

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2024

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 2024, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
REVENUE	3	51,872	90,982
Cost of sales and services		<u>(110,484)</u>	<u>(181,425)</u>
Gross loss		(58,612)	(90,443)
Other income	5	1,979	2,005
Other gains and losses	5	2,831	(294)
Impairment losses reversed on financial assets, net	6	8	1,056
Fair value loss on plantation forest assets		(65,847)	(12,050)
Share of loss of an associate		(43)	(84)
Selling and distribution costs		(9,357)	(14,623)
Administrative expenses		(38,648)	(45,819)
Finance costs	7	<u>(24,634)</u>	<u>(23,806)</u>
LOSS BEFORE TAX	8	(192,323)	(184,058)
Income tax credit	9	<u>19,074</u>	<u>44,384</u>
LOSS FOR THE YEAR		<u>(173,249)</u>	<u>(139,674)</u>

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
OTHER COMPREHENSIVE (EXPENSE)			
INCOME			
Item that will not be reclassified to profit or loss			
Revaluation (loss) gain on forestry land		(3,575)	6,353
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		<u>(20,012)</u>	<u>(437)</u>
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR		<u>(23,587)</u>	<u>5,916</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u>(196,836)</u>	<u>(133,758)</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(139,238)	(93,075)
Non-controlling interests		<u>(34,011)</u>	<u>(46,599)</u>
		<u>(173,249)</u>	<u>(139,674)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(162,825)	(87,159)
Non-controlling interests		<u>(34,011)</u>	<u>(46,599)</u>
		<u>(196,836)</u>	<u>(133,758)</u>
LOSS PER SHARE			
Basic	11	<u>HK\$(0.075)</u>	<u>HK\$(0.050)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	<i>Notes</i>	2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		239,877	288,055
Right-of-use assets		21,581	28,534
Goodwill		5,651	5,651
Timber concessions and cutting rights		–	21,735
Plantation forest assets		295,750	360,447
Prepayments, deposits and other assets		323	234
Interest in an associate		1,404	1,500
		<hr/> 564,586	<hr/> 706,156
CURRENT ASSETS			
Inventories		4,285	7,875
Trade receivables	12	4,720	17,921
Finance lease receivables		–	1,520
Prepayments, deposits and other assets		8,172	8,804
Amount due from a fellow subsidiary		352	404
Tax recoverable		5,709	6,443
Pledged bank deposit		2,182	2,464
Bank balances and cash		19,508	47,714
		<hr/> 44,928	<hr/> 93,145
CURRENT LIABILITIES			
Trade payables	13	8,042	13,418
Other payables and accruals		27,225	25,204
Contract liabilities		128	386
Lease liabilities		2,029	1,859
Loans from a fellow subsidiary		–	10,948
Tax payable		71	71
		<hr/> 37,495	<hr/> 51,886

	<i>Note</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
NET CURRENT ASSETS		<u>7,433</u>	<u>41,259</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>572,019</u>	<u>747,415</u>
NON-CURRENT LIABILITIES			
Lease liabilities		11,840	12,209
Loans from immediate holding company		210,667	202,512
Loans from a fellow subsidiary		191,863	156,000
Bank borrowings	14	21,817	24,644
Deferred tax liabilities		<u>45,614</u>	<u>64,996</u>
		<u>481,801</u>	<u>460,361</u>
NET ASSETS		<u><u>90,218</u></u>	<u><u>287,054</u></u>
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		18,550	18,550
Reserves		<u>582,671</u>	<u>745,496</u>
		<u>601,221</u>	764,046
Non-controlling interests		<u>(511,003)</u>	<u>(476,992)</u>
TOTAL EQUITY		<u><u>90,218</u></u>	<u><u>287,054</u></u>

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 the Cayman Islands and its ultimate parent is Chow Tai Fook Capital Limited, a company incorporated in the British Virgin Islands.

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 NEW AND 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 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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 positions 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 HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.
- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity’s own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity’s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The followings are the impact of the application of the amendments:

Borrowings which are subject to meeting certain conditions/covenants within 12 months from reporting date

As at 31 December 2023, the Group's right to defer settlement for bank borrowings of HK\$24,644,000 are subject to compliance with certain financial ratios within 12 months from the reporting date; and the Group's right to deferred settlement for loans from immediate holding company and a fellow subsidiary of HK\$202,512,000 and HK\$166,948,000, respectively, are subject to compliance with certain non-financial covenants. Except for loan from a fellow subsidiary of HK\$10,948,000, which were classified as current, others were classified as non-current as the Group met such covenants. Upon the application of the 2022 Amendments, such borrowings are still classified as non-current as the covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date.

