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 2018

The board (the "Board") of directors (the "Directors") of Greenheart Group Limited ("Greenheart" or the "Company") announces the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2018 (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 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
REVENUE	3	**427,081**	606,896
Cost of sales		**(414,528)**	(486,257)
Gross profit		**12,553**	120,639
Other income	5	**7,504**	696
Other gains and losses	5	**(48,128)**	(34,648)
Impairment losses on financial assets	6	**(35,143)**	(62)
Fair value gain on plantation forest assets		**90,943**	130,801
Selling and distribution costs		**(43,598)**	(104,292)
Administrative expenses		**(74,559)**	(52,308)
Finance costs	7	**(22,123)**	(20,010)
(LOSS) PROFIT BEFORE TAX	8	**(112,551)**	40,816
Income tax credit (expense)	9	**7,501**	(478)
(LOSS) PROFIT FOR THE YEAR		**(105,050)**	40,338

	Notes	**2018**	2017
		HK$'000	*HK$'000*
OTHER COMPREHENSIVE (EXPENSE) INCOME			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(7,468)**	2,855
Item that will not be reclassified to profit or loss			
Revaluation gain on forestry land		**6,452**	6,228
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR, NET OF INCOME TAX OF NIL		**(1,016)**	9,083
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR		**(106,066)**	49,421
(LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(56,880)**	86,451
Non-controlling interests		**(48,170)**	(46,113)
		(105,050)	40,338
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(57,896)**	95,534
Non-controlling interests		**(48,170)**	(46,113)
		(106,066)	49,421
(LOSS) EARNINGS PER SHARE			
Basic	11	**HK$(0.031)**	HK$0.051
Diluted	11	**HK$(0.031)**	HK$0.050

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**342,533**	336,951
Prepaid lease payments		**20,355**	21,985
Goodwill		**5,651**	5,651
Timber concessions and cutting rights		**328,699**	394,990
Other intangible assets		**–**	23
Plantation forest assets		**477,440**	400,837
Prepayments, deposits and other receivables	13	**1,308**	585
Deferred tax assets		**24,356**	24,356
Interest in an associate		**1,710**	–
		1,202,052	1,185,378
CURRENT ASSETS			
Inventories		**26,170**	23,939
Trade receivables	12	**119,709**	238,455
Prepayments, deposits and other receivables	13	**59,204**	41,245
Amount due from a fellow subsidiary	16(b)(i)	**834**	500
Tax recoverable		**441**	–
Pledged bank deposit		**3,200**	3,136
Bank balances and cash		**156,667**	174,435
		366,225	481,710
CURRENT LIABILITIES			
Trade payables	14	**24,439**	30,168
Other payables and accruals		**49,551**	45,427
Contract liabilities		**2,364**	–
Obligations under finance lease - amount due within one year		**890**	10,229
Loan from immediate holding company	16(a)(i)	**–**	8,782
Loan from ultimate holding company	16(a)(ii)	**79,126**	1,101
Bank borrowings	15	**373**	–
Tax payable		**31,717**	33,460
		188,460	129,167

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
NET CURRENT ASSETS		**177,765**	352,543
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,379,817**	1,537,921
NON-CURRENT LIABILITIES			
Loan from ultimate holding company	16(a)(ii)	**–**	78,000
Loans from immediate holding company	16(a)(i)	**171,184**	149,245
Bank borrowings	15	**226,460**	195,000
Deferred tax liabilities		**170,667**	194,369
		568,311	616,614
NET ASSETS		**811,506**	921,307
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**18,550**	16,863
Reserves		**1,068,265**	1,131,583
		1,086,815	1,148,446
Non-controlling interests		**(275,309)**	(227,139)
TOTAL EQUITY		**811,506**	921,307

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC) - Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

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

HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sale of logs and timber products
- Provision of forest management services
- Provision of shipping services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 3 in this announcement and notes to the consolidated financial statements in annual report respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	NOTE	Carrying amounts previously reported at 31 December 2017 *HK$'000*	Reclassification *HK$'000*	**Carrying amounts under HKFRS 15 at 1 January 2018** ***HK$'000***
Current liabilities				
Other payables and accruals	(a)	45,427	(843)	**44,584**
Contract liabilities	(a)	–	843	**843**

(a) As at 1 January 2018, advances from customers of HK$843,000 in respect of sales of logs and timber products contracts previously included in other payables were reclassified to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and consolidated statement of cash flows for the year ended 31 December 2018 for each of the line items affected. The initial application of HKFRS 15 had no material impact on the consolidated statement of profit or loss and other comprehensive income. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Other payables and accruals	49,551	2,364	51,915
Contract liabilities	2,364	(2,364)	–

Impact on the consolidated statement of cash flows

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Decrease in other payables and accruals	(2,340)	1,521	(819)
Increase in contract liabilities	1,521	(1,521)	–

The explanations of the above changes affected in the current period by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related Interpretations are set out in note (a) above for describing the adjustment made to the consolidated statement of financial position at 1 January 2018 upon the adoption of HKFRS 15.

HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

Accounting policies resulting from application of HKFRS 9 are disclosed in notes to the consolidated financial statements in annual report.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Financial assets at amortised cost (previously classified as loans and receivables) *HK$'000*	Accumulated losses *HK$'000*
Closing balance at 31 December 2017 – HKAS 39	421,977	1,092,065
Effect arising from initial application of HKFRS 9		
Remeasurement		
Impairment under ECL model *(note)*	(3,753)	3,753
Opening balance at 1 January 2018	418,224	1,095,818

Note:

Impairment under ECL Model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables with outstanding significant balances have been assessed individually, the remaining balances are grouped based on past due analysis.

Loss allowance for other financial assets at amortised cost, including pledged bank deposit, bank balances, other receivables and amount due from a fellow subsidiary are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of HK$3,753,000 has been recognised against accumulated losses. The additional loss allowance is charged against the trade receivables.

