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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Greenheart Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**GREENHEART GROUP LIMITED****綠森集團有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 94)**

**CONTINUING CONNECTED TRANSACTIONS
IN RESPECT OF THE EXISTING HK\$215,000,000 LOAN FACILITY
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

**Halcyon Capital Limited**

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 12 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 24 of this circular.

A notice convening the Special General Meeting to be held at Basement 2, Function Room, The Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong at 11:00 a.m. on 21 November 2013 is set out on pages 30 to 31 of this circular. Whether or not you intend to attend and vote at the Special General Meeting in person, please complete the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event not later than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjournment thereof should you so wish.

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“associates(s)”	has the meaning ascribed thereto in the Listing Rules
“Banking Day”	a day (excluding Saturday, Sunday and public holidays in Hong Kong) on which banks are open for business in Hong Kong
“Board”	the board of Directors
“Company”	Greenheart Group Limited 綠森集團有限公司*, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Drawdown Period”	the drawdown period as defined in the Facility Agreement (as amended and supplemented by the Supplemental Facility Agreement)
“Emerald”	Emerald Plantation Group Limited, a company incorporated under the laws of the Cayman Islands
“Event(s) of Default”	event(s) of default as set out in the Facility Agreement (as amended and supplemented by the Supplemental Facility Agreement)
“Facility”	the revolving loan facility granted by Silver Mount to Greenheart Resources pursuant to the Facility Agreement (as amended and supplemented by the Supplemental Facility Agreement)
“Facility Agreement”	the facility agreement dated 14 May 2008 entered into between Silver Mount and Greenheart Resources in respect of provision of a HK\$50 million loan facility
“Facility Limit”	the maximum total principal amount available during the Drawdown Period of the Facility
“Greenheart Resources”	Greenheart Resources Holdings Limited, a company incorporated under the laws of the British Virgin Islands and currently an indirect non-wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising Mr. Wong Che Keung, Richard, Mr. Tong Yee Yung, Joseph and Mr. Wong Kin Chi, all of the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the continuing connected transactions
“Independent Financial Adviser” or “Halcyon”	Halcyon Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the continuing connected transactions
“Independent Shareholders”	independent shareholders other than those who have interest in the relevant continuing connected transactions
“Latest Practicable Date”	4 November 2013, being the latest practicable prior to the date of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Plan”	the plan of compromise and reorganisation of Sino-Forest Corporation by way of a debt-equity conversion under the Companies’ Creditors Arrangement Act of Canada as amended and approved by the Ontario Superior Court of Justice and the creditors of Sino-Forest Corporation
“Second Supplemental Facility Agreement”	the second supplemental facility agreement dated 4 November 2013 entered into between Silver Mount and Greenheart Resources in respect of the Facility
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Shares”	the shares of the Company
“Silver Mount”	Silver Mount Group Limited, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of the Company

DEFINITIONS

“Sino-Capital”	Sino-Capital Global Inc., a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of Emerald
“Special General Meeting”	a special general meeting of the Shareholders to be convened and held to consider the matters set out in the section headed “Special General Meeting” in this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Supplemental Facility Agreement”	the supplemental facility agreement dated 22 November 2010 entered into between Silver Mount and Greenheart Resources for, inter alia, the increase of the Facility Limit to HK\$215 million, the extension of the Drawdown Period and the repayment date of the Facility
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

* *for identification purposes only*

LETTER FROM THE BOARD



GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

Executive Directors:

Mr. Paul Jeremy Brough
(Interim Chief Executive Officer)
Mr. Hui Tung Wah, Samuel

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Non-executive Directors:

Mr. Wang Tong Sai, Eddie
(Non-executive Chairman)
Mr. Simon Murray
Mr. Colin Denis Keogh

Principal place of business in Hong Kong:

16th Floor
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Wong Che Keung, Richard
Mr. Tong Yee Yung, Joseph
Mr. Wong Kin Chi

6 November 2013

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RESPECT OF THE EXISTING HK\$215,000,000 LOAN FACILITY
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The Company refers to its announcements dated 1 June 2010 and 22 November 2010 respectively, and its circular dated 30 November 2010. Silver Mount granted to Greenheart Resources a revolving facility up to a maximum of HK\$215 million which was approved by the Independent Shareholders at a special general meeting of the Company held on 17 December 2010. The Facility bears an interest at the rate of the prime rate for Hong Kong dollars per annum from time to time as quoted by the Hongkong and Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount). As of the Latest Practicable Date, an amount of HK\$214,998,728 has been drawn down. The repayment date of the Facility is on or before the date falling 3 years after the date of the Supplemental Facility Agreement, which is 22 November 2013.

