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 2021

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 2021, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 *HK$'000*
REVENUE	3	**320,521**	326,253
Cost of sales and services		**(288,187)**	(317,232)
Gross profit		**32,334**	9,021
Other income	5	**1,528**	3,644
Other gains and losses	5	**(394)**	(101)
Impairment losses (recognised) reversed on financial assets, net	6	**(1,626)**	8,705
Fair value gain on plantation forest assets		**26,630**	61,089
Share of (loss) profit of an associate		**(124)**	108
Selling and distribution costs		**(43,911)**	(44,840)
Administrative expenses		**(47,767)**	(49,933)
Finance costs	7	**(16,171)**	(17,646)
LOSS BEFORE TAX	8	**(49,501)**	(29,953)
Income tax expense	9	**(9,730)**	(6,174)
LOSS FOR THE YEAR		**(59,231)**	(36,127)

	Notes	**2021** *HK$'000*	2020 *HK$'000*
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Item that will not be reclassified to profit or loss			
Revaluation gain on forestry land		**8,875**	8,549
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(8,728)**	10,172
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**147**	18,721
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(59,084)**	(17,406)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(36,938)**	(17,237)
Non-controlling interests		**(22,293)**	(18,890)
		(59,231)	(36,127)
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(36,791)**	1,484
Non-controlling interests		**(22,293)**	(18,890)
		(59,084)	(17,406)
LOSS PER SHARE			
Basic	11	**HK$(0.020)**	HK$(0.009)
Diluted	11	**HK$(0.020)**	HK$(0.009)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**304,907**	316,184
Right-of-use assets		**38,996**	42,291
Goodwill		**5,651**	5,651
Timber concessions and cutting rights		**142,886**	140,123
Finance lease receivables		**–**	4,716
Plantation forest assets		**411,173**	455,131
Prepayments, deposits and other assets		**2,143**	1,728
Interest in an associate		**1,826**	1,889
		907,582	967,713
CURRENT ASSETS			
Inventories		**40,318**	25,102
Trade receivables	12	**42,169**	16,359
Finance lease receivables		**4,716**	5,261
Prepayments, deposits and other assets		**14,867**	19,956
Amount due from a fellow subsidiary		**428**	213
Tax recoverable		**7,116**	7,055
Bank balances and cash		**92,916**	167,684
		202,530	241,630
CURRENT LIABILITIES			
Trade payables	13	**27,479**	39,075
Other payables and accruals		**45,800**	48,771
Contract liabilities		**1,430**	1,329
Lease liabilities		**3,581**	4,406
Bank borrowings	14	**–**	243
Loan from a fellow subsidiary		**500**	–
Tax payable		**22,720**	20,563
		101,510	114,387

	Notes	**2021** *HK$'000*	2020 *HK$'000*
NET CURRENT ASSETS		**101,020**	127,243
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,008,602**	1,094,956
NON-CURRENT LIABILITIES			
Lease liabilities		**18,520**	19,743
Loans from immediate holding company		**187,214**	181,900
Loan from a fellow subsidiary		**156,000**	–
Bank borrowings	14	**24,960**	219,960
Deferred tax liabilities		**105,228**	97,589
		491,922	519,192
NET ASSETS		**516,680**	575,764
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**18,550**	18,550
Reserves		**898,929**	935,720
		917,479	954,270
Non-controlling interests		**(400,799)**	(378,506)
TOTAL EQUITY		**516,680**	575,764

Notes:

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Newforest Limited, a company incorporated in Cayman Islands and its ultimate parent is Chow Tai Fook Enterprises Limited, a company incorporated in Hong Kong.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2.1 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* ("HKFRS 7").

As at 1 January 2021, the Group has a financial liability, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amount of liability is shown at its carrying amount.

	US$ London Interbank Offered Rate ("LIBOR") *HK$'000*
Financial liability	
Bank borrowings	219,960

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

2.2 Impacts on application of the agenda decision of the Committee - Cost necessary to sell inventories (HKAS 2 *Inventories*)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other costs necessary to sell inventories including allocation of direct costs of sales department. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

3. REVENUE

	2021	2020
	HK$'000	*HK$'000*
Types of goods or services		
Sales of logs and timber products	**312,433**	318,399
Forest management fee	**4,527**	3,426
Total revenue from contracts with customers	**316,960**	321,825
Subcontracting fee income	**3,561**	4,428
Total revenue	**320,521**	326,253

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2021 Suriname *HK$'000*	 New Zealand *HK$'000*	 Total *HK$'000*
Types of goods or services			
Sales of logs and timber products	**33,202**	**279,231**	**312,433**
Forest management fee	**–**	**4,527**	**4,527**
Total	**33,202**	**283,758**	**316,960**
Timing of revenue recognition			
A point in time	**33,202**	**279,231**	**312,433**
Over time	**–**	**4,527**	**4,527**
Total	**33,202**	**283,758**	**316,960**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	For the year ended 31 December 2021 Suriname *HK$'000*	 New Zealand *HK$'000*	Segment and consolidated total *HK$'000*
Revenue from contracts with customers	**33,202**	**283,758**	**316,960**
Subcontracting fee income	**3,561**	**–**	**3,561**
Revenue disclosed in segment information	**36,763**	**283,758**	**320,521**