All loss allowances, including trade receivables, as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables ***HK$'000***
At 31 December 2017-HKAS 39	6,600
Amounts remeasured through opening accumulated losses	3,753
At 1 January 2018	10,353

Impacts on opening consolidated statement of financial position arising from the application of all new standards amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	**1 January 2018 (Restated)** ***HK$'000***
Current Assets				
Trade receivables	238,455	–	(3,753)	**234,702**
Current Liabilities				
Other payables and accruals	45,427	(843)	–	**44,584**
Contract liabilities	–	843	–	**843**
Net Current Assets	352,543	–	(3,753)	**348,790**
Total Assets less Current Liabilities	1,537,921	–	(3,753)	**1,534,168**
Net Assets	921,307	–	(3,753)	**917,554**
Capital and Reserves				
Equity attributable to owners of the Company				
Reserves	1,131,583	–	(3,753)	**1,127,830**
Total Equity	921,307	–	(3,753)	**917,554**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

3. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2018 Suriname	New Zealand	Segment and consolidated total
	HK$'000	*HK$'000*	*HK$'000*
Types of goods or service			
Sales of logs and timber products	15,400	408,980	424,380
Forest management fee	–	2,701	2,701
Total	**15,400**	**411,681**	**427,081**

Geographical markets

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

New Zealand*	**–**	**363,283**	**363,283**
Mainland China	**791**	**48,398**	**49,189**
Suriname	**5,960**	**–**	**5,960**
The Netherlands	**2,851**	**–**	**2,851**
Belgium	**1,566**	**–**	**1,566**
Taiwan	**1,269**	**–**	**1,269**
Indonesia	**1,027**	**–**	**1,027**
Hong Kong	**518**	**–**	**518**
Other countries	**1,418**	**–**	**1,418**
Total	**15,400**	**411,681**	**427,081**

* The revenue from customers located in New Zealand mainly related to sales under free on board terms with destination in Mainland China.

Timing of revenue recognition

A point in time	**15,400**	**408,980**	**424,380**
Over time	**–**	**2,701**	**2,701**
Total	**15,400**	**411,681**	**427,081**

(ii) *Performance obligations for contracts with customers*

Sales of logs and timber products

The Group sells logs and timber products to the domestic customers in New Zealand and Suriname and oversea customers. Revenue from domestic customers is recognised at a point in time when control of the goods has transferred at an agreed location. For oversea sales, revenue is recognised at a point in time when control of the goods has transferred to the customers, being when the goods have been delivered to port of discharge or the loading port which the related shipping is arranged by the customers.

Sales-related warranties associated with logs and timber products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications.

Forest management fee

The Group provides forest management services to customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group bills a predetermined rate for services provided on a regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year ended 31 December 2017 was as follows:

	2017 *HK$'000*
Sales of logs and timber products	582,637
Forest management fee	6,072
Shipping service fee income	18,187
	606,896

4. OPERATING SEGMENTS

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 credit (expense), depreciation, forest depletion cost as a result of harvesting and amortisation ("EBITDA") and 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.

Segment revenues and results

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

For the year ended 31 December 2018

Continuing operations

	Suriname *HK$'000*	New Zealand *HK$'000*	Segment total *HK$'000*	Unallocated corporate items *HK$'000*	Consolidated total *HK$'000*
SEGMENT REVENUE – EXTERNAL	15,400	411,681	427,081	–	427,081
SEGMENT RESULTS ("Adjusted EBITDA")	(20,695)	154,755	134,060	(34,061)	99,999
Reconciliation of the segment results:					
Items other than finance costs, income tax credit, forest depletion cost as a result of harvesting, depreciation and amortisation					
Fair value gain on plantation forest assets	–	90,943	90,943	–	90,943
Interest income	4	3,375	3,379	–	3,379
Impairment of timber concessions and cutting rights***	(43,372)	–	(43,372)	–	(43,372)
Impairment of trade receivables	(35)	(125)	(160)	–	(160)
Impairment of prepayments, deposits and other receivables	(390)	–	(390)	(34,593)	(34,983)
Reversal of impairment of prepaid lease payments***	374	–	374	–	374
Write-down of inventories*	(14,895)	–	(14,895)	–	(14,895)
Share-based payment expenses**	–	–	–	(3)	(3)
EBITDA	(79,009)	248,948	169,939	(68,657)	101,282
Finance costs	(12,425)	(9,698)	(22,123)	–	(22,123)
Forest depletion cost as a result of harvesting*	–	(123,185)	(123,185)	–	(123,185)
Depreciation****	(14,987)	(4,410)	(19,397)	(674)	(20,071)
Amortisation of harvest roading included in prepayments*	–	(23,929)	(23,929)	–	(23,929)
Amortisation of timber concessions and cutting rights*****	(22,919)	–	(22,919)	–	(22,919)
Amortisation of prepaid lease payments**	(1,583)	–	(1,583)	–	(1,583)
Amortisation of other intangible assets*	(23)	–	(23)	–	(23)
(LOSS) PROFIT BEFORE TAX	(130,946)	87,726	(43,220)	(69,331)	(112,551)
SEGMENT ASSETS	516,109	984,217	1,500,326	67,951	1,568,277
SEGMENT LIABILITIES	419,717	332,634	752,351	4,420	756,771
Other segment information					
Capital expenditures#	(2,977)	(137,559)	(140,536)	(3,298)	(143,834)

\# 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.

**** Depreciation of HK$10,043,000 is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

***** Amortisation of timber concessions and cutting rights of HK$8,729,000 is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

For the year ended 31 December 2017

Continuing operations

	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.

*	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.

****	Depreciation of HK$11,696,000 was included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

Geographical Information

The Group's operations are located in New Zealand and Suriname. Information about the Group's revenue from external customers is presented based on the location of customers:

	2018	2017
	HK$'000	*HK$'000*
New Zealand*	**363,283**	207,636
Mainland China	**49,189**	379,081
Suriname	**5,960**	5,413
The Netherlands	**2,851**	4,710
Belgium	**1,566**	3,355
Taiwan	**1,269**	1,290
Indonesia	**1,027**	–
Hong Kong	**518**	890
Other countries	**1,418**	4,521
	427,081	606,896

*	The revenue from customers located in New Zealand mainly related to sales under free on board terms with destination in Mainland China.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2018	2017
	HK$'000	*HK$'000*
New Zealand	**712,424**	620,800
Suriname	**459,260**	539,256
Hong Kong	**4,302**	966
Mainland China	**1,710**	–
	1,177,696	1,161,022

Note: Non-current assets excluded deferred tax assets.