Except as described above, the application of the 2020 and 2022 Amendments has no other material impact on the classification of the Group's other liabilities. The change in accounting policy does not have impact to the Group's profit or loss or earnings per share for the current and prior years presented.

3. REVENUE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Types of goods or services		
Sales of logs and timber products	44,010	80,050
Forest management fee	<u>5,360</u>	<u>5,058</u>
Total revenue from contracts with customers	49,370	85,108
Subcontracting fee income	<u>2,502</u>	<u>5,874</u>
Total revenue	<u>51,872</u>	<u>90,982</u>

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2024		
	Suriname <i>HK\$'000</i>	New Zealand <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods or services			
Sales of logs and timber products	10,150	33,860	44,010
Forest management fee	<u>–</u>	<u>5,360</u>	<u>5,360</u>
Total	<u>10,150</u>	<u>39,220</u>	<u>49,370</u>
Timing of revenue recognition			
A point in time	10,150	33,860	44,010
Over time	<u>–</u>	<u>5,360</u>	<u>5,360</u>
Total	<u>10,150</u>	<u>39,220</u>	<u>49,370</u>

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 2024			
Segments	Suriname	New Zealand	Segment and consolidated total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers	10,150	39,220	49,370
Subcontracting fee income	2,502	–	2,502
Revenue disclosed in segment information	12,652	39,220	51,872

For the year ended 31 December 2023			
Segments	Suriname	New Zealand	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>

Types of goods or services

Sales of logs and timber products	19,908	60,142	80,050
Forest management fee	–	5,058	5,058
Total	19,908	65,200	85,108

Timing of revenue recognition

A point in time	19,908	60,142	80,050
Over time	–	5,058	5,058
Total	19,908	65,200	85,108

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 2023			
Segments	Suriname	New Zealand	Segment and consolidated total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers	19,908	65,200	85,108
Subcontracting fee income	5,874	–	5,874
Revenue disclosed in segment information	25,782	65,200	90,982

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 2024		
	Suriname HK\$'000	New Zealand HK\$'000	Total HK\$'000
New Zealand*	–	39,220	39,220
Hong Kong	5,471	–	5,471
Suriname	3,137	–	3,137
Mainland China	696	–	696
The United States	641	–	641
Taiwan	534	–	534
Dubai	498	–	498
India	478	–	478
Singapore	467	–	467
Other countries	730	–	730
Total	12,652	39,220	51,872

Segments	For the year ended 31 December 2023		
	Suriname HK\$'000	New Zealand HK\$'000	Total HK\$'000
New Zealand*	–	65,200	65,200
Suriname	7,509	–	7,509
Mainland China	4,828	–	4,828
Hong Kong	2,787	–	2,787
Dubai	2,322	–	2,322
Taiwan	1,768	–	1,768
The United States	1,398	–	1,398
Denmark	1,167	–	1,167
The Netherlands	1,018	–	1,018
Belgium	942	–	942
Other countries	2,043	–	2,043
Total	25,782	65,200	90,982

* 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\$2,502,000 (2023: HK\$5,874,000) is included in the revenue from customers located in Suriname above for the year ended 31 December 2024.

(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 2024 and 2023, 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 2024 and 2023 are not disclosed.

(iii) **Subcontracting fee income**

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Lease payments that are fixed	2,502	4,093
Variable lease payments that do not depend on an index or a rate	—	1,781
Total revenue arising from leases	2,502	5,874

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 loss 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, plant and equipment, right-of-use assets, plantation forest assets, timber concessions and cutting rights, harvest roading costs included in prepayments, deposits and other assets, inventories and financial assets to segment assets whereas the related depreciation, forest depletion cost, fair value changes, amortisation and impairment losses are excluded in the segment results (“Adjusted EBITDA”).

Details of geographical segment information of the Group’s revenue 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 2024