	For the year ended 31 December 2020		
Segments	Suriname	New Zealand	Total
	HK$'000	*HK$'000*	*HK$'000*
Types of goods or services			
Sales of logs and timber products	28,534	289,865	318,399
Forest management fee	–	3,426	3,426
Total	28,534	293,291	321,825
Timing of revenue recognition			
A point in time	28,534	289,865	318,399
Over time	–	3,426	3,426
Total	28,534	293,291	321,825

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the year ended 31 December 2020		
Segments	Suriname	New Zealand	Segment and consolidated total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from contracts with customers	28,534	293,291	321,825
Subcontracting fee income	4,428	–	4,428
Revenue disclosed in segment information	32,962	293,291	326,253

Geographical markets

Information about the Group's revenue from external customers is presented based on the location of customers with reference to the billing address, regardless of the destination of the shipment:

Segments	For the year ended 31 December 2021		
	Suriname	**New Zealand**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
New Zealand*	**–**	**283,758**	**283,758**
Hong Kong	**9,191**	**–**	**9,191**
Suriname	**5,983**	**–**	**5,983**
Mauritius	**4,600**	**–**	**4,600**
India	**4,119**	**–**	**4,119**
Belgium	**3,676**	**–**	**3,676**
The Netherlands	**1,864**	**–**	**1,864**
Denmark	**1,582**	**–**	**1,582**
Mainland China	**1,377**	**–**	**1,377**
The United States	**1,373**	**–**	**1,373**
Other countries	**2,998**	**–**	**2,998**
Total	**36,763**	**283,758**	**320,521**

Segments	For the year ended 31 December 2020		
	Suriname	New Zealand	Total
	HK$'000	*HK$'000*	*HK$'000*
New Zealand*	–	293,291	293,291
Hong Kong	9,992	–	9,992
Suriname	5,933	–	5,933
Korea	4,754	–	4,754
Taiwan	2,806	–	2,806
Belgium	2,496	–	2,496
Mainland China	1,747	–	1,747
India	931	–	931
Guyana	882	–	882
The United States	725	–	725
Other countries	2,696	–	2,696
Total	32,962	293,291	326,253

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

The subcontracting fee income of HK$3,561,000 (2020: HK$4,428,000) is included in the revenue from customers located in Suriname above for the year ended 31 December 2021.

(ii) Performance obligations for contracts with customers

Sales of logs and timber products

The Group sells logs and timber products to the domestic customers in New Zealand and Suriname and overseas customers. Revenue from domestic customers is recognised at a point in time when control of the goods has been transferred at an agreed location. For overseas sales, revenue is recognised at a point in time when control of the goods has been transferred to the customers, when the goods have been delivered to port of discharge or the loading port to which the related shipping is arranged by the customers. Any shipping and handling activities before the customer obtains control of goods are considered as fulfilment activities and are not regarded as a separate performance obligation.

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

Forest management fee

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

During the years ended 31 December 2021 and 2020, all performance obligations for sales of products and forest management fee are for the period less than one year. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at 31 December 2021 and 2020 are not disclosed.

(iii) Subcontracting fee income

In 2019, the Group entered into a contract with a subcontractor pursuant to which the subcontractor is granted the right to operate in certain forest concession areas in Suriname division. The income received from the subcontractor varies and it is billed at a predetermined rate based on each volume of the output of logs and the subcontractor is committed to have a minimum output of logs and fixed payments in each year. It is accounted for as an operating lease arrangement under HKFRS 16.

	2021	2020
	HK$'000	*HK$'000*
Lease payments that are fixed	**3,510**	3,510
Variable lease payments that do not depend on an index or a rate	**51**	918
Total revenue arising from leases	**3,561**	4,428

4. OPERATING SEGMENTS

The Group manages its businesses by geographical location, and the chief operating decision makers (i.e. the key management of the Group (the "Management")) also review the segment information by such category to allocate resources to segments and to assess their performance. The Group has presented the following two operating and reportable segments:

Suriname: Selective hardwood log harvesting, timber processing, marketing, sale and trading of logs and timber products and the management and operation of forest concessions

New Zealand: Softwood plantation management, log harvesting, marketing, sale and trading of logs and provision of forest management services

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

Segment performance is evaluated by the Management based on reportable segment Adjusted EBITDA (as defined below), which is a measure of loss before tax and excluding finance costs, interest income, finance lease income and other non-cash items comprising depreciation, forest depletion cost as a result of harvesting, amortisation, fair value gain on plantation forest assets, (reversal of) write-down of inventories, impairment losses and reversal of impairment. In addition, the Management also reviews the abovementioned non-cash items, finance costs, interest income, finance lease income, earnings before interest, taxes, depreciation, and amortisation ("EBITDA") and loss before tax for each reportable segment.

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

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

The Group allocates property, plants and equipment, right-of-use assets, plantation forest assets, timber concessions and cutting rights, harvest roading included in prepayments, deposits and other assets, inventories and financial assets to segment assets whereas the related depreciation, depletion, fair value changes, amortisation and impairment losses are excluded in the segment results ("Adjusted EBITDA").

Details of geographical segment information are disclosed in note 3.