Information about major customers

During the year ended 31 December 2018, the Group had transactions with two (2017: two) customers from New Zealand segment who each contributed over 10% of the Group's total revenue for the year ended 31 December 2018. A summary of revenue earned from each of these major customers is set out below:

	2018	2017
	HK$'000	*HK$'000*
Customer 1	**329,268**	176,215
Customer 2	**43,198**	N/A*
Customer 3	**N/A***	337,238

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

5. OTHER INCOME, GAINS AND LOSSES

Other income:

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**149**	39
Interest income from overdue trade receivables	**3,230**	–
Rental income from lease of plant and machinery	**316**	252
Royalty fee income	**1,332**	–
Reversal of long outstanding trade and other payables	**1,927**	–
Others	**550**	405
	7,504	696

Other gains and losses:

	2018	2017
	HK$'000	*HK$'000*
Impairment of timber concessions and cutting rights	**(43,372)**	(43,502)
Reversal of impairment of prepaid lease payments	**374**	3,801
(Loss) gain on disposal of property, plant and equipment	**(14)**	5,053
Exchange loss on refundable earnest money	**(5,116)**	–
	(48,128)	(34,648)

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2018	2017
	HK$'000	*HK$'000*
Impairment losses recognised on:		
– trade receivables in respect of goods and services	**160**	62
– other receivables	**34,983**	–
	35,143	62

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on loans from immediate holding company	**7,073**	6,491
Interest on loan from ultimate holding company	**3,925**	3,900
Interest on finance leases	**1,384**	1,366
Interest on bank borrowings	**9,741**	8,253
	22,123	20,010

8. (LOSS) PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold (including write-down of inventories)*	**398,942**	410,537
Cost of services rendered*	**1,054**	20,071
Amortisation of timber concessions and cutting rights	**22,919**	25,258
Forest harvested as agricultural produce	**122,360**	120,508
Amount capitalised in closing inventories	**(1,634)**	(2,459)
Amount released from opening inventories	**2,459**	2,165
Forest depletion cost as a result of harvesting*	**123,185**	120,214
Depreciation****	**20,071**	21,918
Amortisation of		
– harvest roading included in prepayments*	**23,929**	28,950
– prepaid lease payments**	**1,583**	1,228
– other intangible assets*	**23**	75
Write-down of inventories*	**14,895**	8,031
Minimum lease payments under operating leases for land and buildings	**5,835**	5,128
Foreign exchange loss, net***	**4,447**	1,924
Auditor's remuneration	**2,000**	1,950
Employee benefits expenses (including Directors' remuneration)*****:		
– Salaries and allowances	**54,042**	58,984
– Share-based payment expenses	**3**	98
– Pension scheme contributions (defined contribution scheme)	**583**	623
	54,628	59,705

* 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 gain of HK$403,000 (2017: loss of HK$2,362,000), foreign exchange loss of HK$5,116,000 (2017: nil), and foreign exchange gain of HK$266,000 (2017: HK$438,000) are included in "Cost of sales", "Other gains and losses" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.

**** Depreciation of HK$10,043,000 (2017: HK$11,696,000) is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

***** Employee benefits expenses (including Directors' remuneration) of HK$26,629,000 (2017: HK$31,703,000) are included in "Cost of Sales" in the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX (CREDIT) EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The income tax (credit) expense comprises:		
Current tax – Hong Kong		
Charge for the Year	**7,461**	11,802
Overprovision in prior years	**(2,532)**	(178)
	4,929	11,624
Current tax – other jurisdictions		
Charge for the Year	**9,559**	11,421
Withholding tax	**1,713**	1,201
Deferred tax	**(23,702)**	(23,768)
	(7,501)	478

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Accordingly, start from the current year, the Hong Kong profits tax for a selected subsidiary of the Group is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Subsidiaries established in Suriname and New Zealand are subject to the relevant tax rules and regulations of Suriname and New Zealand at the statutory tax rate of 36% (2017: 36%) and 28% (2017: 28%), respectively.

The New Zealand non-resident withholding tax is provided on the intercompany loan interest income received from a subsidiary incorporated in New Zealand.

10. DIVIDENDS

No dividend was paid or proposed by the Directors for both years, nor has any dividend been proposed since the end of the reporting period.

11. (LOSS) EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share attributable to owners of the Company	**(56,880)**	86,451

	2018	2017 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,854,984,438**	1,703,343,565
Effect of dilutive potential ordinary shares:		
Share options	**–**	8,814,138
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,854,984,438**	1,712,157,703

The weighted average number of ordinary shares for the purposes of basic earnings per share for the year ended 31 December 2017 has been adjusted for bonus issue that took place on 15 June 2018.

The computation of diluted loss per share for the year ended 31 December 2018 does not assume the effect of the Group's share options since their assumed exercise would result in a decrease in loss per share.

12. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
– goods and services	**130,222**	245,055
Less: Allowance for credit losses	**(10,513)**	(6,600)
Net trade receivables	**119,709**	238,455

Trade receivables are recognised when the Group's products are delivered because the Group's right to consideration is unconditional except for the passage of time from that point. Moreover, the Group receives payment within a short period of time after satisfying its performance obligation under separately determined payment terms. Because the period form satisfaction of the performance obligation to receipt of consideration is usually within one year or less, as a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component for such receivables.

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$119,709,000 and HK$234,702,000 respectively.

The Group's trading terms with its customers are mainly on open account with credit terms of 5 days to 90 days. 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 (the "Party A") provided a personal guarantee to the Group in relation to the repayment of the trade receivables owed to the Group. On 24 August 2018, the Group entered into an agreement with Party A, pursuant to which Party A pledged the shares of its subsidiary, which is principally engaged in log harvesting and sales, as security for the repayment of the trade receivables owed by Party A. The net trade receivables owed from Party A was HK$97,813,000 and HK$209,111,000 as at 31 December 2018 and 2017, respectively. The outstanding trade receivable balance as at 31 December 2018 has been fully settled by the Party A subsequently.

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

The following is an aged analysis of trade receivables based on the invoice date and net of impairment at the end of each reporting period:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**21,814**	17,137
From 1 to 3 months	**3**	54,467
Over 3 months	**97,892**	166,851
	119,709	238,455

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Non-current portion		
Rental deposits	**1,041**	–
Prepayments	**267**	585
	1,308	585
Current portion		
Current portion of prepaid lease payments	**2,004**	1,583
Prepayments	**22,481**	34,211
Rental deposits	**376**	1,495
Other receivables	**978**	3,956
Refundable earnest money	**68,348**	–
	94,187	41,245
Less: Allowance for credit losses	**(34,983)**	–
	59,204	41,245

The refundable earnest money represents earnest money of RMB50,000,000 (equivalent to HK$56,957,000) ("RMB50M Earnest Money") and RMB10,000,000 (equivalent to HK$11,391,000) paid for the potential investments in Jiangxi Province, China and Gabon respectively. Both potential investment plans have been abandoned during the Year ended 31 December 2018.