	Suriname HK\$'000	New Zealand HK\$'000	Segment total HK\$'000	Unallocated corporate items HK\$'000	Consolidated total HK\$'000
SEGMENT REVENUE – EXTERNAL	<u>12,652</u>	<u>39,220</u>	<u>51,872</u>	<u>-</u>	<u>51,872</u>
SEGMENT RESULTS (“Adjusted EBITDA”)	(19,315)	628	(18,687)	(15,477)	(34,164)
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 loss on plantation forest assets	-	(65,847)	(65,847)	-	(65,847)
Interest income and finance lease income	69	1,186	1,255	21	1,276
Reversal of impairment (impairment) of trade receivables	39	(31)	8	-	8
Impairment of property, plant and equipment****	(22,378)	-	(22,378)	-	(22,378)
Impairment of right-of-use assets**	(5,842)	-	(5,842)	-	(5,842)
Impairment of timber concessions and cutting rights*	(20,055)	-	(20,055)	-	(20,055)
Net write-down of inventories*	(245)	-	(245)	-	(245)
EBITDA	(67,727)	(64,064)	(131,791)	(15,456)	(147,247)
Finance costs	(8,155)	(16,035)	(24,190)	(444)	(24,634)
Forest depletion cost as a result of harvesting*	-	(6,615)	(6,615)	-	(6,615)
Depreciation***	(3,822)	(6,199)	(10,021)	(1,301)	(11,322)
Harvest roading costs*	-	(825)	(825)	-	(825)
Amortisation of timber concessions and cutting rights*	(1,680)	-	(1,680)	-	(1,680)
LOSS BEFORE TAX	<u>(81,384)</u>	<u>(93,738)</u>	<u>(175,122)</u>	<u>(17,201)</u>	<u>(192,323)</u>
SEGMENT ASSETS	<u>21,797</u>	<u>579,812</u>	<u>601,609</u>	<u>7,905</u>	<u>609,514</u>
SEGMENT LIABILITIES	<u>232,182</u>	<u>266,841</u>	<u>499,023</u>	<u>20,273</u>	<u>519,296</u>
Other segment information					
Capital expenditures [#]	<u>(101)</u>	<u>(10,976)</u>	<u>(11,077)</u>	<u>(3,635)</u>	<u>(14,712)</u>

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

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

** *Impairment of right-of-use assets of HK\$4,557,000 is included in “Cost of sales and services” in the consolidated statement of profit or loss and other comprehensive income.*

*** *Depreciation of HK\$2,837,000 is included in “Cost of sales and services” in the consolidated statement of profit or loss and other comprehensive income.*

**** *Impairment of property, plant and equipment of HK\$22,312,000 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 2023

	Suriname HK\$'000	New Zealand HK\$'000	Segment total HK\$'000	Unallocated corporate items HK\$'000	Consolidated total HK\$'000
SEGMENT REVENUE – EXTERNAL	25,782	65,200	90,982	–	90,982
SEGMENT RESULTS (“Adjusted EBITDA”)	(15,192)	5,657	(9,535)	(15,771)	(25,306)
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 loss on plantation forest assets	–	(12,050)	(12,050)	–	(12,050)
Interest income and finance lease income	191	1,381	1,572	14	1,586
(Impairment) reversal of impairment of trade receivables	(185)	1,241	1,056	–	1,056
Impairment of right-of-use assets**	(286)	–	(286)	–	(286)
Impairment of timber concessions and cutting rights*	(75,519)	–	(75,519)	–	(75,519)
Net reversal of write-down of inventories*	351	–	351	–	351
EBITDA	(90,640)	(3,771)	(94,411)	(15,757)	(110,168)
Finance costs	(8,126)	(15,639)	(23,765)	(41)	(23,806)
Forest depletion cost as a result of harvesting*	–	(18,768)	(18,768)	–	(18,768)
Depreciation***	(5,787)	(15,742)	(21,529)	(1,451)	(22,980)
Harvest roading costs*	–	(1,179)	(1,179)	–	(1,179)
Amortisation of timber concessions and cutting rights*	(7,157)	–	(7,157)	–	(7,157)
LOSS BEFORE TAX	(111,710)	(55,099)	(166,809)	(17,249)	(184,058)
SEGMENT ASSETS	91,828	696,851	788,679	10,622	799,301
SEGMENT LIABILITIES	232,686	276,197	508,883	3,364	512,247
Other segment information					
Capital expenditures#	(138)	(9,885)	(10,023)	–	(10,023)

Capital expenditures consist of additions to property, plant and equipment, right-of-use assets, harvest roading and 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\$4,324,000 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
New Zealand	545,514	635,734
Suriname	14,412	68,322
Hong Kong	3,256	600
Mainland China	1,404	1,500
	564,586	706,156

Information about major customers

During the year ended 31 December 2024, the Group had transactions with two (2023: two) customers from New Zealand segment who individually contributed over 10% of the Group's total revenue for the year ended 31 December 2024. A summary of revenue earned from each of these major customers is set out below:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer 1	21,097	26,524
Customer 2	5,872	N/A*
Customer 3	N/A*	20,998

* *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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank and other interest income	1,209	1,403
Finance lease income	67	183
Others	703	419
	<u>1,979</u>	<u>2,005</u>