Segment revenues and results

The following table presents revenue, results, assets and liabilities and other information regarding the Group's operating segments for the year:

For the year ended 31 December 2021

	Suriname *HK$'000*	New Zealand *HK$'000*	Segment total *HK$'000*	Unallocated corporate items *HK$'000*	Consolidated total *HK$'000*
SEGMENT REVENUE – EXTERNAL	36,763	283,758	320,521	–	320,521
SEGMENT RESULTS ("Adjusted EBITDA")	(12,544)	69,381	56,837	(13,070)	43,767
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	–	26,630	26,630	–	26,630
Interest income and finance lease income	609	7	616	73	689
Provision of impairment of trade receivables	(25)	(1,601)	(1,626)	–	(1,626)
Impairment of right-of-use assets**	(91)	–	(91)	–	(91)
Impairment of property, plant and equipment*	(8,128)	–	(8,128)	–	(8,128)
Reversal of impairment of timber concessions and cutting rights*	12,785	–	12,785	–	12,785
Reversal of write-down of inventories*	3,447	–	3,447	–	3,447
EBITDA	(3,947)	94,417	90,470	(12,997)	77,473
Finance costs	(7,065)	(9,009)	(16,074)	(97)	(16,171)
Forest depletion cost as a result of harvesting*	–	(68,091)	(68,091)	–	(68,091)
Depreciation***	(7,986)	(15,340)	(23,326)	(3,067)	(26,393)
Harvest roading costs*	–	(6,297)	(6,297)	–	(6,297)
Amortisation of timber concessions and cutting rights****	(10,022)	–	(10,022)	–	(10,022)
LOSS BEFORE TAX	(29,020)	(4,320)	(33,340)	(16,161)	(49,501)
SEGMENT ASSETS	236,944	842,414	1,079,358	30,754	1,110,112
SEGMENT LIABILITIES	286,570	301,292	587,862	5,570	593,432
Other segment information					
Capital expenditures#	(527)	(23,486)	(24,013)	(4,255)	(28,268)

\# *Capital expenditures consist of additions to property, plant and equipment, right-of-use assets, harvest roading and plantation forest assets, and acquisition of plantation forest assets.*

* *Included in "Cost of sales and services" 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$5,225,000 is included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.*

**** *Amortisation of timber concessions and cutting rights of HK$10,022,000 is included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.*

For the year ended 31 December 2020

	Suriname *HK$'000*	New Zealand *HK$'000*	Segment total *HK$'000*	Unallocated corporate items *HK$'000*	Consolidated total *HK$'000*
SEGMENT REVENUE – EXTERNAL	32,962	293,291	326,253	–	326,253
SEGMENT RESULTS ("Adjusted EBITDA")	(16,998)	69,340	52,342	(16,455)	35,887
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	–	61,089	61,089	–	61,089
Interest income and finance lease income	1,013	12	1,025	302	1,327
Reversal (provision) of impairment of trade receivables	82	(40)	42	–	42
Reversal of impairment of other receivables	–	–	–	8,663	8,663
Reversal of impairment of right-of-use assets**	289	–	289	–	289
Write-down of inventories*	(3,085)	–	(3,085)	–	(3,085)
EBITDA	(18,699)	130,401	111,702	(7,490)	104,212
Finance costs	(7,116)	(10,327)	(17,443)	(203)	(17,646)
Forest depletion cost as a result of harvesting*	–	(67,103)	(67,103)	–	(67,103)
Depreciation***	(8,181)	(10,159)	(18,340)	(4,289)	(22,629)
Harvest roading costs*	–	(16,530)	(16,530)	–	(16,530)
Amortisation of timber concessions and cutting rights****	(10,257)	–	(10,257)	–	(10,257)
(LOSS) PROFIT BEFORE TAX	(44,253)	26,282	(17,971)	(11,982)	(29,953)
SEGMENT ASSETS	260,068	907,221	1,167,289	42,054	1,209,343
SEGMENT LIABILITIES	281,378	347,158	628,536	5,043	633,579
Other segment information					
Capital expenditures#	(509)	(38,570)	(39,079)	(10)	(39,089)

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

* *Included in "Cost of sales and services" 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$5,223,000 is included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.*

**** *Amortisation of timber concessions and cutting rights of HK$10,063,000 is included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.*

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

	Non-current assets	
	2021	2020
	HK$'000	*HK$'000*
New Zealand	**701,938**	745,310
Suriname	**199,914**	212,816
Hong Kong	**3,904**	2,982
Mainland China	**1,826**	1,889
	907,582	962,997

Note: Non-current assets exclude finance lease receivables.

Information about major customers

During the year ended 31 December 2021, the Group had transactions with two (2020: one) customer(s) from New Zealand segment who individually contributed over 10% of the Group's total revenue for the year. A summary of revenue earned from each of these major customers is set out below:

	2021	2020
	HK$'000	*HK$'000*
Customer 1	**195,040**	249,633
Customer 2	**51,335**	N/A*

* *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:

	2021	2020
	HK$'000	*HK$'000*
Bank and other interest income	**81**	316
Finance lease income	**608**	1,011
Government grants *(note a)*	**–**	1,231
Others	**839**	1,086
	1,528	3,644

Other gains and losses:

	2021	2020
	HK$'000	*HK$'000*
Loss on early termination of a lease	**(302)**	–
Loss on disposal of property, plant and equipment	**(1)**	–
(Impairment) reversal of impairment of right-of-use assets	**(91)**	289
Exchange loss on refundable earnest money	**–**	(390)
	(394)	(101)

Note:

a. During the year ended 31 December 2020, the Group recognised government grants of HK$1,231,000 in respect of COVID-19-related subsidies, of which HK$887,000 related to Employment Support Scheme and HK$344,000 related to COVID-19 Wage Subsidies provided by the Hong Kong government and the New Zealand government, respectively.