* for identification purposes only

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company made on 4 November 2013 in relation to the Second Supplemental Facility Agreement. The transactions to be effected by the Second Supplemental Facility Agreement constitute continuing connected transactions of the Company.

The purposes of this circular are to provide you with, among other things, (i) information in relation to the Second Supplemental Facility Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Halcyon to the Independent Board Committee and Independent Shareholders; and (iv) a notice of the Special General Meeting to consider and, if thought fit, approve the resolutions in relation to the Second Supplemental Facility Agreement.

PARTICULARS OF THE SECOND SUPPLEMENTAL FACILITY AGREEMENT

On 4 November 2013, Silver Mount entered into the Second Supplemental Facility Agreement with Greenheart Resources pursuant to which the parties agreed to:

- (a) extend the repayment date of the outstanding amount drawn under the Facility for 3 years to 22 November 2016;
- (b) extend the Drawdown Period to the earlier of (i) the date falling 6 years after the date of the Supplemental Facility Agreement (i.e. 22 November 2016); and (ii) the date on which the Facility is terminated under the provisions of the Facility Agreement (as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement); and
- (c) change the interest payments from monthly payments in arrears to six-monthly payments in arrears, or such other interest payment date as may be mutually agreed between Silver Mount and the Greenheart Resources.

Apart from the above, all the terms of the Facility remain unchanged from the original terms.

The Second Supplemental Facility Agreement will only become effective upon the Company having convened a special general meeting at which resolutions shall have been duly passed by the Independent Shareholders to approve, confirm and ratify the Second Supplemental Facility Agreement.

PARTICULARS OF THE FACILITY

The principal terms of the Facility after the Second Supplemental Facility Agreement becomes effective are as follows:

- (i) Facility Limit: A revolving facility up to a maximum of HK\$215 million at any time during the Drawdown Period.
- (ii) Drawdown Period: The period commencing on the date of the Facility Agreement and ending on but excluding the earlier of (i) the date falling 6 years after the date of the Supplemental Facility Agreement (i.e. 22 November 2016); and (ii) the date on which the Facility is terminated under the provisions of the Facility Agreement as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement.

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- (iii) Interest: Prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong and Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount).
- Interest is calculated on the basis of the actual number of days elapsed on a 365-day year and is paid six-monthly in arrears.
- (iv) Repayment: Greenheart Resources may repay the whole or any part of the amount drawn under the Facility on or before the date falling 6 years after the date of the Supplemental Facility Agreement (i.e. 22 November 2016).
- (v) Prepayment: Greenheart Resources may on any Banking Day prepay the whole or any part of the amount drawn under the Facility together with interest accrued thereon by giving Silver Mount not less than two Banking Days' prior notice specifying the date of prepayment.
- (vi) Security: None.
- (vii) Conditions: Greenheart Resources may draw under the Facility provided that:
- (a) it gives Silver Mount a notice of drawing in the manner set out in the Facility Agreement;
 - (b) no Event of Default or prospective Event of Default has occurred and all representations and warranties given by Greenheart Resources under the Facility Agreement are true and correct as at the date of each drawing; and
 - (c) the amount of such drawing shall, when aggregated with the principal amount of then outstanding, not exceed the Facility Limit.
- (viii) Events of Default: Events of Default include but are not limited to:
- (a) failure of Greenheart Resources to pay any sum payable under the Facility Agreement (as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement) when due;
 - (b) failure of Greenheart Resources to perform or comply with any of its obligations or undertakings under the Facility Agreement (as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement);

LETTER FROM THE BOARD

- (c) any representation, warranty or statement made by Greenheart Resources under the Facility Agreement, the Supplemental Facility Agreement and the Second Supplemental Facility Agreement, being or proving to have been untrue, inaccurate, incorrect or misleading in any material respect;
- (d) failure of Greenheart Resources to pay any other indebtedness when due by reason of a default or an event of default;
- (e) any litigation, arbitration or administrative proceedings before any court, arbitration or other relevant authority being current, pending or threatened against Greenheart Resources or any of its subsidiaries which Silver Mount considers will have or is likely to have a material adverse effect on Greenheart Resources and its subsidiaries; and
- (f) any material adverse change in the financial condition and/or business of Greenheart Resources.

PROPOSED ANNUAL CAPS

As disclosed above, an amount of HK\$214,998,728 was drawn down by Greenheart Resources. As the Facility Limit remains unchanged under the Second Supplemental Facility Agreement, the maximum principal amount advanced under the Facility is not expected to exceed HK\$215 million for each of the three financial years ending 31 December 2013, 2014 and 2015 (the “**Proposed Annual Caps**”). The Proposed Annual Caps were determined based on the Facility Limit and the current principal loan amount advanced under the Facility.