Other gains and losses:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Impairment of right-of-use assets	–	(286)
Exchange gain (loss)	2,831	(88)
Gain on disposal of property, plant and equipment	–	80
	<u>2,831</u>	<u>(294)</u>

6. IMPAIRMENT LOSSES REVERSED ON FINANCIAL ASSETS, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net impairment losses reversed on:		
– trade receivables in respect of goods and services	8	1,056
	<u>8</u>	<u>1,056</u>

7. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on loans from immediate holding company	8,155	8,126
Interest on loans from a fellow subsidiary	13,639	12,780
Interest on bank borrowings	1,830	1,875
Interest on lease liabilities	1,010	1,025
	<u>24,634</u>	<u>23,806</u>

8. LOSS BEFORE TAX

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

	2024	2023
	HK\$'000	HK\$'000
Cost of inventories sold (including net write-down (reversal of write-down) of inventories)*	58,969	101,611
Cost of services rendered*	3,766	3,116
Amortisation of timber concessions and cutting rights***	1,680	7,157
Forest harvested as agricultural produce	6,975	17,624
Amount capitalised in closing inventories	(360)	–
Amount released from opening inventories	–	1,144
	<u>6,615</u>	<u>18,768</u>
Forest depletion cost as a result of harvesting***		
Depreciation of:		
– property, plant and equipment	6,469	17,145
– right-of-use assets	4,853	5,835
Harvest roading costs*	825	1,179
Impairment of property, plant and equipment*****	22,378	–
Impairment of right-of-use assets*****	5,842	286
Impairment of timber concessions and cutting rights*	20,055	75,519
Net write-down (reversal of write-down) of inventories***	245	(351)
Foreign exchange gains, net**	(3,728)	(2,366)
Auditor's remuneration		
– Audit service	2,480	2,360
– Non-audit services	700	20
	<u>3,180</u>	<u>2,380</u>
Employee benefits expenses (including Directors' remuneration)***: – Salaries and allowances	30,356	34,227
– Pension scheme contributions (defined contribution scheme)	304	320
	<u>30,660</u>	<u>34,547</u>

- * Included in “Cost of sales and services” in the consolidated statement of profit or loss and other comprehensive income.
- ** Foreign exchange gains, net 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\$1,623,000 (2023: loss of HK\$257,000), foreign exchange gain of HK\$2,831,000 (2023: loss of HK\$88,000), and foreign exchange loss of HK\$726,000 (2023: gain of HK\$2,711,000) 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.
- *** These costs and employee benefits expenses of HK\$14,838,000 (2023: HK\$15,498,000) are included in “Cost of inventories sold” and “Cost of services rendered”.
- **** Impairment of property, plant and equipment of HK\$22,312,000 (2023: nil) is included in “Cost of sales and services” in the consolidated statement of profit or loss and other comprehensive income.
- ***** Impairment of right-of-use assets of HK\$4,557,000 (2023: nil) is included in “Cost of sales and services” in the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX CREDIT

	2024 HK\$'000	2023 HK\$'000
The income tax credit comprises:		
Current tax – Hong Kong		
Over provision in prior years	–	(13,369)
Current tax – other jurisdictions		
Under provision in prior years	<u>813</u>	<u>77</u>
Current tax	813	(13,292)
Deferred tax	<u>(19,887)</u>	<u>(31,092)</u>
	<u>(19,074)</u>	<u>(44,384)</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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.

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 loss per share attributable to the owners of the Company is based on the following data:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(139,238)</u>	<u>(93,075)</u>
	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,854,991,056</u>	<u>1,854,991,056</u>

No diluted loss per share is presented as there were no potential ordinary shares in issue for the current and prior year.

12. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables		
– contracts with customers	11,676	24,215
– operating lease receivables	<u>225</u>	<u>895</u>
	11,901	25,110
Less: Allowance for credit losses		
– contracts with customers	(7,178)	(7,174)
– operating lease receivables	<u>(3)</u>	<u>(15)</u>
Net trade receivables	<u>4,720</u>	<u>17,921</u>

As at 1 January 2023, trade receivables from contracts of customers amounted to HK\$34,223,000.

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 30 days or on open account with credit terms of 5 days to 30 days, where a 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 1 month	4,612	12,826
From 1 to 3 months	–	4,889
Over 3 months	108	206
	4,720	17,921

As at 31 December 2024, included in the Group's trade receivable balances were debtors with aggregate carrying amount of HK\$108,000 (2023: HK\$5,500,000) which were past due as at the reporting date. Out of the past due balances, HK\$108,000 (2023: HK\$4,010,000) 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 2024 have been subsequently settled.