6. IMPAIRMENT LOSSES (RECOGNISED) REVERSED ON FINANCIAL ASSETS, NET

	2021 HK$'000	2020 HK$'000
Net impairment losses (recognised) reversed on:		
– trade receivables in respect of goods and services	**(1,626)**	42
– other receivables	**–**	8,663
	(1,626)	8,705

7. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on loans from immediate holding company	**7,052**	7,072
Interest on loan from a fellow subsidiary	**556**	–
Interest on bank borrowings	**7,096**	9,078
Interest on lease liabilities	**1,467**	1,496
	16,171	17,646

8. LOSS BEFORE TAX

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

	2021	2020
	HK$'000	*HK$'000*
Cost of inventories sold (including net (reversal of write-down) write-down of inventories)*	**284,081**	293,604
Cost of services rendered*	**2,466**	1,875
Amortisation of timber concessions and cutting rights	**10,022**	10,257
Forest harvested as agricultural produce	**75,305**	63,817
Amount capitalised in closing inventories	**(8,526)**	(1,312)
Amount released from opening inventories	**1,312**	4,598
Forest depletion cost as a result of harvesting*	**68,091**	67,103
Depreciation of:		
– property, plant and equipment	**19,829**	15,122
– right-of-use assets	**6,564**	7,507
Harvest roading costs*	**6,297**	16,530
Impairment of property, plant and equipment*	**8,128**	–
Reversal of impairment of timber concessions and cutting rights*	**(12,785)**	–
Net (reversal of write-down) write-down of inventories*	**(3,447)**	3,085
Foreign exchange (gain) loss, net**	**(7,999)**	2,265
Auditor's remuneration	**2,590**	2,460
Employee benefits expenses (including Directors' remuneration)***:		
– Salaries and allowances	**32,479**	41,719
– Pension scheme contributions (defined contribution scheme)	**226**	429
	32,705	42,148

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

** *Foreign exchange gains and losses are classified based on the nature of the transactions or events which give rise to those foreign exchange gains or losses. Foreign exchange gain of HK$3,293,000 (2020: loss of HK$6,096,000), foreign exchange loss of nil (2020: HK$390,000), and foreign exchange gain of HK$4,706,000 (2020: HK$4,221,000) are included in "Cost of sales and services", "Other gains and losses" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.*

*** *Employee benefits expenses of HK$13,213,000 (2020: HK$18,836,000) are included in "Cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.*

9. INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax – Hong Kong		
Charge for the year	**489**	1,624
Over-provision in prior years	**(47)**	(11)
	442	1,613
Current tax – other jurisdictions		
Charge for the year	**865**	85
Under-provision in prior years	**–**	1,086
Withholding tax	**871**	1,399
Current tax	**2,178**	4,183
Deferred tax	**7,552**	1,991
	9,730	6,174

Under the two-tiered profits tax rates regime introduced in Hong Kong in 2018, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Subsidiaries established in Suriname and New Zealand are subject to the relevant tax rules and regulations of Suriname and New Zealand at the statutory tax rate of 36% and 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 PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share attributable to owners of the Company	**(36,938)**	(17,237)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,854,991,056**	1,854,991,056

The computation of diluted loss per share for the years ended 31 December 2021 and 2020 does not assume the effect of the Company's share options since their assumed exercise would result in a decrease in loss per share.

12. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables		
– contracts with customers	**50,040**	22,718
– operating lease receivables	**500**	386
	50,540	23,104
Less: Allowance for credit losses		
– contracts with customers	**(8,368)**	(6,743)
– operating lease receivables	**(3)**	(2)
Net trade receivables	**42,169**	16,359

As at 1 January 2020, trade receivables from contract of customers amounted to HK$24,197,000.

For contracts with customers, trade receivables are recognised when the Group's products are delivered to customers because the Group's right to consideration is unconditional except for the passage of time from that point. Moreover, the Group receives payment within a short period of time after satisfying its performance obligation under separately determined payment terms. The period from satisfaction of the performance obligation to receipt of full consideration is usually within 90 days.

The Group's trading terms with its customers are mainly letters of credit at sight to 90 days or on open account with credit terms of 5 days to 30 days, where 20% to 100% of advance payment of the contract value may be required for certain customers. Each open account customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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:

	2021	2020
	HK$'000	*HK$'000*
Within 1 month	**20,210**	15,488
From 1 to 3 months	**21,955**	870
Over 3 months	**4**	1
	42,169	16,359

As at 31 December 2021, included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$33,900,000 (2020: HK$1,687,000) which were past due as at the reporting date. Out of the past due balances, HK$21,493,000 (2020: HK$470,000) were past due 30 days or more but are not considered as credit impaired having regard to the historical repayment from the trade debtors, as well as forward-looking information that is available without undue cost or effort. Over 99% trade receivable balances at 31 December 2021 have been subsequently settled.

