth under the concept, facilitating the rise of the middle-class, and quality living across the country in general. As the consumption level of the Chinese middle-class increases, the pursuit of better lifestyle will bolster the demand for fine wood flooring products. The ongoing urbanization will also drive the growth of second and third-tier cities in China for both the residential and commercial construction projects, generating appetite for high-end wood flooring materials.

Under the Chinese central government’s One-Belt-One-Road strategy, an aspiration to grow connectivity between China and other continents, opportunities for businesses to expand the market reach and coverage are bound to be created. The direction has spurred upbeat sentiment in investment and global trade. The initiative will serve to stimulate China’s economic growth. This will in turn accelerate domestic consumption, and reinvigorate China’s infrastructure development, fueling demand for construction projects. Our business will stand to benefit tremendously as the envisioned plan is taking shape.

In August 2015, the Company has completed a placement of 160,000,000 new shares at HK\$0.93 per share with a total net proceeds of approximately HK\$144.8 million and obtained a US\$10.0 million loan facility from Chow Tai Fook Enterprises Limited. After redeeming the Convertible Bonds with the redemption amount of approximately US\$22.2 million on 17 August 2015, the Company’s external debt (excluding finance lease) has been reduced to approximately US\$25.0 million, representing only around 10.5 percent of the Group’s total assets.

Appreciation

We are very fortunate to have the Board of Directors comprising of various outstanding and prominent figures. They include Executive Directors, Mr. Lim Hoe-Pin and myself; Non-Executive Directors, Messrs. Conrad Cheng Chi-Him, Patrick Tsang On-Yip and Simon Murray; and Independent Non-Executive Directors, Messrs. Peter Nguyen Van-Tu, Steven Tang Shun-Lam and Francis Wong Man-Chung.

Furthermore, apart from myself, the Executive Committee of the Group now consists of Mr. Lim Hoe-Pin, Executive Director; Ms. Daphne Tse, Chief Financial Officer; and Mr. Grant Fenton, Director of Project Planning and General Manager (New Zealand).

With the support from our new controlling shareholder, and professional investment and risk management teams, we are confident that Greenheart can navigate the challenging and ever-changing market conditions, and to capture valuable investment opportunities to realise favourable returns for our shareholders. The unwavering support of the new controlling shareholder, Newforest Limited and the ultimate holding company, Chow Tai Fook Enterprises Limited, and the depth and wealth of the renowned Greenheart management team will be instrumental in taking our business to a new level.

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication, and to express the sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

Wu Wai Leung, Danny

Chief Executive Officer and Executive Director

Hong Kong, 28 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group recorded a net loss of HK\$126,446,000, a decrease of HK\$31,036,000 as compared to the same period of last year. Such decrease was mainly attributable to the net effect of certain one-off non-cash events, including the reversal of accrued concession levy of HK\$13,441,000, increase of the fair value loss on plantation forest assets of HK\$19,970,000 and no material impairment (2014: HK\$27,854,000, in relation to the acquisition of Suma Lumber Company N.V.) was made during the Period.

Revenue

The Group's total revenue reduced to HK\$297,344,000 for the Period, representing a 16.0 percent decrease in revenue from HK\$354,167,000 in the same period last year. The decrease was mainly attributable to the New Zealand division as a result of the drop in average selling price of New Zealand radiata pine during the Period and decrease in sales volume in the Suriname division.

During the Period, revenue contributed by the New Zealand division decreased to HK\$264,562,000, representing a 15.3 percent decrease from HK\$312,436,000 for the same period last year, despite an increase in sales volume by 15.3 percent. Such decrease was mainly due to the decrease in the average selling price to US\$97.3 per m³ for the Period, as compared to US\$132.5 per m³ for the same period last year.

Revenue contributed from the Suriname division also decreased 20.6 percent from HK\$41,282,000 for the same period last year to HK\$32,782,000 for the Period. The decrease was mainly due to decrease in sales volume of logs and lumber products.

