GREENHEART GROUP LIMITED
綠心集團有限公司

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "Board") of directors (the "Directors") of Greenheart Group Limited ("Greenheart" or the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2022 (the "Period"), together with the comparative figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**95,107**	148,738
Cost of sales and services		**(100,255)**	(121,583)
Gross (loss) profit		**(5,148)**	27,155
Other income	*6*	**422**	611
Other gains and losses	*6*	**–**	(302)
Impairment losses reversed (recognised) on financial assets, net		**25,296**	(123)
Fair value (loss) gain on plantation forest assets		**(44,323)**	24,995
Share of loss of an associate		**(53)**	(68)
Selling and distribution costs		**(14,787)**	(18,207)
Administrative expenses		**(26,727)**	(22,670)
Finance costs	*7*	**(7,312)**	(7,809)
(LOSS) PROFIT BEFORE TAX	*8*	**(72,632)**	3,582
Income tax credit (expense)	*9*	**9,121**	(4,847)
LOSS FOR THE PERIOD		**(63,511)**	(1,265)

	Notes	For the six months ended 30 June 2022 (Unaudited) HK$'000	2021 (Unaudited) HK$'000
OTHER COMPREHENSIVE EXPENSE			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(14,706)**	(4,667)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD		**(14,706)**	(4,667)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**(78,217)**	(5,932)
(LOSS) PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(51,411)**	8,923
Non-controlling interests		**(12,100)**	(10,188)
		(63,511)	(1,265)
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(66,117)**	4,256
Non-controlling interests		**(12,100)**	(10,188)
		(78,217)	(5,932)
(LOSS) EARNINGS PER SHARE			
Basic	*11*	**HK$(0.028)**	HK$0.005
Diluted	*11*	**HK$(0.028)**	HK$0.005

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2022 (Unaudited) *HK$'000***	31 December 2021 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**285,591**	304,907
Right-of-use assets		**36,106**	38,996
Goodwill		**5,651**	5,651
Timber concessions and cutting rights		**137,375**	142,886
Plantation forest assets		**356,654**	411,173
Prepayments, deposits and other assets		**619**	2,143
Interest in an associate		**1,693**	1,826
		823,689	907,582
CURRENT ASSETS			
Inventories		**20,303**	40,318
Trade receivables	*12*	**34,021**	42,169
Finance lease receivables		**1,924**	4,716
Prepayments, deposits and other assets		**14,810**	14,867
Amount due from a fellow subsidiary	*14(b)(i)*	**470**	428
Tax recoverable		**6,032**	7,116
Bank balances and cash		**98,556**	92,916
		176,116	202,530
CURRENT LIABILITIES			
Trade payables	*13*	**30,146**	27,479
Other payables and accruals		**18,875**	45,800
Contract liabilities		**844**	1,430
Lease liabilities		**3,417**	3,581
Loan from a fellow subsidiary	*14(a)(ii)*	**2,936**	500
Tax payable		**21,795**	22,720
		78,013	101,510
NET CURRENT ASSETS		**98,103**	101,020
TOTAL ASSETS LESS CURRENT LIABILITIES		**921,792**	1,008,602

	Notes	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities		**15,654**	18,520
Loans from immediate holding company	*14(a)(i)*	**190,711**	187,214
Loan from a fellow subsidiary	*14(a)(ii)*	**156,000**	156,000
Bank borrowings		**24,960**	24,960
Deferred tax liabilities		**96,004**	105,228
		483,329	491,922
NET ASSETS		**438,463**	516,680
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**18,550**	18,550
Reserves		**832,812**	898,929
		851,362	917,479
Non-controlling interests		**(412,899)**	(400,799)
TOTAL EQUITY		**438,463**	516,680

Notes:

1. **GENERAL**

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

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

2. **BASIS OF PREPARATION**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. **PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for plantation forest assets and forestry land that are measured at fair values less costs to sell or revalued amounts at the end of each reporting period.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the presentation of the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current Period, the Group has, for the first time, applied the following amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018 - 2020*

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

3.1 Impacts and changes in accounting policies on application of Amendments to HKFRS 3 *Reference to the Conceptual Framework*

3.1.1 Accounting policies

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

3.1.2 Transition and summary of effects

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current period had no impact on these unaudited condensed consolidated financial statements.

3.2 Impacts and changes in accounting policies on application of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*

3.2.1 Accounting policies

<u>Leases</u>

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

The Group accounts for changes in lease payments resulting from rent concessions in the same way it would account for the changes applying HKFRS 16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

3.2.2 Transition and summary of effects

The application of the amendment has had no material impact on the Group's financial position and performance.