13. TRADE PAYABLES

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

	2021	2020
	HK$'000	*HK$'000*
Within 1 month	**21,605**	29,348
From 1 to 3 months	**642**	1,745
Over 3 months	**5,232**	7,982
	27,479	39,075

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

14. BANK BORROWINGS

	2021	2020
	HK$'000	*HK$'000*
Bank loans, secured	**24,960**	220,203

The carrying amounts of above borrowings are repayable:

	2021	2020
	HK$'000	*HK$'000*
Within one year	**–**	243
Within a period of more than one year but not exceeding two years	**–**	219,960
Within a period of more than two years but not exceeding five years	**24,960**	–
	24,960	220,203
Less: Amounts due within one year shown under current liabilities	**–**	(243)
Amounts shown under non-current liabilities	**24,960**	219,960

During the year ended 31 December 2020, the Group's bank loan facilities from Bank of New Zealand ("BNZ Loan Facilities") were renegotiated with the interest rate increased to base rate ("Based Rate") determined by the Bank of New Zealand plus 1.70% per annum, the final maturity date extended to 1 May 2022 and the total amount of loan facilities was reduced from US$35,000,000 (approximately HK$273,000,000) to US$30,000,000 (approximately HK$234,000,000), of which US$28,200,000 (approximately HK$219,960,000) was utilised as at 31 December 2020.

During the year ended 31 December 2021, the Group's BNZ Loan Facilities were renegotiated with final maturity date extended from 1 May 2022 to 1 May 2024 and the interest rate decreased to Base Rate plus 1.15% per annum. During the year ended 31 December 2021, US$25,000,000 (approximately HK$195,000,000) of BNZ Loan Facilities was repaid. After the repayment, the total amount of loan facilities was reduced from US$30,000,000 (approximately HK$234,000,000) to US$5,000,000 (approximately HK$39,000,000), of which US$3,200,000 (approximately HK$24,960,000) was utilised as at 31 December 2021.

The above changes in terms of the Group's bank loan facilities for both years were assessed to be non-substantial modifications of financial liabilities, and the gain or loss resulting from these non-substantial modifications was insignificant to the Group.

As at 31 December 2021, the Group's bank loans from BNZ loan facilities were denominated in US$, bearing interest at the Base Rate plus 1.15% (2020: 1.70%) per annum and repayable on 1 May 2024 (2020: 1 May 2022).

As at 31 December 2021 and 2020, the BNZ Loan Facilities were 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 carrying amount of approximately HK$140,215,000 (2020: HK$138,401,000);

   (b) the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK$411,173,000 (2020: HK$455,131,000) 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 2021, US$150,000 (approximately HK$1,170,000) loan facility from Hakrinbank in Suriname ("Hakrinbank Loan Facilities") was fully repaid.

As at 31 December 2020, the Group's bank loan from Hakrinbank Loan Facilities was denominated in US$, bearing interest at 9.5% per annum.

As at 31 December 2020, the Hakrinbank Loan Facilities are secured by a fixed charge over:

(i) the Group's certain leasehold land (located in Suriname) with carrying amount of approximately HK$7,220,000; and

(ii) the Group's certain motor vehicles with carrying amount of approximately HK$1,036,000.

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

	2021	2020
	HK$'000	*HK$'000*
Floating rate		
– due after one year	**24,960**	219,960
Fixed-rate		
– due within one year	**–**	243

15. EVENTS AFTER THE REPORTING PERIOD

There are no significant events occurred subsequent to the end of the reporting period.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2021 was another turbulent year for Greenheart. In the first half of financial year 2021, Greenheart's operation staged a visible recovery, underpinned by the strong demand for New Zealand radiata pine in China and the increasing production and sales contribution from our Suriname division. However, as the Group entered the third quarter, the slump in the demand for New Zealand radiate pine in the China market, triggered by the dampening real estate market and power crisis and the enduring global supply chain and transportation disruptions, slackened the recovery and dragged down Greenheart's second half year results.

The Group recorded a substantially increased net loss to HK$59,231,000 for the year. (2020: HK$36,127,000), caused primarily by movements in non-cash items. In New Zealand, the fair value gain recognised on the plantation forest assets reduced substantially by HK$34,459,000 to HK$26,630,000, reflecting the recent drop of the export price of New Zealand radiata pine to China. In Suriname, we recorded a reversal of provision for impairment on timber concessions and cutting rights of HK$12,785,000, due to the improvement of tropical hardwood log prices, but made a specific provision for impairment of processing equipment of HK$8,128,000, caused by increase in the prices of input materials.

New Zealand division

New Zealand division sold approximately 340,000m^3 of New Zealand radiata pine this year, a 17.6% decline compared to 2020. Lower volume was primarily attributable to the knock-on effect induced by the real estate crisis and power shortage in China which started in the third quarter and worsened through the rest of 2021. Turning to the sale prices, the high price achieved in the first half was well sufficient to compensate the sharp decrease in the price in the second half, thereby lifting the average export selling price on free-on-board ("FOB") basis up by 16.1% for the year. Combining the effects as mentioned above, New Zealand division recorded a total revenue of HK$283,758,000 for the year, a slight decrease of HK$9,533,000, or 3.3%, as compared with a year before.

Given the weakened market sentiment in China, the fair value gain recognised on the plantation forest assets of HK$26,630,000 has dropped by 56.4% from that of last year (2020: HK$61,089,000).

Whilst the EBITDA of this division of HK$94,417,000 was 27.6% lower than 2020, primarily due to the aforementioned significant reduction of the fair value gain on plantation forest assets, the adjusted EBITDA was maintained at HK$69,381,000 (2020: HK$69,340,000).

Suriname Division

Following the gradual easing of the restrictive lockdowns and stabilizing effects of very substantial fiscal and monetary support by government around the world, the demand for tropical hardwood products progressively returned to normal, particularly in Europe.