13. TRADE PAYABLES

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

	2024	2023
	HK\$'000	HK\$'000
Within 1 month	5,917	10,672
From 1 to 3 months	74	813
Over 3 months	2,051	1,933
	<u>8,042</u>	<u>13,418</u>

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

14. BANK BORROWINGS

	2024	2023
	HK\$'000	HK\$'000
Bank loans, secured	21,817	24,644
	<u>21,817</u>	<u>24,644</u>
The carrying amounts of above borrowings are repayable*:		
Within a period of more than one year but not exceeding two years	21,817	24,644
	<u>21,817</u>	<u>24,644</u>
Amounts shown under non-current liabilities	21,817	24,644
	<u>21,817</u>	<u>24,644</u>

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

During the year ended 31 December 2024, the Group's bank loan facilities from the Bank of New Zealand ("BNZ Loan Facilities") were renegotiated with final maturity date extended from 1 May 2025 to 1 May 2026 and the interest rate increased from the base rate plus 1.15% per annum to the base rate plus 1.35% per annum.

During the year ended 31 December 2023, the Group's BNZ Loan Facilities were renegotiated with final maturity date extended from 1 May 2024 to 1 May 2025 and the total amount of loan facilities was reduced from US\$5,000,000 (approximately HK\$39,000,000) to NZ\$5,000,000 (approximately HK\$24,199,500).

The Group's bank loans from BNZ Loan Facilities were denominated in NZ\$ (2023: NZ\$), bearing interest at the base rate plus 1.35% (2023: 1.15%) per annum and repayable on 1 May 2026 (2023: 1 May 2025) and the total amount of loan facilities was NZ\$5,000,000 (2023: NZ\$5,000,000), which was fully utilised as at 31 December 2024 and 2023.

As at 31 December 2024 and 2023, 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\$132,265,000 (2023: HK\$152,744,000);
 - (b) the Group’s plantation forest assets (located in New Zealand) with carrying amount of approximately HK\$295,750,000 (2023: HK\$360,447,000) 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; and
 - (d) the Group’s pledged bank deposit with carrying amount of approximately HK\$2,182,000 (2023: HK\$2,464,000).

The exposure of the Group’s bank borrowings was as follows:

	2024	2023
	<i>HK\$’000</i>	<i>HK\$’000</i>
Floating rate	21,817	24,644

15. EVENTS AFTER THE REPORTING PERIOD

Save as any disclosed in other sections of these consolidated financial statements, no significant events occurred subsequent to the end of the reporting period.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of Greenheart Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”), I am pleased to present to the shareholders of the Company the annual results of the Group for the year ended 31 December 2024.

The Group continued to navigate a challenging market environment in 2024, facing persistent headwinds across both our New Zealand and Suriname operations. The Group recorded a total revenue of HK\$51,872,000 for the year, representing a decreased of 43.0% compared to last year. The net loss of the Group increased to HK\$173,249,000, primarily due to a fair value loss on our plantation forest assets in New Zealand, along with an impairment of the timber concessions and cutting rights, and associated processing facilities in Suriname. These impairments were driven by weakened demand, declining prices, rising cost and the cessation of our West Suriname operations in mid-2024.

New Zealand Division

The New Zealand division experienced ongoing challenges throughout 2024, with a revenue decline primarily due to a significant reduction in sales volume. This was due to the completion of harvesting activities at one of our largest plantation forest assets, which has now entered a regrowth phase, resulting in a temporary reduction in harvestable volumes. The next crop of trees is expected to mature beginning from 2028 and reaching the peak at 2032.

Market conditions fluctuated throughout the year. While the cost and freight price for benchmark A-grade logs in the China softwood log market initially recovered to US\$128 per JAS m³ to US\$133 per JAS m³ in early 2024, prices dropped sharply between April and June, and stabilizing at US\$120 per JAS m³ to US\$122 per JAS m³ for the remainder of the year. Meanwhile, shipping costs peaked at US\$39.0 per JAS m³ in mid-2024 before easing to US\$31.8 per JAS m³ by year-end. These market dynamics contributed to a decline in our free-on-board (“FOB”) selling price from US\$102 per JAS m³ to US\$90 per JAS m³, leading to a fair value loss of HK\$65,847,000 on our plantation forest assets for the year.

Suriname Division

Following the cessation of operations in West Suriname in June 2024, the Group focused on optimizing its Central and East Suriname operations. However, despite these efforts, market conditions remained difficult. Demand for logs and timber products continued to decline, selling prices weakened further, and rising production costs added to the financial strain.