3.3 Impacts and accounting policies on application of Amendments to HKAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

3.3.1 Accounting policies

Property, plant and equipment

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing the related assets functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss.

3.3.2 Transition and summary of effects

The application of the amendment has had no material impact on the Group's financial position and performance.

3.4 Impacts and accounting policies on application of Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

3.4.1 Accounting policies

Provisions

Onerous contracts

For assessment of outstanding unfulfilled contracts as at 1 January 2022, the unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs (to specify, e.g. direct labour and materials) and an allocation of other costs (to specify, e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

3.4.2 Transition and summary of effects

The Group has applied the amendments to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1 January 2022. The application of the amendments has had no material impact on the Group's financial position and performance.

3.5 Impacts on application of Amendments to HKFRSs *Annual Improvements to HKFRSs 2018-2020*

The Group has applied the annual improvements which make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments in the current period had no impact on these unaudited condensed consolidated financial statements.

4. REVENUE

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Types of goods or services		
Sales of logs and timber products	**90,251**	143,493
Forest management fee	**3,268**	2,668
Total revenue from contracts with customers	**93,519**	146,161
Subcontracting fee income	**1,588**	2,577
Total revenue	**95,107**	148,738

(i) Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2022		
Segments	**Suriname**	**New Zealand**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Types of goods or services			
Sales of logs and timber products	**18,443**	**71,808**	**90,251**
Forest management fee	**–**	**3,268**	**3,268**
Total	**18,443**	**75,076**	**93,519**

	For the six months ended 30 June 2022		
Segments	**Suriname**	**New Zealand**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Timing of revenue recognition			
A point in time	**18,443**	**71,808**	**90,251**
Over time	**–**	**3,268**	**3,268**
Total	**18,443**	**75,076**	**93,519**

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

	For the six months ended 30 June 2022		
Segments	**Suriname**	**New Zealand**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Revenue from contracts with customers	**18,443**	**75,076**	**93,519**
Subcontracting fee income	**1,588**	**–**	**1,588**
Revenue disclosed in segment information	**20,031**	**75,076**	**95,107**

Segments	For the six months ended 30 June 2021		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Types of goods or services			
Sales of logs and timber products	16,781	126,712	143,493
Forest management fee	–	2,668	2,668
Total	16,781	129,380	146,161

Segments	For the six months ended 30 June 2021		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Timing of revenue recognition			
A point in time	16,781	126,712	143,493
Over time	–	2,668	2,668
Total	16,781	129,380	146,161

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

Segments	For the six months ended 30 June 2021		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue from contracts with customers	16,781	129,380	146,161
Subcontracting fee income	2,577	–	2,577
Revenue disclosed in segment information	19,358	129,380	148,738

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 six months ended 30 June 2022		
	Suriname	**New Zealand**	**Total**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
New Zealand*	**–**	**75,076**	**75,076**
The United States	**3,972**	**–**	**3,972**
Mauritius	**2,586**	**–**	**2,586**
Hong Kong	**2,458**	**–**	**2,458**
Suriname	**2,231**	**–**	**2,231**
China	**1,801**	**–**	**1,801**
Belgium	**1,602**	**–**	**1,602**
Denmark	**1,380**	**–**	**1,380**
India	**1,302**	**–**	**1,302**
Other countries	**2,699**	**–**	**2,699**
Total	**20,031**	**75,076**	**95,107**

Segments	For the six months ended 30 June 2021		
	Suriname	New Zealand	Total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*
New Zealand*	–	129,380	129,380
Hong Kong	5,083	–	5,083
Suriname	4,010	–	4,010
India	2,866	–	2,866
Belgium	1,668	–	1,668
The Netherlands	1,290	–	1,290
Mauritius	1,215	–	1,215
Taiwan	819	–	819
Denmark	669	–	669
Other countries	1,738	–	1,738
Total	19,358	129,380	148,738

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

The subcontracting fee income of HK$1,588,000 (2021: HK$2,577,000) is included in the revenue from customers located in Suriname above for the six-months ended 30 June 2022.

(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 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. Significant payment terms are disclosed in note 12.

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.

(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. The contract was expired in May 2022 and renewed for further two years.

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Lease payments that are fixed	**1,588**	2,577
Variable lease payments that do not depend on an index or a rate	**–**	–
Total revenue arising from leases	**1,588**	2,577

5. 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 Management based on reportable segment Adjusted EBITDA, which is a measure of (loss) profit 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) 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, EBITDA and (loss) profit before tax for each reportable segment.