However, our Suriname division was not fully able to capitalise on the pend-up demand, largely because of supply chain disruptions. Delays in government processing of harvesting and export permits caused by COVID-19 shutdown, surging sea freight rates, shortage of bulk carriers and containers, coupled with the unusual extended rainy season had hindered us in making delivery on time and impeded our turnaround efforts.

Despite these difficulties, our Suriname division recorded a year on year revenue growth of 11.5% for the year and a reduction of the negative adjusted EBITDA by 26.2% to HK$12,544,000 this year.

Prospect

The global outlook in 2022 is clouded by exceptional uncertainty. COVID-19 flare-ups, diminished policy support, and lingering supply-chain bottlenecks made the global economic recovery cooling down more than previously estimated in 2022. To make matters worse, Russian's recent war with Ukraine added huge risks for the world economy that is yet to fully recover from the pandemic shock.

With particular regard to Mainland China, our major market, the financial difficulties faced by several major property developers in late 2021 have led to serious concerns about the financial stability of the whole sector. The government's targeted measures to support the economy and infrastructure development helped to stablise the market conditions for the time being, but significant uncertainty remains. The Cost and Freight ("CFR") sale prices of New Zealand radiata pine to China that bottomed at US$130-US$135 per m^3 in December 2021 returned to above US$160 in late February. Going forward, the uncertainty surrounding the property market, surging input prices, persistent COVID-19 risks and lingering China-US political tension, complicated by the Russia-Ukraine war, could lead to much slower growth of China in the rest of 2022 and dwindling the market demand.

On the supply side, it is expected that the measures taken to contain the spread of Omicron in New Zealand will continue to curb the log supply at least in the coming months. The constraint in supply, together with less spruce from Europe and Russian log export ban, should help to maintain the price level in the near term. However, the rising fuel cost and ocean freight cost due to the Russia-Ukraine war have driven up the operating costs of the entire sector. Should we not be able to pass the increased costs to customers, it will inevitably bring pressure on the profitability of our New Zealand division. The Group will closely monitor the market situation and may adjust the harvesting volume if need.

The continuing surge of COVID-19 in the past two years had seriously damaged Suriname's economy and its social and business environment. The country's backward infrastructure, fiscal and political risks altogether made the turnaround of our Suriname division slow and full of obstacles.

Due to the low vaccination coverage and weak healthcare system, it is likely that COVID-19 will remain an enduring threat to Suriname in the near future. That aside, rising concern over the climate change has directed global attention to deforestation, thereby creating further uncertainties for our tropical hardwood business in Suriname. The Group is monitoring this global trend and undertaking continuous strategic review of the future direction of Suriname division with the objective of enhancing the return to shareholders.

The 26th United Nations Climate Conference concluded the Glasgow Climate Convention held in November last year had called for new global efforts to explore ways to step up actions to close the current carbon emission gap. A growing number of companies are making commitments to achieve carbon neutrality by 2030. Carbon neutrality becomes a hot investment and business opportunity. In the face of the new situation and our strong track record in plantation and sustainable forest management, the Group will actively explore this new area of development and increase our scale in forest-related carbon business.

In the meantime, we will stay vigilant and adopt practise prudent financial measures to preserve shareholders' interest as much as possible.

Appreciation

In closing, on behalf of the board of directors of the Company, I would like to thank shareholders for their continued support and to extend my thanks to all of my fellow directors and all of our staff across Greenheart for their commitment and their invaluable contribution in what has been a challenging year for the business.

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong
29 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, the Group's operating activities started well during the first half as the demand for New Zealand radiata pine rebounded and the production and sales from our Suriname division increased. However, the Group's performance was notably affected by the resurgence of COVID-19, unprecedented global logistic bottleneck and the power crisis and liquidity crunch in China's property sector in the second half of the year. As a result of the recent drop of the export price of New Zealand radiata pine, the fair value gain on plantation forest assets of New Zealand division decreased substantially by HK$34,459,000 for the year. Taking into the net positive effect of the reversal of the provision for impairment on timber concessions and cutting rights of HK$12,785,000, due to the improvement of tropical hardwood log prices and a specific provision for impairment of processing equipment of HK$8,128,000, caused by the increase in prices of input materials and the absence of the reversal of impairment losses on other receivables of HK$8,663,000 made last year, the Group's loss for the year increased significantly from HK$36,127,000 in 2020 to HK$59,231,000.

Revenue

The Group's revenue for the year reduced by 1.8% or HK$5,732,000 to HK$320,521,000, with the New Zealand division and the Suriname division contributing HK$283,758,000 (2020: HK$293,291,000) and HK$36,763,000 (2020: HK$32,962,000) respectively.

The revenue from New Zealand division dropped slightly by 3.3% or HK$9,533,000 for the year. The CFR export prices of New Zealand radiata pine to China increased rapidly in the first half of 2021 as the demand from China recovered from COVID-19 pandemic. However, CFR export prices dropped significantly in the second half of 2021 because of the port congestion in both New Zealand and China, elevated shipping rate and concerns on Chinese economy outlook. The Group slowed down the harvesting activities in the fourth quarter of 2021. Overall, the Group experienced an increase in average export selling price on FOB basis by 16.1% and a drop in the sales volume by 17.6% during the year.

Apart from sales of logs, revenue contributed from forest management services increased by 32.1% to HK$4,527,000 during the year as New Zealand recovers from the nationwide lockdown for almost an entire month in the previous year.