There was no trading of logs and lumber products during the Period (2014: HK\$449,000).

Gross profit

The Group's gross profit for the Period decreased to HK\$71,272,000 from HK\$77,262,000 in the same period last year. The gross profit contribution from the New Zealand division was approximately HK\$94,231,000 (2014: HK\$112,350,000) while the Suriname division recorded a gross loss of HK\$22,959,000 (2014: HK\$35,105,000). There was no gross profit contributed from trading business for the Period (2014: HK\$17,000).

The Group's gross profit margin for the Period was approximately 24.0 percent as compared to 21.8 percent for the same period last year. The gross profit margin for the Group's New Zealand division for the Period was 35.6 percent (2014: 36.0 percent) while the Suriname division recorded a gross loss margin of 70.0 percent (2014: 85.0 percent).

Notwithstanding the decrease in the average selling price of New Zealand radiata pine, the gross profit margin for the New Zealand division remained relatively stable during the Period. It is because the effect of price reduction was offset by the decrease in non-cash forest depletion cost as a result of the decrease in the fair value of the plantation assets as at 31 December 2014 and the reduction of operating costs due to the depreciation of New Zealand dollars.

The negative gross profit margin for Suriname division has been improved during the Period, which was mainly due to the increase of the harvesting volume which reduced the unit fixed cost of log, increase in average export selling prices of lumber as a result of the change of species mix since the second half of 2014 and the reduction of the forest concession levy in March 2015 with effective from 1 January 2015 as described below. These positive contribution however were offset partially by the increase of the production cost of lumber due to the temporary shut down of certain part of the sawmill in west Suriname for the capacity enhancement program and write-down of obsolete inventories during the Period.

Other income and gains

Other income and gains amounted to HK\$18,628,000 (2014: HK\$2,153,000) for the Period was mainly contributed by the reversal of accrued concession levy of HK\$13,441,000 (2014: Nil) as a result of new Ministerial Order announced in March 2015, which revokes the concession levy of SR\$20 per hectare per year as originally announced by Suriname government in 2014. Commencing from 1 January 2015, the concession fee is levied at SR\$5 per hectare per year.

The gain on disposal of carbon credit of HK\$2,999,000 (2014: Nil), rental income received from subcontractors in Suriname for the lease of plant and machinery of HK\$1,801,000 (2014: HK\$1,464,000) and bank and other interest income of HK\$28,000 (2014: HK\$287,000) also contributed to the other income and gains for the Period.

Fair value loss on plantation forest assets

The fair value loss on plantation forest assets, located in New Zealand, amounted to HK\$86,918,000 (2014: HK\$66,948,000) for the Period. The loss was calculated based on the valuation report at the end of the Period prepared by an independent valuer, and was primarily attributable to the decreasing in the forecasted logs selling price in United State Dollars term.

Selling and distribution costs

Selling and distribution costs mainly represents trucking, barging and export handling expenses, ocean freight and logistic-related costs arising from the sale of logs and timber products. The decrease was primarily attributable to the substantial decrease in ocean freight rate for New Zealand radiata pine from US\$33.7 to US\$23.3 per m³ during the Period.

Administrative expenses

Administrative expenses slightly decreased by HK\$2,107,000 to HK\$31,515,000 for the Period. Such decrease was mainly because there was one-off severance payment of HK\$3,857,000 last year which was offset by additional legal and professional fee of HK\$1,890,000 incurred in relation to the Sales and the MGO made during the Period.

Provisions for impairment

The provisions for impairment significantly decreased by HK\$31,477,000 to HK\$2,830,000 for the Period. The decrease was mainly due to the one-off impairment of goodwill of HK\$27,854,000, in relation to the acquisition of Suma Lumber, made in 2014 and the reduction in provisions of impairment on property, plant and equipment by HK\$2,495,000 to HK\$2,622,000 for the Period.