As disclosed in the Company's announcement dated 26 March 2019, the Group has made repeated demands to the relevant parties for the repayment of the RMB50M Earnest Money which was due on 15 October 2018. In connection with this, the Group has received a corporate guarantee dated 10 December 2018 from China National Forest Products Company Limited ("CNF"), pursuant to which CNF unconditionally and irrevocably undertakes to pay the sum of RMB50,000,000 to the Company on 15 March 2019 if the Company fails to receive the RMB50M Earnest Money from the relevant parties. CNF subsequently requested to extend the guarantee to 26 March 2019. CNF is a wholly-owned subsidiary of China Forestry Group Corporation which is a stated-owned enterprise in the PRC.

On 25 March 2019, the Group has received partial payment in the amount of RMB20,000,000 for the RMB50M Earnest Money. After careful consideration and based on the available evidence on hand, including but not limited to the breach of the guarantee letter from CNF, the Group believed the recoverability of the remaining balance of RMB50M Earnest Money (i.e. RMB30,000,000)) ("The Remaining Balance) is doubtful and therefore full provision of impairment is made for the Remaining Balance. The Group has commenced legal actions against the relevant parties including CNF for the recovery of the Remaining Balance.

For the earnest money in relation to Gabon, the related investee who received the said earnest money agreed to refund the remaining balance to the Group before May 2019.

14. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**19,993**	27,473
From 1 to 3 months	**1,640**	178
Over 3 months	**2,806**	2,517
	24,439	30,168

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

15. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank overdrafts, secured	**5,848**	–
Bank loans, secured	**220,985**	195,000
	226,833	195,000

The carrying amounts of above borrowings are repayable:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**373**	–
Within a period of more than one year but not exceeding two years	**226,218**	195,000
Within a period of more than two years but not exceeding five years	**242**	–
	226,833	195,000
Less: Amounts due within one year shown under current liabilities	**(373)**	–
Amounts shown under non-current liabilities	**226,460**	195,000

During the year ended 31 December 2018, the Group's bank loan facilities from Bank of New Zealand ("BNZ loan facilities") were renegotiated with the final maturity date extended to 1 July 2020 and the Group obtained additional loan facilities of US$25,000,000 (approximately HK$195,000,000), in which US$3,200,000 (approximately HK$24,960,000) was utilised as at 31 December 2018.

As at 31 December 2018, the Group's bank loans from BNZ loan facilities were denominated in United States dollars, bearing interest at the base rate determined by the Bank of New Zealand, plus 1.65% per annum and repayable on 1 July 2020 (31 December 2017: repayable on 28 February 2019).

The Group's BNZ loan facilities are subject to the fulfillment of certain financial covenants as required by the Bank of New Zealand. During the year ended 31 December 2018 and as at 31 December 2018 and 2017, all financial covenants relating to the bank loan facilities were met.

As at 31 December 2018 and 2017, the BNZ 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$109,109,000 (2017: HK$108,447,000);

  (b) the Group's plantation forest assets (located in New Zealand) with a carrying value of approximately HK$477,440,000 (2017: HK$333,831,000) 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.

During the year ended 31 December 2018, the Group obtained bank loan facilities from Hakrinbank in Suriname ("Hakrinbank Loan Facilities"), comprising of US$150,000 (approximately HK$1,170,000) loan facility which was fully utilised as at 31 December 2018 and repayable by 36 monthly instalments up to 30 June 2021 and US$850,000 overdraft facility in which US$750,000 (approximately HK$5,848,000) was utilised as at 31 December 2018 and repayable on 30 April 2020.

As at 31 December 2018, the Group's bank overdraft and bank loan from Hakrinbank Loan Facilities were denominated in United States dollars, bearing interest at 8.5% and 9.5% per annum, respectively.

As at 31 December 2018, the Hakrinbank Loan Facilities are secured by a fixed charge over:

(i) the Group's certain prepaid lease payments (located in Suriname) with a carrying value of approximately HK$7,445,000 (2017: nil); and

(ii) the Group's certain motor vehicles with a carry value of approximately HK$1,813,000 (2017: nil).

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

	2018 HK$'000	2017 HK$'000
Floating rate		
– due after one year	**219,960**	195,000
Fixed-rate		
– due within one year	**373**	–
– due after one year	**6,500**	–
	6,873	–

16. 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 ended 31 December 2018:

Related party	**Nature of transaction**	*Notes*	**2018** ***HK$'000***	2017 *HK$'000*
Immediate holding company	Interest expenses paid and payable on loans	(i)	**7,073**	6,491
Ultimate holding company	Interest expenses paid and payable on a loan	(ii)	**3,925**	3,900
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	(iii)	**3,269**	2,905
Fellow subsidiary	Reimbursement	(iv)	**577**	–

Notes:

(i) The interest expenses were charged based on the Hong Kong Prime Rate on the following loans:

- an unsecured loan with principal amount of HK$62,400,000 (i.e. US$8,000,000). 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. On 27 March 2019, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2019 to 31 March 2020 with effective from 31 December 2018;

- 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. On 27 March 2019, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2019 to 31 March 2020 with effective from 31 December 2018;

- 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. On 27 March 2019, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2019 to 31 March 2020 with effective from 31 December 2018;

- 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 25 May 2018 to 31 March 2019. On 27 March 2019, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 March 2019 to 31 March 2020 with effective from 31 December 2018;

- an unsecured loan with principal amount of HK$6,179,000 (i.e. US$792,000). On 27 March 2019, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 25 October 2019 to 31 March 2020 with effective from 31 December 2018;

- an unsecured loan with principal amount of HK$8,580,000 (i.e. US$1,100,000). On 27 March 2019, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 31 December 2018 to 31 March 2020 with effective from 31 December 2018; and

- an unsecured loan with principal amount of HK$6,084,000 (i.e. US$780,000). On 27 March 2019, a supplemental agreement was signed with immediate holding company to extend the maturity date of both loan principal and interest payable from 13 December 2019 to 31 March 2020 with effective from 31 December 2018.