The revenue contributed from Suriname division increased by 11.5% or HK$3,801,000 because of the increase in sales volume of lumber and average selling price of lumber, reflecting our strategy in switching to high-value export products. Such an increase was partially offset by the decrease in subcontracting fee income.

Gross profit

Excluding the reversal of impairment on timber concessions and cutting rights of HK$12,785,000 and impairment on property, plant and equipment of HK$8,128,000 recognised in Suriname division as mentioned below, the Group's gross profit for the year was HK$27,677,000, representing an increase of HK$18,656,000 as compared with that of last year. The gross profit contributed from the New Zealand division was HK$40,214,000 (2020: HK$31,365,000) while the Suriname division recorded a reduced loss of HK$12,537,000 for the year (2020: HK$22,344,000).

Gross profit margin for the year was 8.6% as compared to 2.8% for last year. The gross profit margin for the New Zealand division for the year was 14.2% (2020: 10.7%) whilst the Suriname division recorded a reduced gross loss margin of 34.1% for the year (2020: 67.8%).

The improvement in gross profit margin of New Zealand division was primarily due to the net effect of the higher average export selling price on FOB basis which was partly offset by the increase in average unit direct operating costs as a result of the appreciation of New Zealand dollars in the first half of 2021.

The reduction in gross loss margin for the Suriname division was mainly resulted from the increase in average selling price of lumber and the lower cost base in Suriname by rationalisation of its workforce.

The reversal of impairment on timber concessions and cutting rights of HK$12,785,000 provided during the year (2020: nil) was mainly related to the west Suriname cash-generating unit. The increase of the fair value was primarily due to upward price adjustments of tropical hardwood logs.

The impairment on property, plant and equipment of HK$8,128,000 provided during the year (2020: nil) was related to the west Suriname sawmill, primarily due to the increase in log input prices not fully compensated by the increase in timber product prices.

Other income

Other income decreased to HK$1,528,000 for the year because there were no longer any one-off COVID-19-related subsidies provided by the Hong Kong government and the New Zealand government in the current year.

Other gains and losses

Other gains and losses for the year comprised the impairment of right-of-used assets and loss on early termination of a lease in 2021.

Impairment on right-of-use assets of HK$91,000 (2020: reversal of HK$289,000) for the year was primarily due to the decrease in fair value less costs of disposal of certain leasehold land in Suriname.

Impairment losses recognised on financial assets, net

Losses recognised on financial assets during the year mainly represented recognition of the expected credit losses on trade receivables.

Fair value gain on plantation forest assets

The fair value gain on our plantation forest assets in New Zealand dropped significantly to HK$26,630,000 (2020: HK$61,089,000) for the year. The reduction in gain was primary attributable to the decrease in near term forecast selling price of radiata pine, reflecting the current situation of New Zealand softwood market.

Selling and distribution costs

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

It reduced slightly by 2.1% or by HK$929,000 due to the reduction of port costs from New Zealand division resulted from the decrease in sales volume of New Zealand radiata pine during the year.

Administrative expenses

Administrative expenses dropped by 4.3% or by HK$2,166,000 to HK$47,767,000 for the year. Such reduction was primarily attributed to the decrease in the staff costs with a reduction in the Group's total number of employees by 15 from 183 as at 31 December 2020 to 168 as at 31 December 2021 and the decrease in legal and professional fees. This was partially offset by the increase in depreciation of property, plant and equipment due to the additional roading in New Zealand.

Finance costs

The finance costs for the year represented the interests on bank borrowings, loans from immediate holding company and a fellow subsidiary and lease liabilities.

The decrease of finance costs for the year by HK$1,475,000 or 8.4% was primarily due to the reduction in interest on bank borrowings following the general reduction in London Interbank Offered Rates during the year.

Income tax expense

The deferred tax expense for the year comprised the deferred tax expense of HK$6,406,000 and HK$1,146,000 in the New Zealand and the Suriname divisions, respectively.

The deferred tax expense in the New Zealand division was mainly due to the taxable temporary differences arising from the de-recognition of tax losses, fair value gain on New Zealand plantation forest assets, different amortisation/depreciation rates for tax and accounting purposes related to the New Zealand forest roads assets and the year-end foreign currency translation adjustment for United States dollars denominated term loans and foreign currency denominated deferred tax liabilities.

The deferred tax expense 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 Group's EBITDA dropped by 25.7% to HK$77,473,000 for the year (2020: HK$104,212,000). Respectively, the EBITDA of New Zealand division and Suriname division recorded for the year were HK$94,417,000 (2020: HK$130,401,000) and a loss of HK$3,947,000 (2020: HK$18,699,000).

The decrease in the Group's EBITDA was driven by the decrease in the fair value gain on plantation forest assets in our New Zealand division as mentioned above and one-off impairment on property, plant and equipment, which were partially offset by the reversal of impairment of timber concessions and cutting rights and the improvement of the underlying operating results of both New Zealand and Suriname.

Loss for the year attributable to owners of the Company

As a result of the aforementioned, the loss attributable to owners of the Company increased significantly from HK$17,237,000 in 2020 to HK$36,938,000 for the year.