Non-cash share option expenses

Share option expenses incurred in the Period of HK\$1,668,000 (2014: HK\$599,000) were non-cash in nature and represented mainly the fair value of share options granted in 2014, which became vested immediately as a result of the MGO made during the Period.

Finance costs

Finance costs mainly represented (i) interest on Convertible Bonds of HK\$9,315,000 (2014: HK\$8,695,000); (ii) interest on loans from the Immediate Holding Company, the Former Intermediate Holding Company and the Former Immediate Holding Company of HK\$8,671,000 in aggregate (2014: HK\$8,091,000 in aggregate); (iii) interest on finance leases of HK\$631,000 (2014: HK\$1,236,000); and (iv) interest on interest-bearing bank borrowings of HK\$3,497,000 (2014: HK\$3,684,000). The finance costs for the Period slightly increased by HK\$408,000. As mentioned above, all the loans from the Former Intermediate Holding Company and the Former Immediate Holding Company were assigned to Newforest on 7 May 2015.

Tax

Tax credit for the Period mainly represented deferred tax credit of HK\$22,300,000 (2014: HK\$41,207,000), tax provision of HK\$5,328,000 (2014: HK\$8,612,000) arising from our New Zealand division and net exchange differences arising from the translation of foreign currency denominated income tax recoverable and deferred tax liabilities.

Deferred tax credit for the Period mainly arose from the New Zealand division and represented the net effect of deferred tax credits of HK\$39,579,000 (2014: HK\$31,623,000), which represented mainly the net movement of taxable temporary differences, including the fair value loss on the plantation forest assets, recognition of tax losses, different amortization/depreciation rates for tax and accounting purposes of the plantation forest assets and certain roads, and the period end foreign currency translation adjustment for United States dollar denominated term loans etc. and a deferred tax charge of HK\$17,279,000 (2014: deferred tax credit of HK\$9,584,000) arising from the temporary difference between the tax base and the carrying amount of the plantation forest assets due to the depreciation of New Zealand dollar exchange rate.

EBITDA

The negative EBITDA of the Group decreased by HK\$12,788,000 from HK\$74,106,000 in the same period last year to HK\$61,318,000 for the Period.

The decrease in negative EBITDA of the Group was largely contributed by the Suriname division because of the reduction of negative gross profit, the reversal of accrued concession levy and the fact that no material impairment was made during the Period. As a result, the negative EBITDA of Suriname division was narrowed from HK\$78,055,000 in the same period of last year to HK\$12,805,000 for the Period.

Due to the increase in a fair value loss on planation assets by HK\$19,970,000 to HK\$86,918,000 for the Period and lower revenue as mentioned above, the EBITDA of the New Zealand division reduced from a positive of HK\$20,680,000 in the same period of last year to a negative of HK\$31,703,000 for the Period.

Loss for the Period attributable to equity holders of the Company

As a result of the aforementioned, the loss attributable to the equity holders of the Company decreased to HK\$107,583,000 for the Period from HK\$127,074,000 in the same period last year.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2015, the Group's current assets and current liabilities were HK\$248,770,000 and HK\$723,247,000 (31 December 2014: HK\$240,555,000 and HK\$678,835,000), respectively, of which the Group maintained cash and bank balances of approximately HK\$86,139,000 (31 December 2014: HK\$108,056,000). The Group's outstanding borrowings as at 30 June 2015 represented the loans from Immediate Holding Company amounting to HK\$429,116,000 (31 December 2014: loan from Former Intermediate Holding Company of HK\$312,000,000 and loans from Former Immediate Holding Company of HK\$105,042,000), interest-bearing bank borrowings amounting to HK\$195,000,000 (31 December 2014: HK\$195,000,000) and finance lease payables of HK\$14,310,000 (31 December 2014: HK\$18,816,000). 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 84.4% (31 December 2014: 72.3%).