Details of geographical segment information are disclosed in note 4.

The following table presents revenue and profit (loss) information regarding the Group's operating segments for the six months ended 30 June 2022:

For the six months ended 30 June 2022

	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Segment total (Unaudited) *HK$'000*	Unallocated corporate items (Unaudited) *HK$'000*	Consolidated total (Unaudited) *HK$'000*
SEGMENT REVENUE - EXTERNAL	20,031	75,076	95,107	–	95,107
SEGMENT RESULTS ("Adjusted EBITDA")	(4,252)	8,178	3,926	(6,560)	(2,634)
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	–	(44,323)	(44,323)	–	(44,323)
Interest income and finance lease income	143	28	171	14	185
(Provision) reversal of impairment of trade receivables	(137)	988	851	–	851
Reversal of impairment of other receivables	–	–	–	24,445	24,445
Reversal of write-down of inventories*	638	–	638	–	638
EBITDA	(3,608)	(35,129)	(38,737)	17,899	(20,838)
Finance costs	(3,497)	(3,768)	(7,265)	(47)	(7,312)
Forest depletion cost as a result of harvesting*	–	(19,839)	(19,839)	–	(19,839)
Depreciation**	(3,382)	(11,731)	(15,113)	(728)	(15,841)
Harvest roading costs*	–	(3,291)	(3,291)	–	(3,291)
Amortisation of timber concessions and cutting rights***	(5,511)	–	(5,511)	–	(5,511)
(LOSS) PROFIT BEFORE TAX	(15,998)	(73,758)	(89,756)	17,124	(72,632)

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

** *Depreciation of HK$2,229,000 is included in "Cost of sales and services" in the condensed consolidated statement of profit or loss and other comprehensive income.*

*** *Amortisation of timber concessions and cutting rights of HK$5,511,000 is included in "Cost of sales and services" in the condensed consolidated statement of profit or loss and other comprehensive income.*

For the six months ended 30 June 2021

	Suriname (Unaudited) *HK$'000*	New Zealand (Unaudited) *HK$'000*	Segment total (Unaudited) *HK$'000*	Unallocated corporate items (Unaudited) *HK$'000*	Consolidated total (Unaudited) *HK$'000*
SEGMENT REVENUE - EXTERNAL	19,358	129,380	148,738	–	148,738
SEGMENT RESULTS ("Adjusted EBITDA")	(2,789)	40,813	38,024	(6,278)	31,746
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	–	24,995	24,995	–	24,995
Interest income and finance lease income	357	4	361	30	391
Reversal (provision) of impairment of trade receivables	25	(148)	(123)	–	(123)
Reversal of write-down of inventories*	163	–	163	–	163
EBITDA	(2,244)	65,664	63,420	(6,248)	57,172
Finance costs	(3,504)	(4,265)	(7,769)	(40)	(7,809)
Forest depletion cost as a result of harvesting*	–	(23,913)	(23,913)	–	(23,913)
Depreciation**	(4,001)	(6,432)	(10,433)	(1,989)	(12,422)
Harvest roading costs*	–	(3,872)	(3,872)	–	(3,872)
Amortisation of timber concessions and cutting rights***	(5,574)	–	(5,574)	–	(5,574)
(LOSS) PROFIT BEFORE TAX	(15,323)	27,182	11,859	(8,277)	3,582

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

** *Depreciation of HK$2,622,000 is included in "Cost of sales and services" in the condensed consolidated statement of profit or loss and other comprehensive income.*

*** *Amortisation of timber concessions and cutting rights of HK$5,574,000 is included in "Cost of sales and services" in the condensed consolidated statement of profit or loss and other comprehensive income.*

Information on major customers

During the six months ended 30 June 2022, the Group had transactions with one (2021: one) customer from New Zealand segment who individually contributed over 10% of the Group's total revenue for the Period. A summary of revenue earned from this major customer is set out below:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer 1	**60,605**	N/A*
Customer 2	**N/A***	109,984

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

6. OTHER INCOME, OTHER GAINS AND LOSSES

Other income:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank and other interest income	**43**	35
Finance lease income	**142**	356
Others	**237**	220
	422	611

Other gains and losses:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss on early termination of a lease	**–**	(302)

7. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on loans from immediate holding company	**3,497**	3,497
Interest on loan from a fellow subsidiary	**2,706**	–
Interest on lease liabilities	**639**	749
Interest on bank borrowings	**470**	3,563
	7,312	7,809