As a result, the Group recorded an impairment of timber concessions and cutting rights, right-of-use assets and associated processing facilities of HK\$48,275,000 at year-end, reflecting the deterioration in market conditions and increasing operational costs across the Suriname division.

Prospects

The Group acknowledges the ongoing challenges in the global wood sector, and the financial pressures affecting our operations.

In New Zealand, with one of our largest plantation forest assets now in a regrowth phase, there will be a temporary woodflow gap over the next few years. During this period, the Group will continue to incur high holdings costs, including expenses for planting, thinning, and silviculture, while generating no immediate revenue. This financial burden is further compounded by the substantial losses incurred in Suriname over the past few years.

To address this challenge, the Group will actively explore opportunities to raise funds, including but not limited to converting certain non-current assets into working capital. The primary focus will be on acquisition of short-term cutting rights that provide access to mature trees in the near term, and ensuring a more stable revenue stream over time.

In Suriname, given the significant reduction in the carrying value of our timber concessions and cutting rights, and associated processing facilities, the Group will continue to explore options to stop the drain on the Group's financial resources. This may include, but is not limited to, the disposal of assets or a potential divestment of operations in Suriname.

The Group remains committed to enhancing financial flexibility and optimizing resource allocation to ensure long-term sustainability and value creation for our shareholders.

Appreciation

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, business partners, and stakeholders for their ongoing support. I would also like to extend my gratitude to our management team and employees for their commitment and perseverance during this challenging period. Despite the current market difficulties, the Group remains dedicated to maintaining operational efficiency and financial discipline while exploring strategic opportunities to enhance long-term value for the shareholders.

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong, 25 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2024 has continued to be a challenging year for Greenheart. The Group recorded a net loss of HK\$173,249,000 during the year ended 31 December 2024 (2023: HK\$139,674,000). The substantial increase in net loss was mainly the net results of (i) a fair value loss on plantation forest assets; (ii) the corresponding deferred income tax credit attributable to the fair value loss of plantation forest assets; and (iii) an impairment of timber concessions and cutting rights, and right-of-use assets, and along with the associated processing facilities located in Suriname.

Revenue

The Group's total revenue for the year ended 31 December 2024 decreased by 43.0% to HK\$51,872,000. Revenue from the New Zealand and Suriname divisions was HK\$39,220,000 (2023: HK\$65,200,000) and HK\$12,652,000 (2023: HK\$25,782,000), respectively.

Revenue from the New Zealand division for the year ended 31 December 2024 reduced by 39.8% or HK\$25,980,000 due to a substantial decrease in sales volume, primarily caused by the completion of harvesting cycle in one of our largest plantation forest assets. This asset is now in a regrowth phase, awaiting the maturation of the next crop of trees, resulting in a temporary decrease in harvestable logs. The sales volume and the average export selling price on FOB basis both reduced by 39.4% and 14.9%, respectively. Meanwhile, revenue from forest management services increase slightly by 6.0% or HK\$302,000 because of increase in harvesting activities in third party forests managed by the Group.

Revenue from the Suriname division for the year ended 31 December 2024 dropped by 50.9% or HK\$13,130,000. The revenue from sales of logs and timber products from this division decreased by 49.0% or HK\$9,758,000 because of the cessation of the operation in West Suriname since 28 June 2024. Meanwhile, the subcontracting fee income decreased by 57.4% or HK\$3,372,000 as the subcontractors reduced harvesting activities due to the significant increase in production and transport costs.

Gross loss

The Group's gross loss for the year ended 31 December 2024 decreased by 35.2% to HK\$58,612,000. This comprised a gross profit of HK\$4,477,000 (2023: HK\$1,314,000) from the New Zealand division and a gross loss of HK\$63,089,000 (2023: HK\$91,757,000) from the Suriname division.

The gross profit from the New Zealand division improved because of the lower operating costs benefiting from the depreciation of New Zealand dollars ("NZD") in 2024.

On the other hand, the gross loss of the Suriname division dropped by 31.2% or HK\$28,668,000. The reduction was due to the net effect of decrease in impairment of timber concessions and cutting rights to HK\$20,055,000 (2023: HK\$75,519,000) and increase in impairment of property, plant and equipment and right-of-use assets to HK\$22,312,000 (2023: nil) and HK\$4,557,000 (2023: nil), respectively, in relation to our Suriname operation.

Other income

Other income primarily represented bank interest income and finance lease interest income.

Other gains and losses

Other gains and losses for the year ended 31 December 2024 represented exchange gain related to the bank borrowings denominated in New Zealand dollars.