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 2021 and 2020. Indufor is an independent professional forest specialist consulting firm. The key valuers involved in the valuations 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 2021 and 2020. In addition, a high level area validation exercise using satellite imagery was performed for the Group's plantation forest assets with a total land area of 15,819 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;

(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; and (ii) the yield tables prepared by the previous owners of the plantation forest assets which the Group obtained during due diligence in previous years; and

(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 2021, the Group's current assets and current liabilities were respectively HK$202,530,000 and HK$101,510,000 (31 December 2020: HK$241,630,000 and HK$114,387,000), of which HK$92,916,000 (31 December 2020: HK$167,684,000) were cash and bank balances. The Group's outstanding borrowings as at 31 December 2021 represented the loans from immediate holding company amounting to HK$187,214,000 (31 December 2020: HK$181,900,000), loan from a fellow subsidiary amounting to HK$156,500,000 (31 December 2020: nil), bank borrowings amounting to HK$24,960,000 (31 December 2020: HK$220,203,000) and lease liabilities of HK$22,101,000 (31 December 2020: HK$24,149,000). Accordingly, the Group's gearing ratio as of 31 December 2021, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 42.6% (31 December 2020: 44.7%)

As at 31 December 2021, 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 2021. However, we will continue to closely monitor all possible exchange risk arising from the Group's existing operations and any new investments and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

PROSPECTS

The demand for New Zealand radiata pine stably recovered for the first quarter of 2022, with the help of the measures taken by the Chinese government after the further dip of the China construction sector in the fourth quarter of 2021. CFR price of New Zealand radiate pine rose steady and freight prices held below US$50 per tonne for the first 8-10 weeks of 2022. This however changed with the global political situation boiling over in Europe with the Russia-Ukraine war impacting oil and bunker fuel prices and the sanction on Russia reducing the supply of suitable vessels and resulting in US$20 - US$25 per tonne increased in the ocean freight charges again in the mid of March. At this moment, majority of forest owners and operators in the world were taking conservative approach to resume full production capacity and kept constant review of the CFR prices and freight as repercussions of Russia-Ukraine conflicts and the resurgence of COVID-19 making it every more challenging to navigate through.

While the demand for New Zealand softwood in China remained at stable level so far, the heightened ocean freight prices caused by the Russia-Ukraine war has started to wipe out the profit margin of the exporters and traders. At the time of this report, the CFR prices have reached US$175 to US$178 per m^3, due to the rising freight charges, which are very close to our forecast brake point of US$185 per m^3. A quick resolution of the event in East Europe will help dampen fuel price and ease the tension among all forest owners and traders.

Greenfield land acquisition with carbon credit revenue potential will be our priority as a diversification to our medium to long term revenue streams. The highly competitive market has seen up to 175% increases in per hectare land prices to match the optimism on carbon prices, up US$48 to US$78 per unit within 12 months. Subject to the right price, we expect the Group will acquire more greenfield land in New Zealand in the near future.

The COVID-19 pandemic continues to affect our business process and operations as we respond to shortage in manpower, cost and supply of logistical services. Additionally for Suriname division, it is the continued heavy rainfall for eight months in a roll that caused the highest impact on our operations in Suriname last year. Unfortunately, the first two months of 2022 has continued that unwanted trend. Aside from the intractable weather condition, our Suriname operations achieved its improvement milestones so far with higher lumber and log prices, strong lumber demand to match European and US consumer home improvement trends and continued improvement in our production efficiency level. Re-engineering our processing facilities in the capital city and focusing on more downstream products are going to be key drivers of the improved results. Looking forward, the completion of the turnaround of our Suriname operation will largely hinge on the sustainability of the market demand amid the current challenging global economic environment, the weather condition in Suriname and the easing of logistic bottleneck, which would take time.

CHARGE ON ASSETS

As at 31 December 2021 and 2020, the Group's bank loan facilities were secured by:

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

(ii) a fixed charge over:

  a. the Group's forestry land (located in New Zealand) with carrying amount of approximately HK$140,215,000 (2020: HK$138,401,000) ("Forestry Land");

  b. the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK$411,173,000 (2020: HK$455,131,000) 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.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year (2020: nil).

CAPITAL EXPENDITURE

During the year, the Group incurred capital expenditure of approximately HK$14,913,000 (2020: HK$8,554,000) 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 2021, the Group did not have any significant contingent liabilities (2020: 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 15 to the consolidated financial statements contained in this announcement.

SHARE OPTION SCHEME

As at 31 December 2021, there was no share option because 15,923,600 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") were lapsed during the year in accordance with the exercise period of share options. Movements of the share options of the Company during the year are set out below:

	Number of shares
As at 1 January 2021	15,923,600
Grant during the year	–
Lapsed during the year	(15,923,600)
Cancelled during the year	–
Exercised during the year	–
As at 31 December 2021	–

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the total number of employees of the Group was 168 (2020: 183). Employment costs (including Directors' emoluments) amounted to approximately HK$32,705,000 for the year (2020: HK$42,148,000). 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.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has three members comprising two independent non-executive Directors, namely Mr. Wong Man Chung Francis (Chairman) and Mr. To Chun Wai 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 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, four meetings were held by the Audit Committee and three of them were 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 2021, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 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. As at the date of this announcement and to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from the applicable code provisions of the Corporate Governance Code as set forth in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year.

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 during this challenging year.

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

Hong Kong, 29 March 2022

As at the date hereof, the Board comprises one executive Director, namely Mr. Ding Wai Chuen, 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. Wong Man Chung Francis, Cheung Pak To Patrick and To Chun Wai.

Website: http://www.greenheartgroup.com