8. (LOSS) PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Forest harvested as agricultural produce	**13,824**	31,469
Amount capitalised in closing inventories	**(2,511)**	(8,868)
Amount released from opening inventories	**8,526**	1,312
Forest depletion cost as a result of harvesting*	**19,839**	23,913
Amortisation of timber concessions and cutting rights	**5,511**	5,574

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

9. INCOME TAX (CREDIT) EXPENSE

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The income tax (credit) expense comprises:		
Current tax – Hong Kong		
Charge for the period	**–**	356
Current tax – other jurisdictions		
Charge for the period	**258**	523
Withholding tax	**–**	584
Deferred tax	**(9,379)**	3,384
	(9,121)	4,847

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% (2021: 36%) and 28% (2021: 28%), respectively.

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

10. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

11. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share attributable to owners of the Company	**(51,411)**	8,923

	2022	2021
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,854,991,056**	1,854,991,056

The computation of diluted (loss) earnings per share for the six-months ended 30 June 2022 and 2021 did not assume the effect of the Group's share options since their assumed exercise would result in a (decrease) increase in (loss) earnings per share.

12. TRADE RECEIVABLES

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables		
– contracts with customers	**41,132**	50,040
– operating lease receivables	**409**	500
	41,541	50,540
Less: Allowance for credit losses		
– contracts with customers	**(7,518)**	(8,368)
– operating lease receivables	**(2)**	(3)
Net trade receivables	**34,021**	42,169

As at 1 January 2021, trade receivables from contracts of customers amounted to HK$16,359,000.

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 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:

	30 June 2022 (Unaudited) ***HK$'000***	31 December 2021 (Audited) *HK$'000*
Within 1 month	**19,273**	20,210
From 1 to 3 months	**14,511**	21,955
Over 3 months	**237**	4
	34,021	42,169

As at 30 June 2022, included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$23,144,000 (31 December 2021: HK$33,900,000) which were past due. Out of the past due balances, HK$12,842,000 (31 December 2021: HK$21,493,000) 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 30 June 2022 have been subsequently settled.

13. TRADE PAYABLES

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

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Within 1 month	**24,730**	21,605
From 1 to 3 months	**65**	642
Over 3 months	**5,351**	5,232
	30,146	27,479

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

14. RELATED PARTY DISCLOSURES

(a) Other than as disclosed elsewhere in these interim financial statements, the Group has the following transactions and balances with related parties:

Relationships	**Nature of transactions**	*Notes*	**For the six months ended 30 June 2022 (Unaudited) *HK$'000***	2021 (Unaudited) *HK$'000*
Immediate holding company	Interest expenses paid and payable on loans	*(i)*	**3,497**	3,497
Fellow subsidiary	Interest expenses paid and payable on loans	*(ii)*	**2,706**	–
Fellow subsidiary	Recharge of license fee and administrative expenses received and receivable	*(iii)*	**443**	1,119

Notes:

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

- an unsecured loan with principal amount of HK$62,400,000 (i.e. US$8,000,000);
- an unsecured loan with principal amount of HK$27,300,000 (i.e. US$3,500,000);

- an unsecured loan with principal amount of HK$23,400,000 (i.e. US$3,000,000);

- an unsecured loan with principal amount of HK$7,106,000 (i.e. US$911,000);

- an unsecured loan with principal amount of HK$6,179,000 (i.e. US$792,000);

- an unsecured loan with principal amount of HK$8,580,000 (i.e. US$1,100,000); and

- an unsecured loan with principal amount of HK$6,084,000 (i.e. US$780,000).

On 26 August 2021, supplemental letters in relation to above loans were signed with immediate holding company to extend the maturity date of these loans from 31 March 2022 to 31 March 2023 with effect from 30 June 2021. On 28 June 2022, supplemental letters in relation to above loans were signed with immediate holding company to further extend the maturity date of these loans from 31 March 2023 to 31 March 2024.

In addition, based on the supplemental letters, the lender shall have the right to demand immediate payment of all the above loans and their outstanding interest in the event of either (a) any change in the beneficial ownership, directly or indirectly, of more than 50% of the voting equity shares of the borrower, a non-wholly-owned subsidiary of the Company, without the lender's prior written consent or (b) after the existing executive and non-executive directors of the Company cease to constitute a majority of the board of directors of the Company, subject to a 30-day re-negotiation period regarding the continuing availability of the loans.

Taking into consideration the agreement from the immediate holding company to do all such acts to maintain the directorship of the existing directors of the Company throughout the relevant loan periods, the loans were classified as non-current as at 30 June 2022 and 31 December 2021.