REASONS AND BENEFITS FOR THE SECOND SUPPLEMENTAL FACILITY AGREEMENT

The repayment date of the Facility is 22 November 2013 unless further extended. As disclosed in the announcements of the Company dated 1 June 2010 and 22 November 2010 respectively and the circular dated 30 November 2010, the Facility is used to facilitate the business development of Greenheart Resources, which is currently operating forestry and timber businesses in Suriname.

After the full drawn down of the Facility and in order to provide funding to Greenheart Resources to complete its processing plant in West Suriname (the “WS Processing Plant”), Silver Mount and Sino-Capital have also each advanced loan facilities in the aggregate amount of US\$17,533,073 and US\$11,500,000 respectively, which are proportional to their respective shareholdings in Greenheart Resources, in 2012 and 2013. As at 30 June 2013, Greenheart Resources had undrawn loan facilities from Silver Mount and Sino-Capital of US\$7,510,730 in aggregate.

LETTER FROM THE BOARD

The said US\$17,533,073 loan facilities granted by Silver Mount to Greenheart Resources constitutes continuing connected transactions of the Company. Such financial assistance was provided (i) for the benefit of Greenheart Resources in which Silver Mount is a shareholder, (ii) not in the ordinary and usual course of business but on normal commercial terms, (iii) in proportion to Silver Mount's equity interest in Greenheart Resources, and (iv) no guarantee was given by the Company or Silver Mount. Accordingly, such financial assistance is exempted from the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.65(3) of the Listing Rules.

As at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 (unaudited), respectively, Greenheart Resources had net liabilities (exclude pledged deposit) of US\$1,868,000, US\$9,670,000, US\$19,211,000 and US\$23,873,000; and cash and bank balances of US\$1,379,000, US\$3,085,000, US\$4,887,000 and US\$1,349,000. During the years ended 31 December 2010, 31 December 2011, 31 December 2012 and six months ended 30 June 2013 (unaudited), Greenheart Resources had net losses of US\$5,751,000, US\$7,802,000, US\$9,541,000 and US\$4,677,000. As at the Latest Practicable Date, Greenheart Resources has not defaulted on any loan repayment or interest payment.

Although the WS Processing Plant has been largely completed and its first production line has commenced operation, production remains at an early stage and further time is needed to develop and refine the operation to its planned full capacity. Accordingly, Greenheart Resources will continue to need the Facility for a period of 3 more years and will not be in a position to repay the loan drawn under the Facility by 22 November 2013.

On top of the above mentioned loan facilities of a total amount of US\$11,500,000 granted by Sino-Capital to Greenheart Resources, Emerald, through the assignment by Sino-Forest Corporation pursuant to its own restructuring plan implemented in January 2013, extended an unsecured loan of US\$40,000,000 to the Group which had an original repayment date of 28 March 2013 which has recently been further extended by Emerald to 17 February 2014. All of the above shows the continuing support and commitment from Emerald to the Group since it became the Company's major shareholder in January 2013.

The transactions under the Second Supplemental Facility Agreement require Independent Shareholders' approval in a special general meeting of the Company. In the event that such approval was not obtained, Greenheart Resources would fail to repay the loan drawn under the Facility by the original repayment date of 22 November 2013 and would be in breach of the Supplemental Facility Agreement. Greenheart Resources has been considering other financing options including bank financing. Greenheart Resources is of the view that those options are not as commercially desirable as the entry into of the Second Supplemental Facility Agreement after taking into relevant factors such as collateral required by a bank, interest rates, financial covenants and disclosure of information required by a bank. Notwithstanding the above, in the event that the Second Supplemental Facility Agreement is not approved by the Independent Shareholders of the Company at the Special General Meeting, the Company will continue to explore financing options including bank financing. As Greenheart Resources' operations are only just coming on stream, with additional construction works due to be completed by the end of March 2014, it is not considered to be in the best interests of the Company to sell Greenheart Resources' assets to repay the loan drawn under the Facility by 22 November 2013, as it would have negative impact on the operation and the overall value of Greenheart Resources. Therefore, Greenheart Resources and Silver Mount have entered into the Second Supplemental Facility Agreement, in order to maintain, on broadly the same terms, the present loan which should allow Greenheart Resources to complete the development

LETTER FROM THE BOARD

of its production facilities in West Suriname. Following completion of the production facilities, which is currently expected to be in March 2014, Greenheart Resources will be fully operational and in a position to begin generating increased sales and cash flow which will be retained and used to begin repaying the loan. Positive cashflow should also make it easier to re-finance the loan either with a bank or a third party. The completion of the West Suriname production facilities is aligned with the Group's corporate strategy to further its growth in Suriname.