(ii) 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.

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

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

(b) Outstanding balances with related parties

(i) The amount due from a fellow subsidiary as at 31 December 2018 and 2017 was unsecured, interest-free and repayable within one year.

(c) Compensation of key management personnel of the Group

	2018	2017
	HK$'000	*HK$'000*
Short-term employee benefits	**11,347**	11,642
Pension scheme contributions	**72**	72
	11,419	11,714

17. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in other sections of this announcement, no significant events occurred subsequent to the end of the reporting period.

18. COMPARATIVE AMOUNTS

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

2018 was a tough year for Greenheart with disappointing underperforming results against expectation. The reduction of the harvesting volume from own plantation and the thinning profit margin significantly undermined New Zealand business' ability to generate satisfactory result in 2018. Much of work is still needed to turnaround the operation in Suriname. The Group's result was further hit by the provision of impairment for earnest money in relation to the earnest money paid pursuant to a cooperative framework agreement for a potential investment in Jiangxi Province, China. In 2018, the Group recorded a net loss of HK$105,050,000, compared with a net profit of HK$40,338,000 in 2017.

New Zealand Division

Due to the uncertainty caused by the escalating trade war, the export prices of New Zealand radiata pine softened during the second half year of 2018. Overall, the average free on board ("FOB") selling price of New Zealand radiata pine for the Year decreased by 3.4%, as compared with 2017.

As indicated in the Group's 2018 interim report, the harvesting volume from the Group's own plantation decreased by 23.7% to 450,000 m^3 as a result of the temporary withdrawal of a harvesting crew during the first half of the Year. The crew returned later and the Group had worked to catch up the shortfall by increasing the trading of third parties' logs. Overall, the sales volume of the New Zealand radiata pine decreased by 19.5% to 505,000 m^3 (2017: 627,000m^3) and revenue declined by 25.1% to HK$406,753,000, as compared to HK$542,782,000 (on FOB basis) in 2017.

We are taking steps to increase the export volume by acquisition of the mature or near to mature plantations and intensify our efforts in trading third parties' logs to address the decline of the harvestable volume from our own plantation assets. The Group has successfully acquired several plantations in the past year and all of them are making positive financial returns to the Group so far. Looking ahead, we will continue on the path of being selective in our acquisitions and avoid the risk of overvalued assets.

Suriname Division

We are disappointed with the performance of our Suriname division. Revenue from Suriname division decreased significantly by 28.5% to HK$15,400,000 (2017: HK$21,540,000) and the negative Adjusted EBITDA recorded HK$20,695,000 (2017: HK$28,789,000). The key reason for the poor results for the Year was because the stoppage of production from west Suriname and higher portion of local species, which have lower profit margin, was harvested and processed.

The long waiting time for getting the local government's approval for the resumption of harvesting activities in the Group's largest forest concessions in west Suriname has adversely affected the operation of the Group's Suriname business. While the Group is still positive about the prospect of our business in west Suriname and willing to commit to changing and improving the local community and industry that we are a part of, we need to balance and safeguard our shareholders' best interests and make difficult but necessary decisions should the Group not be able to resume the west Suriname operation timely.

Others

As disclosed in the Company's announcement dated 26 March 2019, notwithstanding the Group's repeated demands, the relevant parties (including the vendors, the target company and the guarantor (China National Forest Products Company Limited)) failed to keep their promises for the refund of the whole of the earnest money of RMB50,000,000 in relation to a potential investment in Jiangxi Province, China ("Earnest Money"). Up to the date of this announcement, the Company only received partial settlement in the amount of RMB20,000,000, after careful considerations and thorough discussions, the Company decided that based on the current evidences on hand, it is necessary to make full provision for the remaining balance (being RMB30,000,000) of the Earnest Money. The Company has commenced legal actions against the relevant parties for the recovery of the remaining balance (being RMB30,000,000) of the Earnest Money.

Prospect

The global economic outlook in 2019 is clouded by the trade tension between China and the United States ("US"). China's growth is estimated to decelerate to just over 6.0% in 2019, as a result of weaker exports. However, domestic demand is projected to remain robust, helped by supportive fiscal and monetary policies undertaken or announced so far. At present, both the demand and the prices of New Zealand radiata pine are projected to remain broadly stable in 2019. The export price in cost and freight basis ("CFR") closed at US$134-138 per m^3 for A-grade log in December 2018 and it is expected that February/March 2019 prices will have a moderate increase of US$6-7 per m^3.

In the year ahead, we will concentrate our efforts on maintaining the wood supply of New Zealand business through acquisitions of forest assets or sourcing of third parties' logs. Moreover, we will continue the marketing strategy began in 2018 to help Northland Forest Manager (1995) Limited ("NFM") obtain further business on forest management, harvesting and marketing on third parties' forests. We are pleased that NFM has recently been successful in securing the forest management works from New Zealand government. While size of the income is not huge, it helps extend NFM's name in the market and is a recognition of the quality of work of NFM.

In Suriname, the significant challenge we are facing now is the undue long approval time from the local government for the resumption of the harvesting activities of west Suriname. At present, we are concentrating our efforts in central Suriname which however is not sufficient to fully cover the total costs in Suriname. Against this background, the Group has worked with other industry player for our concession in east Suriname, aiming to reduce our operating costs through better utilisation of our resources on hand. However, if the uncertainty regarding our west Suriname operation persists, the Group may need to take actions to reduce its overcapacity in west Suriname.

Across the Group, we will continue to streamline our cost base and manage our capacity to achieve greater operational flexibility and financial discipline. At the same time as addressing the challenges to its business, the Group has slowed down the expansion in new area and prioritised its financial resources to area that can deliver performance improvements.

Appreciation

In November 2018, Mr. Ding Wai Chuen was appointed as executive Director and Chief Executive Officer of the Company. The Board would like to express its warm welcome to Mr. Ding on his joining the Board and the Company.

I, on behalf of the Board, would like to extend my sincere appreciation to my fellow directors, management and all of my colleagues for their work, concerted effort and dedication in delivering our strategy in the challenging market conditions. I would also like to express our heartfelt gratitude to our shareholders, customers, suppliers, bankers and business associates for their enduring support throughout the year.