(ii) On 4 November 2021, a loan agreement was signed with a fellow subsidiary, a wholly-owned subsidiary of the ultimate holding company in respect of an unsecured loan with principal amount of HK$156,000,000 (i.e. US$20,000,000) with interest rate based on the 3-month US$ LIBOR plus 2.86% per annum, and repayable in November 2024.

Based on the loan agreement, the lender shall have the right to demand immediate payment of all the above loans and their outstanding interest in the event of either (a) any change in the beneficial ownership, directly or indirectly, of more than 50% of the voting equity shares of the borrower, a wholly-owned subsidiary of the Company, without the lender's prior written consent or (b) after the existing executive and non-executive directors of the Company cease to constitute a majority of the board of directors of the Company, subject to a 30-day re-negotiation period regarding the continuing availability of the loans.

Taking into consideration the agreement from the immediate holding company to do all such acts to maintain the directorship of the existing directors of the Company throughout the relevant loan periods, the loans were classified as non-current as at 30 June 2022 and 31 December 2021.

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

(b) Outstanding balances with related parties

(i) The amount due from a fellow subsidiary as at 30 June 2022 and 31 December 2021 was unsecured, interest-free and repayable within one year.

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**5,244**	5,197
Pension scheme contributions	**27**	27
	5,271	5,224

15. EVENTS AFTER THE REPORTING PERIOD

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

Greenheart continued to face a volatile market in the first half of 2022. Following a strong rebound at the beginning of the year, outbreak of Omicron in some major cities in China since March rapidly dented its economic growth momentum, dampening the log demand. This turn in the market had decelerated Greenheart's New Zealand business markedly for the remainder of the first half of 2022. Added to this, the spillover effects of the Ukraine War had further driven up the operating costs and adversely affected the profitability of our New Zealand division. As many of these headwinds are expected to continue for an extended period, the plantation forest assets suffered a significant fair value loss for the Period.

Meanwhile, the devastating flood in Suriname, caused by persistent rainfall, had restricted our harvesting activities and local logistic, dragging down our business recovery from the pandemic.

As a result, the Group recorded a significant decrease of HK$53,631,000 in turnover and increase of net loss of HK$62,246,000 for the Period, notwithstanding the recovery of other receivables of HK$24,445,000.

New Zealand division

In New Zealand, the operating environment was challenging for much of the first half of 2022. Total revenue and adjusted EBITDA of our New Zealand division dropped 42.0% and 80.0%, respectively, as compared to the prior year period. This decline was primarily attributable to reduced log demand in China due to repeated COVID-19 outbreaks, strict lockdown measures and the contraction of the property market, which together pulled down the average free-on-board "FOB" sale prices by 27.9% versus the prior year period. In light of the adverse market conditions, the Group had slowed down harvesting to preserve its wood reserve pending market recovery. As a result, only approximately 104,000 m^3 of logs, representing approximately 75.7% of the volume of prior period, were sold during the Period.

The combined effect of the reintroduction of COVID-19 control measures and the shrinking property market in China, the high fuel prices, escalating inflation and supply chain disruptions caused by the Ukraine War is likely to cloud over our New Zealand radiata pine business for a longer period than previously expected, causing a fair value loss of HK$44,323,000 on plantation forest assets for the Period (2021: a gain of HK$24,995,000).

Suriname division

The strong rebound in Europe economic activity after the pandemic-related downturn had boosted up the demand for tropical wood products during the Period. The disruption in global supply chain and the war in Ukraine have removed a vast volume of Russian and Ukraine originated wood products from the market. The reductions in supply had opened up new opportunities for tropical wood products. Combining these two factors, the value of tropical wood products imported to European Union reached the highest in 10 years. The improved market condition had pushed up the increased average sales prices of lumber sold by our Suriname division during the Period.

However, the extreme and persistent heavy rain in Suriname had caused unprecedented country-wide flooding, inundating and damaging all major roads, exacerbating the logistic disruption due to COVID-19. This has seriously affected our harvesting and product delivery capability, particularly those of our west Suriname operation which has longest distance to the port among our concessions. As a result, notwithstanding the strong market recovery, the logistic issues had restricted our ability to meet the market demand, with the volume of products sold remained largely the same as that of last period.

Overall, Suriname division recorded a total revenue of HK$20,031,000 (2021: HK$19,358,000) and a negative adjusted EBITDA of HK$4,252,000 (2021: HK$2,789,000) for the Period.