Impairment losses reversed on financial assets, net

Impairment losses reversed on financial assets during the year mainly represented reversal of the expected credit losses (“ECL”) on trade receivables as a result of settlements received during the year ended 31 December 2024.

Fair value loss on plantation forest assets

The fair value loss on our plantation forest assets in New Zealand amounted to HK\$65,847,000 (2023: HK\$12,050,000) which was based on a valuation report prepared by an independent valuer at the end of the year ended 31 December 2024. The fair value loss was mainly caused by the decrease in forecast selling price of radiata pine, reflecting the unfavourable market conditions of New Zealand softwood.

Selling and distribution costs

The selling and distribution costs (mainly including trucking, export handling expenses and logistic-related costs arising from the sale of logs and timber products) for the year ended 31 December 2024 decreased by HK\$5,266,000 or 36.0%. Such decrease was the net effect of the reduction in sales volume, the depreciation of NZD and the increase in average port costs in New Zealand caused by the increase in fuel charge compared to last year.

Administrative expenses

Administrative expenses for the year ended 31 December 2024 decreased by 15.7% or HK\$7,171,000, which was mainly the net effect of decrease in the depreciation of property, plant and equipment caused by the completion of harvesting activities of some forests in New Zealand and impairment of right-of-use assets in Suriname.

Finance costs

Finance costs for the year ended 31 December 2024 increased by 3.5% or HK\$828,000. Such increase was primarily due to the increase in interests at floating rates incurred on loans from a fellow subsidiary following the general rise in interest in 2024 and the increase in the amount advanced from a fellow subsidiary in 2024.

Income tax credit

Income tax credit mainly represented deferred tax credit.

The deferred tax credit for the year ended 31 December 2024 comprised deferred tax credit of HK\$12,306,000 (2023: HK\$2,917,000) in the New Zealand division and deferred tax credit of HK\$7,581,000 (2023: HK\$28,175,000) in the Suriname division.

The deferred tax credit in the New Zealand division was mainly due to the taxable temporary differences arising from the recognition of tax losses, fair value loss on New Zealand plantation forest assets, different amortisation/depreciation rates for tax and accounting purposes in relation 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 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.

Negative EBITDA

The negative EBITDA of the Group increased from HK\$110,168,000 for the year ended 31 December 2023 to HK\$147,247,000 for the year ended 31 December 2024. The negative EBITDA of the New Zealand division and Suriname division for the year ended 31 December 2024 were HK\$64,064,000 (2023: HK\$3,771,000) and HK\$67,727,000 (2023: HK\$90,640,000), respectively.

The increase in the negative EBITDA of the Group was mainly attributable to the increase in the fair value loss on plantation forest assets in New Zealand and the impairment of property, plant and equipment, right-of-use assets and timber concessions and cutting rights in 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 from HK\$93,075,000 for the year ended 31 December 2023 to HK\$139,238,000 for the year ended 31 December 2024.

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 2024 and 2023. 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, they have no present or prospective interest in the Group's plantation forest assets, and have 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 to verify their physical existence and quality in 2024. 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 15,306 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 2024, the Group's current assets and current liabilities were HK\$44,928,000 and HK\$37,495,000 respectively (31 December 2023: HK\$93,145,000 and HK\$51,886,000), HK\$19,508,000 (31 December 2023: HK\$47,714,000) of which were bank balances and cash. The Group's outstanding borrowings as at 31 December 2024 represented the loans from immediate holding company amounting to HK\$210,667,000 (31 December 2023: HK\$202,512,000), loans from a fellow subsidiary amounting to HK\$191,863,000 (31 December 2023: HK\$166,948,000), bank borrowings amounting to HK\$21,817,000 (31 December 2023: HK\$24,644,000) and lease liabilities of HK\$13,869,000 (31 December 2023: HK\$14,068,000). Accordingly, the Group's gearing ratio as of 31 December 2024, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 72.9% (31 December 2023: 53.4%).

As at 31 December 2024, 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. The majority of 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, the forest management fee income from the New Zealand division and bank borrowings from the Bank of New Zealand are denominated in New Zealand dollars, which helps to partially offset the Group's operating expenses payable in New Zealand dollars. During the year ended 31 December 2024, 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 2024. 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.

The Group's bank loan facilities are subject to the fulfilment of certain financial covenants as required by the Bank of New Zealand. During the year ended 31 December 2024, all financial covenants related to the bank loan facilities were met.

PROSPECTS

As we progress through 2025, the global economic landscape continues to present significant challenges and uncertainties, particularly in our key export market, China. While certain indicators suggest possible improvements in the long term, the near-term outlook remains uncertain due to weak demand, supply imbalances, and macroeconomic pressures.