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong
27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's performance in 2018 was adversely affected by the reduction of the profit contributed by the New Zealand division, resulting from the reduction of harvesting volume in the Group's own plantation assets, decrease of the average export price of New Zealand radiata pine in second half of 2018 amid worries of global trade war, higher direct operating and non-cash depletion costs and decrease in non-cash fair value gain on plantation forest. The uncertainty of our Suriname operation caused mainly by the prolonged suspension of the harvesting activities of the Group's west Suriname added to the difficulties. It was a challenging year for the Group and a net loss of HK$105,050,000 was recorded in 2018, compared with a net profit of HK$40,338,000 in 2017.

Revenue

The Group recorded total revenue of HK$427,081,000, a decrease of HK$179,815,000 as compared with that of last year. Such reduction was primarily caused by the decline of sales volume in both New Zealand and Suriname divisions for the Year.

During the Year, the revenue contributed by New Zealand division of the Group decreased by HK$173,675,000, of which HK$136,029,000 was mainly due to the reduction of the harvesting volume in the Group's own plantation assets, and the decrease of average selling prices (on FOB basis). The remaining difference was mainly due to the Group gradually changed the trade terms of the export sales of New Zealand radiata pine from CFR to FOB during the Year. As disclosed in the Group's interim report 2018, the reduction of the harvesting volume was predominately caused by the temporary withdrawal of one harvesting crew during the first half of the Year. Although the Group was able to secure the service of the harvest crew afterwards, the harvesting volume could not increase enough to make up the shortfall.

In addition to sales of logs, revenue contributed from forest management services reduced due to the loss of a customer during the Year. No shipping service fee income was earned by sharing vessels with other logs exporters as almost all export sales were made in FOB terms and therefore no vessel was chartered during the Year.

Revenue from Suriname division reduced to HK$15,400,000 for the Year and such decrease was mainly caused by the harvesting activities in the one of the Group's largest concession in west Suriname were temporarily suspended, awaiting for the completion of the minor adjustment on the boundary line of concession area as set out in the approved license document.

Gross profit

Gross Profit was HK$12,553,000 for the Year, representing a decrease of approximately HK$108,086,000 year-on-year. The gross profit contributed from the New Zealand division was HK$56,374,000 (2017: HK$184,682,000) while the Suriname division recorded a gross loss of HK$43,821,000 for the Year (2017: HK$64,043,000).

During the Year, gross profit margin was 2.9% as compared to 19.9% in prior year. The gross profit margin for the New Zealand division for year 2018 was 13.7% (2017: 31.6%) while the Suriname division recorded a gross loss margin of 284.6% for year 2018 (2017: 297.3%).

Excluding the effects caused by the change of the trade terms of New Zealand division export sales from CFR to FOB, the gross profit margin would be 12.6% for the Year (2017: 26.2% (on FOB basis)). The decrease in profit margin of the New Zealand division was due to the decrease of the average selling price by 3.4%, the increase of average unit direct operating costs caused by higher fuel costs and increased contractors' rates for tougher harvest terrain, together with the increase in non-cash unit forest depletion cost as a result of the increase in the fair value of the plantation forest assets, as disclosed in the Group's 2017 annual report and 2018 interim report.

The gross loss margin for the Suriname division improved was mainly due to the continuous efforts on various cost-saving measures by outsourcing certain labor-intensive log harvesting activities to sub-contractors, which enables us to lower our direct operating costs as well as reduction of workforce from 286 to 225 in order to offsets the adverse impact on the suspension of the harvesting activities in west Suriname due to the prolonging approval process from local government.

Other income

Other income was increased significantly to HK$7,504,000 for the Year. Such increase was primarily contributed by the interest income from a customer for the overdue outstanding trade receivable balance, the royalty fee income of granting the harvesting right of concession in east Suriname to a third party and reversal of long outstanding trade and other payables.

The remaining mainly represented rental income received from subcontractors in Suriname for the lease of plant and machinery and bank interest income.

Impairment losses on financial assets

Impairment losses on financial assets during the Year mainly represented movement in the expected credit losses ("ECL") on trade receivables and other receivables as a result of the first adoption of HKFRS 9 on 1 January 2018 and the provision of impairment for the entire remaining balance of earnest money which was made by the Group pursuant to a cooperative framework agreement for a potential investment in Jiangxi Province, China (the "Earnest Money"). As at the date of this announcement, after the receipt of RMB20,000,000 by the Group on 25 March 2019, the remaining balance of the Earnest Money amounted to RMB30,000,000 (the "Remaining Balance"). The Group has commenced legal actions against the relevant parties for the recovery of the Remaining Balance of the Earnest Money. Further details were set out in the Company's announcements dated 26 March 2019.

Other gains and losses

Other gains and losses comprised of (i) impairment on timber concessions and cutting rights; (ii) reversal of impairment of prepaid lease payments; (iii) loss on disposal of property, plant and equipment; and (iv) exchange loss on refundable earnest money.

The impairment on timber concessions and cutting rights of HK$43,372,000 provided during the Year (2017: HK$43,502,000) 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 based on the valuation reports at the end of the Year prepared by an independent valuer. The drop of the recoverable amount was primarily caused by the increase in forecasted logistic costs and reduction of forecasted near term operation scale, reflecting the actual operating data and the temporary halt of harvesting activities respectively in west Suriname. Accordingly, impairment was allocated to timber concessions and cutting rights of the cash-generating unit.

Reversal of impairment of prepaid lease payments of HK$374,000(2017: HK$3,801,000) 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.

One-off gain on disposal of property, plant and equipment of HK$5,053,000 was recorded in 2017 for the disposal of certain idle vehicles in Suriname whereas there was no such gain in 2018.

Fair value gain on plantation forest assets

The fair value gain on our plantation forest assets in New Zealand amounted to HK$90,943,000 (2017: HK$130,801,000) for the Year. The gain was calculated based on the valuation report at the end of the Year prepared by an independent valuer and the decrease in gain was mainly attributable to the lower level of increase in both near term and long term forecasted selling price of logs in 2018 as compared to that in 2017.

Selling and distribution costs

Selling and distribution costs mainly represent trucking, barging and export handling expenses, 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$43,598,000, decrease from HK$104,292,000 in 2017. The reduction was mainly due to the decrease in freight cost resulting from the reduction of the volume of New Zealand radiata pine sold under CFR term.