Prospect

Looking ahead, there remain a number of interlinked downside risks in the global economy, including ongoing geopolitical tensions, stagflation concerns, continuing supply chain strains, and appearance of new viral variants. These negative factors will continue to weigh on Greenheart's performance for the remainder of the year.

With particular reference to mainland China, the COVID-19 related lockdown and movement restriction and weak property market may continue to dampen demand for our New Zealand radiata pine. Although there was an improvement in FOB prices of New Zealand radiata pine in July, this was not substantial enough to significantly lift the market away from the historic lows reported in May. The China market for our New Zealand radiata pine will likely continue to be challenging in the second half of the year.

In order to reduce the reliance on a single market, the Group has been working closely with our business partners to diversify our sales to Korea and India. In the meantime, we have slowed down the harvesting activities to avoid selling on depressed prices and to wait for market recovery.

As to additional investment in forestry assets, despite the drop of the log price, carbon credit price surged significantly. As a result, the forest owners in New Zealand continued to ask for a significant carbon premium on top of the intrinsic value of the trees. Due to the heightened macro volatility, we will continue to be cautious in making investment decision and not rushing into buying overpriced assets.

The combined impact of extreme weather and the pandemic had deeply affected our Suriname operation for much of the past two years. Despite these negative influences, our Suriname division still managed to have steady increase in revenue, underpinned by quick resumption of the demand from European and US clients for processed lumber and much increased average sale prices, driven by higher value-added products produced particularly from new sawmill located in the capital of Suriname.

Going forward, the Suriname division will continue to improve the operation efficiency and reduce costs through subcontracting, and to generate additional revenue through outsourcing.

The Group will continue to adhere to a prudent financial and cashflow management approach in the operation of our businesses in the current uncertain market environment and seek sustainable business opportunities to enhance the long-term returns to the shareholders of the Company.

Appreciation

At the Annual General Meeting held on 24 May 2022, Mr. Tsang On-Yip, Patrick retired and decided not to seek re-election. On behalf of the Board, I would like to thank Mr. Tsang for his valuable contribution over the years and wish him well in his future pursuits.

At the same Annual General Meeting, two new non-executive Directors, Messrs. Kenneth Lau and Lie Ken Jie Remy Anthony Ket Heng, were elected to the Board. I would like to extend my welcome to the two new board members and I am confident that they will bring new perspectives and a wealth of financial and management experience to the Group.

Last but not least, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their trust and support, and to our staff for their diligence, contributions and efforts they had made during the Period.

Cheng Chi-Him, Conrad
Non-executive Chairman

Hong Kong
30 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group incurred an unaudited net loss of HK$63,511,000. Such increase in net loss was due to the net effect of a decrease in revenue contributed by New Zealand division because of the decelerated demand from China stemming from the COVID-19 related lockdown measures and slowdown and stress in China's property market, a fair value loss on plantation forest assets located in New Zealand, and a reversal of provision for impairment on an earnest money of RMB20,000,000 which was recovered during the Period.

Revenue

The Group's total revenue dropped by 36.1% to HK$95,107,000 for the Period as compared to the corresponding period last year. Revenue contributed by the New Zealand division and the Suriname division was HK$75,076,000 (2021: HK$129,380,000) and HK$20,031,000 (2021: HK$19,358,000), respectively.

Revenue contributed by the New Zealand division decreased by 42.0% or HK$54,304,000 for the Period resulting from the decrease in A-grade logs price of New Zealand radiata pine due to the weak demand from China. As a result, the average export selling price on FOB basis decreased by 27.9% while the sales volume reduced by 24.3% during the Period.

Apart from sales of logs, revenue contributed from forest management services increased by HK$600,000 to HK$3,268,000 during the Period.

On the other hand, revenue contributed from Suriname division increased slightly by 3.5% or HK$673,000 for the Period because of the increase in sales volume and average selling price of lumber, reflecting our strategy in switching to high-value export products. Revenue contributed from the subcontracting fee income decreased by HK$989,000 to HK$1,588,000 during the Period as the subcontractor's harvesting activities were affected by the country-wide flooding and the disruption of logistics due to COVID-19.

Gross loss

A gross loss of HK$5,148,000 was reported for the Period compared to a gross profit of HK$27,155,000 in the same period last year. The gross profit contribution from the New Zealand division for the Period was HK$483,000 (2021: HK$31,368,000) while the Suriname division recorded a gross loss of HK$5,631,000 for the Period (2021: HK$4,213,000).

The Group's gross loss margin for the Period was 5.4% as compared to gross profit margin of 18.3% for the same period last year. The gross profit margin for the Group's New Zealand division for the Period was 0.6% (2021: 24.2%) while the Suriname division recorded a gross loss margin of 28.1% for the Period (2021: 21.8%).