Notwithstanding that the Group had net current liabilities of HK\$474,477,000 as at 30 June 2015 (2014: HK\$438,280,000), on the basis that the extensions of the loans from Immediate Holding Company will be agreed, the Directors, after taking into account the measures as mentioned in note 2 to this 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 30 June 2015, there were 802,477,947 ordinary shares ("Shares") of the Company in issue.

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

Most of the Group's sales are denominated in United States dollars, to which the Hong Kong 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 our New Zealand plantation assets are denominated in New Zealand dollars which can help to partly offset the Group's operating expenses payable in New Zealand dollars. During the Period, the Group entered into forward exchange contracts to manage the foreign exchange exposure on New Zealand. As at 30 June 2015, the Group recorded the fair value loss of outstanding forward exchange contracts of HK\$2,885,000 (31 December 2014: fair value gain of HK\$500,000).

PROSPECTS

We anticipated China will remain the key market for the Company's products. In contrast to the fast-growth environment in the past decade, China is now pursuing a sustainable growth pattern, and China's economic structure, monetary policy and industry development have all been subject to a number of considerable changes. Due to the uncertainties of the China's economy, the export prices of New Zealand radiata pine have declined significantly during the Period. We started the Period with A-grade log of US\$136.9 per m³ which then dropped sharply to US\$105.7 per m³ in June. The Group has taken immediate measures to reduce costs. In late June, the Group ceased the contracting arrangement with its exclusive shipping agent in its New Zealand division and commenced to charter directly with owners. This should allow us having more flexibility in choosing the ports and vessels and saving costs.

Looking into the third quarter, it is expected that China's economy will continue to face uncertainties caused by internal reduction in investment, higher leverage ratio, and continued negative PPI. The price of New Zealand radiata pine is still trending down and buyer confidence has not yet recovered. Although the significant decrease of the shipping costs, from average of US\$33.7 per m³ last year to US\$23.3 per m³ for the Period, has provided a buffer for the drop of the sales prices, the scale of the recent price downward adjustment has eroded most of the profits. Under the current price recessionary pressure, the Group has decided to slow down the harvesting with a view of retaining value in the plantation assets until a more favorable market returns. The New Zealand division is now reviewing its targeted harvesting volume in the remaining 2015 and will adjust the harvesting volume downward based on the market conditions and the contractor arrangements with the local forest manager and subcontractors.

Regarding the Suriname division, the Management has been focusing efforts to enhance operating efficiency and productivity, in particular the sawmill in west Suriname. A new local management team has been put in place and will implement a number of vigorous measures to further streamline the work flow, optimizing the efficiency of the plant and rationalize the overall operational cost. The Management believes that the restructure of the local management team is needed and is integral to turnaround the Suriname division. Meanwhile, the Management is working with several industry participants aiming to improve the effectiveness of sales efforts in different markets and share the logistic skill and network which will provide synergy and benefits for all involved parties.

The overall operating environment is likely to be more complex and volatile in coming year. In managing our business during a continued weak market, the Management has taken active measures in reducing costs, including but not limited to downsizing the workforce, in particular in Suriname and reducing the office space etc. In the second half of 2015, all conscientious effort is going to making the turnaround of the Suriname operation, reducing costs and strengthening the liquidity position during the current depressed market.

In August 2015, the Company has completed a placement of 160,000,000 shares at HK\$0.93 per share with a total net proceeds of approximately HK\$144,800,000 and obtained a HK\$78,000,000 loan facility from Chow Tai Fook Enterprises Limited. After paying off the Convertible Bonds with the principle amount of US\$17,000,000 on 17 August 2015, the Company's external debts reduced to approximately HK\$209,310,000, representing around 27.7% of the equity attributable of the Company's shareholders as at 30 June 2015 only.

With the support from our new controlling shareholder and our professional investment and risk management team, we are confident that the Company can navigate through this volatile market and to capture valuable investment opportunities to maximum return for our shareholders.