Administrative expenses

Administrative expenses increased to HK$74,559,000 for the Year. The increase was mainly attributable to (i) the increase in amortisation of timber concessions and cutting rights because less of that was capitalised to inventories caused by the significant reduction of the harvest volume from west Suriname; (ii) the increase in the legal and professional fee in relation to additional public relations services, collecting overdue trade receivables from a major customer of the Group, two potential investments in Jiangxi Province in China and Gabon, and bonus issue; and (iii) increase in travelling expenses for exploration of new business opportunities in the expansion in New Zealand and other regions.

Finance costs

Finance costs increased by HK$2,113,000 during the Year and such increase was mainly due to the increase in interest on bank borrowings following the general rise in London Interbank Offered Rates ("LIBOR") in the Year as well as the additional interest on bank borrowings with principal amounts of HK$31,978,000 drawn down during the Year.

Income tax expense

Income tax credit for the Year mainly comprised of tax provision arising from our New Zealand division, deferred tax credit, and withholding tax resulting from the intercompany interest.

The deferred tax credit for the Year comprised of the deferred tax charge and deferred tax credit in the New Zealand and the Suriname divisions, respectively.

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

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

EBITDA

The EBITDA of the Group recorded a drop by HK$157,187,000 from HK$258,469,000 in 2017 to HK$101,282,000 for the Year because of the lower contribution made by New Zealand division and an one-off provision of impairment of refundable earnest money related to potential investments in Jiangxi Province, China.

This reduction was mainly due to the lower contribution made by New Zealand division, caused by the decrease in volume of logs harvested during the Year and the reduction in fair value gain on plantation forest assets for the Year as mentioned above. As a result, the EBITDA of New Zealand division decreased to HK$248,948,000 for the Year.

The negative EBITDA of Suriname division increased to HK$79,009,000 for Year. Such increase was mainly due of the decrease in reversal of impairment of prepaid lease payments for the Year.

Loss for the Year attributable to owners of the Company

As a result of the aforementioned, the loss attributable to owners of the Company amounted to HK$56,880,000 for the Year as compared to a profit attributable to owners of HK$86,451,000 in 2017.

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 2018 and 2017, except for the McInnes Forestry Right with a total land area of approximately 23 hectares, which was newly acquired in December 2017 and fully harvested during the Year. Indufor is an independent professional forest specialist consulting firm. The key valuers involved in the valuation are members of the New Zealand Institute of Forestry, and have 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 2018 and 2017. In addition, a high level area validation exercise using satellite imagery was performed for the Group's plantation forest assets with a total area of 15,300 hectares. The area verification covered the entire planted forest area.

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) Comparing the status of plantation information provided by the forest manager with the results of the ground inspection in relation to the health and quality of the plantation conducted by Indufor. 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 the 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 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 2018, the Group's current assets and current liabilities were HK$366,225,000 and HK$188,460,000 (2017: HK$481,710,000 and HK$129,167,000), respectively, of which the Group maintained cash and bank balances of approximately HK$156,667,000 (2017: HK$174,435,000). The Group's outstanding borrowings as at 31 December 2018 represented the loans from Immediate Holding Company amounting to HK$171,184,000 (2017: HK$158,027,000, as restated), the loan from Ultimate Holding Company amounting to HK$79,126,000 (2017: HK$79,101,000, as restated), bank borrowings amounting to HK$226,833,000 (2017: HK$195,000,000) and obligations under finance lease of HK$890,000 (2017: HK$10,229,000). 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 44.0% (2017: 38.5%, as restated).

As at 31 December 2018, there were 1,854,991,056 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 2018. However, we will continue to closely monitor all possible exchange risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

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

TRADE RECEIVABLES REVIEW

The trade receivables of the Group as at 31 December 2018 and the subsequent settlement after the end of the reporting period are as follows:

	As at 31 December 2018	After the end of the reporting period	
	Trade receivables balance	Subsequent settlement	Outstanding amount
	HK$'000	*HK$'000*	*HK$'000*
Current (not past due)	19,945	19,945	–
Less than 3 months past due	5,640	5,582	58
Over 3 months past due	104,637	97,728	6,909*
	130,222	123,255	6,967
Less: Allowance for credit losses	(10,513)		
Net trade receivables	119,709		

* These overdue trade receivables of HK$6,909,000 were fully impaired as at 31 December 2018.

In addition, the trade receivables of the Group as at 31 December 2018 have been further reduced with the subsequent settlement after the end of reporting period as set out above. In order to address the expected credit loss requirement under HKFRS 9, credit loss allowance of HK$160,000 was made for the year ended 31 December 2018.

PROSPECTS

In 2018, the prices in China, the biggest market for Greenheart's wood products, had its ups and downs, which was strong in the first half of 2018, precarious in the third quarter of 2018 due to the trade disputes between the US and China and resurgent in the fourth quarter ending to the Year. The Company believes the market demand will remain strong even as global economies tread cautiously while the trade disputes from the US and China looms over 2019. We will continue our strategy to invest in new plantation forest assets in New Zealand, move forward with the next stage of the Suriname turn around plans and engage in global trade opportunities.

The actual GDP growth of China was closed at 6.6% for the full year 2018, the slowest expansion for 28 years, heavily affect by the GDP growth of 6.4% for the fourth quarter of 2018, a drop from a revised GDP growth of 6.8% for the full year 2017. The Chinese government has announced the GDP growth target would be between 6.0%-6.5% and a range of economic measures in various sectors including tax cuts and increase infrastructure spending to help to meet the target. With US and China optimistic view of a successful trade agreement being reached, we expect China's appetite for import of wood products to continue at a more mature sustainable rate for 2019 and the coming years.

Logs export volume in New Zealand increased by 12.8% in 2018 as compared to 2017 according to the Ministry of Primary Industries log statistics. The growth expected to continue in 2019 at a lower rate of 3.6%. China continues to maintain its position as the largest import of logs from New Zealand. 2019 has begun strong on all fronts, demand remains strong from both China and a resurging India, CFR prices has moved from US$134-US$138 per m^3 by the end of 2018 to US$140-US$145 per m^3 for A grade logs. Market sentiment remains firm although exporters are weary of the prolonged period of US and China trade dispute.

Our business strategy in New Zealand is to optimise our existing woodflow, invest in plantation forest assets and grow our softwood trading business. In 2018, our net forest area in New Zealand has increased by 27.5% from 2017 with the acquisition of plantation forest assets in the Rototuna Meridian Forest in North Auckland and in our second operational hub in Gisborne, East coast. Gisborne and Tauranga in East coast will be the area of focus for 2019-2021 for potential future larger forest investment acquisition activities.