The decrease in gross profit margin of the New Zealand division was because of lower average export selling price on FOB basis and sales volume as mentioned above.

The increase of the gross loss margin for the Suriname division during the Period was mainly due to under-utilized production capacity resulted from persistent heavy rain during the Period.

Other income

Other income mainly represented finance lease income and bank and other interest income. It decreased by HK$189,000 during the Period mainly due to the repayment of the finance lease receivable balance.

Impairment losses reversed on financial assets, net

The reversal of impairment losses on financial assets for the Period was the result of the recovery during the Period of an earnest money of RMB20,000,000 in relation to an aborted investment project in China.

Fair value loss on plantation forest assets

The fair value loss on our plantation forest assets in New Zealand amounted to HK$44,323,000 (2021: a gain of HK$24,995,000) and was based on a valuation report prepared by an independent valuer at the end of the Period. The fair value loss was primarily caused by unfavourable market conditions and higher operating costs.

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.

They reduced by 18.8% or HK$3,420,000. Such decrease was primarily due to the reduction of sales volume and the depreciation of New Zealand dollars ("NZD") for New Zealand division. This reduction was partially offset by the increase in port costs.

Administrative expenses

Administrative expenses for the Period increased by 17.9% or HK$4,057,000 because of the increase of depreciation of property, plant and equipment due to the additional roading in New Zealand.

Finance costs

The decrease of finance costs for the Period by HK$497,000 or 6.4% was primarily due to the repayment of US$25,000,000 of bank loan facilities from Bank of New Zealand during the year ended 31 December 2021.

Income tax credit

Income tax credit for the Period is mainly comprised of deferred tax credit.

The deferred tax credit for the Period is comprised of the deferred tax credit of HK$7,471,000 (2021: expense of HK$5,113,000) and the deferred tax credit of HK$1,908,000 (2021: HK$1,729,000) in the New Zealand and Suriname divisions, respectively.

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

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

EBITDA

The EBITDA of the Group changed from positive EBITDA of HK$57,172,000 for same period last year to negative EBITDA of HK$20,838,000 for the Period. The negative EBITDA of the New Zealand division and Suriname division for the Period was HK$35,129,000 (2021: a positive of HK$65,664,000) and HK$3,608,000 (2021: HK$2,244,000), respectively.

The Group's negative EBITDA was primarily caused by the fair value loss on plantation forest assets in New Zealand as mentioned and deterioration in the underlying operating results of both New Zealand and Suriname, which were partially offset by the impairment loss reversed on other receivables.

Loss for the Period attributable to owners of the Company

As a result of the aforementioned, the Group incurred a loss attributable to the owners of the Company of HK$51,411,000 for the Period, compared to a profit attributable to the owners of the Company of HK$8,923,000 in the same period last year.

LIQUIDITY AND FINANCIAL REVIEW

As at 30 June 2022, the Group's current assets and current liabilities were HK$176,116,000 and HK$78,013,000 respectively (31 December 2021: HK$202,530,000 and HK$101,510,000), HK$98,556,000 (31 December 2021: HK$92,916,000) of which were cash and bank balances. The Group's outstanding borrowings as at 30 June 2022 represented the loans from immediate holding company amounting to HK$190,711,000 (31 December 2021: HK$187,214,000), loan from a fellow subsidiary amounting to HK$158,936,000 (31 December 2021: HK$156,500,000), bank borrowings amounting to HK$24,960,000 (31 December 2021: HK$24,960,000) and lease liabilities of HK$19,071,000 (31 December 2021: HK$22,101,000). Accordingly, the Group's gearing ratio as of 30 June 2022, which was calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company, was 46.2% (31 December 2021: 42.6%).

As at 30 June 2022, there were 1,854,991,056 ordinary shares ("Shares") of the Company in issue. The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in current deposits mostly denominated in United States dollars and Hong Kong dollars. The Group's liquidity and financing requirements are reviewed regularly.

Most of the Group's sales are denominated in United States dollars, to which the Hong Kong dollars are pegged. All the Group's outstanding borrowings and the majority of costs and expenses incurred in Hong Kong and Suriname are denominated in United States dollars. The domestic sales generated from the New Zealand plantation forest assets and the forest management fee income from the New Zealand division are denominated in NZD, which helps to partly offset the Group's operating expenses payable in NZD. During the Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2022. However, we will continue to closely monitor all possible exchange risk arising from the Group's existing operations and new investments in the future and will implement the necessary hedging arrangement(s) to mitigate any significant foreign exchange exposure.