CHARGE ON ASSETS

As at 30 June 2015 and 31 December 2014, 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\$89,986,000 (2014: HK\$103,713,000) ("Forestry Land");

- b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK\$350,091,000 (2014: HK\$466,231,000) 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.

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2015, the Group spent approximately HK\$18,280,000 (year ended 31 December 2014: approximately HK\$52,812,000) on the acquisition of items of property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

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

CONTINGENT LIABILITIES

As at 30 June 2015 and 31 December 2014, the Group did not have any significant contingent liabilities.

SHARE OPTION SCHEME

As at 1 January 2015, there were options to subscribe for 17,488,145 ordinary shares of HK\$0.01 each in the share capital of the Company granted by the Company pursuant to the share option scheme, as adopted by the shareholders of the Company on 28 June 2012. Movements of the outstanding share options of the Company during the Period:

	<i>Note</i>	Number of shares
As at 1 January 2015		17,488,145
Lapsed during the Period		–
Cancelled during the Period	(a)	(4,899,302)
Exercised during the Period		(12,588,843)
		–

Note:

- (a) Due to the unconditional mandatory general cash offer (“Option Offer”) made to the Company’s option holders by Newforest (please refer to the composite offer and response document issued by Newforest and the Company relating to, among other things, the Option Offer dated 14 May 2015 for further details) for the then outstanding options granted, (i) all unvested options have been vested when the Option Offer was made on 14 May 2015; (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 share option scheme where the option holders accepted the Option Offer, the options involved were cancelled. For the number of acceptance of the Option Offer, please refer to the Company’s announcement dated 4 June 2015.

Accordingly, as at 30 June 2015, there was no outstanding option granted by the Company as a result of the Option Offer.

Subsequent to the end of the reporting period, on 17 July 2015, the Company granted a total of 13,700,000 share options with exercise price per share of HK\$1.23 (the “New Share Option”) under the share option scheme adopted by the Company on 28 June 2012 to subscribe for a total of 13,700,000 shares of HK\$0.01 each in the share capital of the Company.

The New Share Option shall have a validity period of 5 years commencing from 17 July 2015, being the date of the grant.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2015, the number of employees of the Group was 421 (31 December 2014: 421). Employees’ costs (including Directors’ emoluments) amounted to approximately HK\$39,349,000 for the six months ended 30 June 2015 (2014: HK\$48,956,000). Remuneration of the employees includes salary and discretionary bonuses based on the Group’s results and individual performance. Medical and retirement benefits schemes are made available to all levels of personnel.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “Audit Committee”) has three members comprising the three independent non-executive Directors, namely Mr. Wong Man Chung, Francis (Chairman), Mr. Nguyen Van Tu, Peter and Mr. Tang Shun Lam, Steven. All of them were appointed on 2 July 2015. None of them are members of the former or existing auditors of the Company. The Board considers that Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and; to review the Company’s compliance with the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed and discussed with the Management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with the Management the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to maintaining a high standard of corporate governance which is reviewed and strengthened from time to time. The Company has complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2015 except for certain minor deviations as explained below:

Code Provisions A.2.2 to A.2.9 of the CG Code outline the role and responsibilities of the Chairman of the Board. Following the resignation of Mr. Wang Tong Sai, Eddie as the Non-executive Chairman of the Board on 4 June 2015, the Company does not have a Chairman of the Board, and hence the Company has not been in strict compliance with Code Provisions A.2.2 to A.2.9 of the CG Code, although the functions of the Chairman during the period have been performed by the executive Directors or the Company Secretary of the Company (as the case may be). It is the intention of the Board to appoint the Chairman as soon as practicable.

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.

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 of our non-executive Director, Mr. Simon Murray was unable to attend the annual general meeting of the Company held on 29 June 2015 due to unavoidable business commitments overseas.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

FORWARD LOOKING STATEMENTS

This 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 its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

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

Hong Kong, 28 August 2015

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>

* *For identification purposes only*