Outlook on the demand of Suriname hardwood would be on the rise after a sharp decline in the fourth quarter of 2018 due to oversupply in the key markets. Prices are expected to recover by the end of the first half of 2019 in tandem with the restarting of our harvesting operations. Time has been taken to review our plans for the next 3-5 years, focusing on initiative to successfully convert potential into profit, restructuring of our operation to achieve the right costing with our log and load contractors. Our sales and marketing focus will be on India for the short to medium term, with China being a key volume market for achieving longer term log export strategy. Lumber wood product's key markets remain in Europe, US and other prime Asian destination where we have built up a good customer base.

At present, subject to the resumption of the harvesting activities in west Suriname, we are planning to implement a process improvement programme in both our west and central Suriname sawmill facilities for the next 12-36 months to utilise and enhance the idle automated production structure with the existing machinery and equipment. Production will then focus on export products which have much stable demand and higher profit contribution. Our historical recovery yield has been considered below industry level and much of the past investment has been focused on the lower value stage of the wood conversion process.

On Corporate level, as exclusivity period for two potential investments in Jiangxi Province, China and Gabon elapsed on 30 September 2018 and 31 December 2018 respectively, after due and careful consideration, the Company considered it is in the best interest of the Company not to proceed with the investments.

Against the backdrop of global economy uncertainty, in 2019, the Group will adopt a more prudent financial management approach by concentrating its efforts and financial resources in its existing businesses. The investment in new area and business has been slowed down to reduce the downside risk.

USE OF PROCEEDS FROM SUBSCRIPTION

On 3 July 2017, the Group entered into share subscription agreements with China Forestry International Resource Company Limited ("China Forestry") and Hong Kong Genghis Khan Group Limited ("Genghis Khan Group"). On 22 August 2017, 100,000,000 shares of the Company were issued to China Forestry at a subscription price of HK$0.85 per share and on 28 September 2017, 100,000,000 shares of the Company were issued to Genghis Khan Group at a subscription price of HK$0.85 per share. The net proceeds received by the Group was approximately HK$169,827,000. Upon completion of the share subscriptions, China Forestry and Genghis Khan Group each have 5.93% shareholding in the Company. The subscription price represented a discount of approximately 14.14% to the closing price of HK$0.99 as quoted on the Stock Exchange on 3 July 2017, being the date of the share subscription agreements. The shares rank pari passu with other shares in issue in all respects.

As at 31 December 2017, (1) approximately HK$59,009,000 was used to settle the consideration for the acquisition of forestry right over the land in Rototuna Meridian Forest, New Zealand; and (2) approximately HK$16,574,000 was used as general working capital of the Group, including but not limited to the operating expenses of the Group's business in Hong Kong and Suriname and finance costs on a loan of the Group. The remaining unutilised amount of net proceeds as at 31 December 2017 was approximately HK$94,244,000.

As at 31 December 2018, the remaining unutilised net proceeds were used as to (1) approximately HK$73,464,000 for payment of refundable earnest money for the Group's possible investments in Jiangxi Province, the PRC and Gabon, as disclosed in the announcements of the Company dated 4 January 2018, 31 January 2018 and 12 June 2018; (2) approximately HK$1,885,000 for the Group's capital contribution in an associated company in the PRC, as disclosed in the announcement of the Company dated 30 October 2017; and (3) approximately HK$18,895,000 was used as general working capital of the Group, including but not limited to the operating expenses of the Group's business in Hong Kong and Suriname and finance costs on a loan of the Group.

As at 31 December 2018, the net proceeds raised from the subscription have been fully utilised, and they were used according to the previously disclosed intentions of the Company.

CHARGE ON ASSETS

As at 31 December 2018 and 2017, 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$109,109,000 (2017: HK$108,447,000) ("Forestry Land");

b. the Group's plantation forest assets (located in New Zealand) with a net carrying value of approximately HK$477,440,000 (2017: HK$333,831,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land;

c. all other present and after-acquired property that is not Personal Property of the Selected Group Companies;

d. the Group's certain prepaid lease payments (located in Suriname) with a carrying value of approximately HK$7,445,000 (2017: nil); and

e. the Group's certain motor vehicles with a carry value of approximately HK$1,813,000 (2017: nil).

The pledged bank deposit of HK$3,200,000 (2017: HK$3,136,000) represents deposit made for a period of three months (2017: more than three months but less than one year pledged) to secure the general banking facilities on letter of credit granted to the Group as at 31 December 2018 and 31 December 2017.

The carrying amounts of the Group's property, plant and equipment held under finance leases included in plant and machinery as at 31 December 2018 amounted to HK$1,813,000 (2017: HK$15,503,000).

DIVIDEND

The directors do not recommend the payment of any final dividend for the Year (2017: HK$Nil).

CAPITAL EXPENDITURE

During the Year, the Group incurred capital expenditure of approximately HK$25,108,000 (2017: approximately HK$9,249,000) 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 2018, the Group did not have any significant contingent liabilities (2017: 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 17 to the consolidated financial statements contained in this announcement.

SHARE OPTION SCHEME

As at 31 December 2018, there were share options for 31,462,200 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 2018	39,195,000
Grant during the Year	–
Lapsed during the Year	(11,612,500)
Cancelled during the Year	–
Exercised during the Year	(18,000)
Adjusted during the Year *(Note)*	3,897,700
As at 31 December 2018	31,462,200

Note:

The number of the outstanding share options of the Company was adjusted after the completion of the bonus issue on the basis of one (1) bonus share for every ten (10) existing shares of the Company on 15 June 2018.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, the total number of employees of the Group was 255 (2017: 317). Employment costs (including Directors' emoluments) amounted to approximately HK$54,628,000 for the Year (2017: HK$59,705,000). 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 2018, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 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 2018 was a challenging year.

By Order of the Board
Greenheart Group Limited
Ding Wai Chuen
Executive Director and
Chief Executive Officer

Hong Kong, 27 March 2019

As at the date hereof, the Board comprises two executive Directors, namely Messrs. Ding Wai Chuen and Lim Hoe Pin, four non-executive Directors, namely Messrs. Cheng Chi-Him, Conrad, Tsang On-Yip, Patrick, Simon Murray and Cheng Yang, 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