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

PROSPECTS

The forestry sector continues to be affected by the knock-on effects of the Ukraine War, COVID-19 recovery and the non-linear impact of inflation on our sales and cost drivers.

The global energy crisis which initially spiked up shipping cost since mid of 2021, has begun to reflect in the daily operational cost in the second quarter of 2022 and continued to increase in the third quarter of 2022, with an expected volatility at least for another 12-18 months. Such increase in cost further squeezed our margin. The drop in margin will be particularly sharp in our New Zealand division as its margin has already been affected by the drop of the price of exports to China.

Demand from China for New Zealand radiata pine log has reduced by 40% and softwood production in New Zealand fell over 23% for the first half of 2022 compared to previous year. We expect further drops in the third quarter as China's log inventory level remained high when the country enters into this traditional low production season. With the drop of shipping logistic cost at the start of the third quarter of 2022 caused by a fall in global production, we cautiously anticipate a better final quarter for 2022. In the first half of 2022, there were several domestic port issues arising from changes in fumigation requirements in certain export market inadequate capacity of log debarking as an alternative to fumigation. We would seek to overcome this by switching some of our export sales to domestic sales.

In Suriname, we have been through the abnormal persistent heavy rain that had caused a drop of 67% of our forestry production in the first half of 2022. With the flooding issues slowly improved and the damaged road getting repaired, we would be able to increase our production to meet the pent up demands for high quality tropical hardwood lumber in the US and European markets. We would make use of our further processing facilities recently expanded in the city of Paramaribo to refine our rough cut lumber into dressed lumber with higher saleable value. This strategy has resulted in a 64% increase of our average dressed lumber sales price in the first half of 2022 and we expect the contribution from this category of lumber will continue to increase. Although the unexpected unfavourable factors in the last two years have slowed down the turnaround of our Suriname division, we are confident that we are back on track on the road to recovery.

CHARGE ON ASSETS

As at 30 June 2022 and 31 December 2021, 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$128,564,000 (31 December 2021: HK$140,215,000) ("Forestry Land");

  b. the Group's plantation forest assets (located in New Zealand) with carrying amount of approximately HK$356,654,000 (31 December 2021: HK$411,173,000) and all other estates and interests in the Forestry Land and all buildings, structures and fixtures on the Forestry Land; and

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

INTERIM DIVIDEND

The Board has resolved not to recommend any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2022, the Group spent approximately HK$5,345,000 (year ended 31 December 2021: approximately HK$14,913,000) on investment in property, plant and equipment.

BUSINESS ACQUISITION AND DISPOSAL

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

CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group did not have any significant contingent liabilities.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted at its special general meeting held on 28 June 2012 (the "Existing Share Option Scheme"). Such scheme shall be valid and effective for a period of ten years ending on 28 June 2022. At the annual general meeting of the Company held on 24 May 2022 (the "AGM"), the Existing Share Option Scheme was terminated upon the adoption of a new share option scheme (the "New Share Option Scheme") by an ordinary resolution passed by the shareholders of the Company. From the date of adoption of the New Share Option Scheme up to 30 June 2022, no share option has been granted.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, the total number of employees of the Group was 156 (31 December 2021: 168). Employees' costs (including Directors' emoluments) amounted to approximately HK$17,051,000 for the six months ended 30 June 2022 (30 June 2021: HK$18,550,000). 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 INTERIM 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. Lie Ken Jie Remy Anthony Ket Heng and the Company has complied with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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 and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit Committee has reviewed and discussed with the management the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022.

COMPLIANCE WITH RULE 3.21 OF THE LISTING RULES AND THE TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

Following the retirement of Mr. Tsang On-Yip, Patrick after the conclusion of the AGM, the number of members of the Audit Committee fell below the minimum number of three as required under Rule 3.21 of the Listing Rules. In addition, the number of members of the Remuneration Committee also fell below the minimum number of three as required under Article 3 of the terms of reference of the Remuneration Committee. Following the appointments of Mr. Lie Ken Jie Remy Anthony Ket Heng as a member of the Audit Committee and Mr. Kenneth Lau as a member of the Remuneration Committee with effect from 13 June 2022, each of the Audit Committee and the Remuneration Committee comprises one non-executive Director and two independent non-executive Directors, in compliance with Rule 3.21 of the Listing Rules and Article 3 of the terms of reference of the Remuneration Committee.

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 of the Listing rules throughout the Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code"). All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

APPRECIATION

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

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

Hong Kong, 30 August 2022

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 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