New Zealand Division

The New Zealand log market has remained volatile, driven by sluggish demand in China and fluctuating exchange rates. While early 2025 showed signs of market stabilization, with cost and freight prices for A-grade logs reaching an 11-month high in February, the overall outlook remains uncertain.

Despite a 5.2% increase in total export volumes in 2024, the industry continues to face structural challenges. High log inventories at China ports ranging between 2.4 million m³ and 2.8 million m³ and persistent weakness in China's real estate sector have constrained demand. The prolonged weakness in the China's property market, coupled with concerns over supply surpluses, suggests that a strong price recovery is unlikely in the near term.

Amid these challenges, the Group remains focused on operational resilience and cost management. We continue to monitor developments in the China market while exploring opportunities to diversify our channels and optimize our domestic operations.

Suriname Division

The global demand and prices for logs and lumber from Suriname declined in 2024 and have remained low in 2025. At the same time, inflationary pressures continue to drive up costs, making the business environment increasingly difficult.

To mitigate financial strain, the Group is actively implementing cost-cutting measures and further scaling down operations. We are also reassessing the viability of loss-making operations, and if necessary, will not rule out ceasing certain operations to improve financial sustainability.

Outlook

The Group will continue to evaluate market conditions, explore ways to secure additional funding, and consider the disposal of non-current assets where appropriate to address the ongoing financial challenges.

CHARGE ON ASSETS

As at 31 December 2024 and 2023, 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\$132,265,000 (2023: HK\$152,744,000) ("Forestry Land");
 - b. the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK\$295,750,000 (2023: HK\$360,447,000) 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; and
- d. the Group's pledged bank deposit with carrying amount of approximately HK\$2,182,000 (2023: HK\$2,464,000).

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: nil).

CAPITAL EXPENDITURE

During the year ended 31 December 2024, the Group incurred capital expenditure of approximately HK\$1,187,000 (2023: HK\$1,150,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

The Group had no material business acquisitions or disposals for the year ended 31 December 2024.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any significant contingent liabilities (2023: 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

The Company has adopted a share option scheme approved by the shareholders at the annual general meeting of the Company held on 24 May 2022 (the "Share Option Scheme"). The Share Option Scheme remains in force for ten years from the date of adoption and will expire on 23 May 2032. From the date of adoption of the Share Option Scheme up to 31 December 2024, no share option has been granted, exercised, cancelled or lapsed. The number of share options available for grant under the Share Option Scheme mandate at the beginning and the end of the year ended 31 December 2024 was both 185,499,105. Since no share options were granted under the Share Option Scheme, the number of shares that may be issued in respect of share options granted under the Share Option Scheme during the year ended 31 December 2024 divided by the weighted average number of shares in issue (excluding treasury shares) for the year ended 31 December 2024 is nil.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2024, the total number of employees of the Group was 125 (2023: 143) with employment costs (including Directors' emoluments) amounted to approximately HK\$30,660,000 (2023: HK\$34,547,000). 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 reviewed and discussed with management and external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2024. Based on the review and discussions with management, the Audit Committee was satisfied that the audited consolidated financial statements of the Group for the year ended 31 December 2024 were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the year ended 31 December 2024.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this 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 as approved by the Board of Directors on 25 March 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and 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 applicable code provisions of the Corporate Governance Code contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2024 with the exception of the deviation as set out below:

Code Provision B.2.2 requires every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the Chairman and the Managing Director of the Company shall not be subject to retirement by rotation under the existing Bye-laws of the Company. Mr. Cheng Chi-Him, Conrad is the non-executive Chairman of the Company. Given the essential role in the leadership of the Company by the Chairman and the non-executive nature of chairmanship, the Board is of the view that such deviation is vital to the stability and continuity of the key management of the Company and the Board considers that the deviation is acceptable.

Save as disclosed above, 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 C1 to the Listing Rules throughout the year ended 31 December 2024.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors (the “Code of Conduct”) on terms no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules (the “Model Code”). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2024, 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 uncertainties that may 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, customers and suppliers for their continuous and valuable support and to extend its appreciation to our management and staff for their diligence and dedication to the Group.

By Order of the Board
Greenheart Group Limited
Ding Wai Chuen

Executive Director and Chief Executive Officer

Hong Kong, 25 March 2025

As at the date hereof, the Board comprises one executive Director, namely Mr. Ding Wai Chuen, four non-executive Directors, namely Messrs. Cheng Chi-Him, Conrad, Kenneth Lau, Lie Ken Jie Remy Anthony Ket Heng and Ms. Suen Chung Yan, Julia, 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>