The Directors (including the independent non-executive Directors) consider that the entering into the Second Supplemental Facility Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, and the terms of Second Supplemental Facility Agreement are determined after arm's length negotiation and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

Company

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise log harvesting, lumber processing, marketing and sales of logs and lumber products.

Greenheart Resources

Greenheart Resources is owned as to approximately 60.39% by Silver Mount and 39.61% by Sino-Capital. Greenheart Resources and its subsidiaries hold forest concessions for the exploitation of timber on a parcel of land in West Suriname. Their principal business activities include log harvesting, lumber processing and sale of logs and lumber products.

Silver Mount

Silver Mount Group Limited is a wholly owned subsidiary of the Company. Its principal activity is investment holding.

LISTING RULES IMPLICATIONS

Sino-Capital is a wholly-owned subsidiary of Emerald and holds approximately 39.61% of the issued share capital of Greenheart Resources. Greenheart Resources is therefore a connected person of the Company under Rule 14A.11(5) of the Listing Rules. The transactions to be effected by the Second Supplemental Facility Agreement constitute continuing connected transactions of the Company.

Given that the Proposed Annual Caps represent more than 5% of certain applicable ratios of the Company, the continuing connected transactions contemplated under the Second Supplemental Facility Agreement are subject to the reporting, announcement and independent shareholders' approval under the Listing Rules.

In view of the interest of Sino-Capital in Greenheart Resources, Sino-Capital, Emerald and their respective associates will abstain from voting at the Special General Meeting to be convened to consider the resolutions approving the above-mentioned continuing connected transactions.

LETTER FROM THE BOARD

DIRECTORS' INTERESTS IN THE SECOND SUPPLEMENTAL FACILITY AGREEMENT

None of the Directors has a material interest in the transactions constituted by the Second Supplemental Facility Agreement. Accordingly, none of them was required to abstain from voting on the relevant board resolutions to approve the Second Supplemental Facility Agreement under the bye-laws of the Company or the Listing Rules.

SPECIAL GENERAL MEETING

The Special General Meeting will be held at Basement 2, Function Room, The Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong at 11:00 a.m. on 21 November 2013 to consider and, if thought fit, approve, confirm and ratify, the Second Supplemental Facility Agreement and the transactions contemplated thereunder. A notice of the Special General Meeting is set out on pages 30 to 31 of this circular.

Sino-Capital, Emerald and their respective associates will abstain from voting at the Special General Meeting with respect to the resolutions approving the continuing connected transactions. As at the Latest Practicable Date and to the best of the Director's knowledge, Sino-Capital, Emerald and their respective associates have 496,189,028 Shares, representing approximately 62.82% of the issued share capital of the Company.

For the purpose of the Special General Meeting, the Board has established the Independent Board Committee to consider and advise the Independent Shareholders with respect to the Second Supplemental Facility Agreement. The Company has also appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on those aspects of the continuing connected transactions.

Whether or not you are able to attend the Special General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the Special General Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the Special General Meeting or any adjournment thereof (as the case may be) should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure the chairman of the Special General Meeting to demand for voting on poll in respect of the ordinary resolutions to be proposed at the Special General Meeting in accordance with the bye-laws of the Company and Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the transactions under the Second Supplemental Facility Agreement are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Directors therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the Special General Meeting to approve the Second Supplemental Facility Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Additional information is also set out in the Appendix of this circular for your information.

Yours faithfully,
For and on behalf of the Board
Paul Jeremy Brough
*Interim Chief Executive Officer
and Executive Director*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

6 November 2013

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE EXISTING HK\$215,000,000 LOAN FACILITY

We refer to the circular dated 6 November 2013 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the continuing connected transactions contemplated under the Second Supplemental Facility Agreement and to advise the Independent Shareholders whether, in our opinion, the terms of the Second Supplemental Facility Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholder as a whole. The Independent Financial Adviser, Halcyon Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 11 of the Circular, which contains, inter alia, information on the Second Supplemental Facility Agreement and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Second Supplemental Facility Agreement as set out on pages 13 to 24 of the Circular.

After taking into consideration the advice from the Independent Financial Adviser, we concur with the views of the Independent Financial Adviser and consider that the transactions in the Second Supplemental Facility Agreement are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the Special General Meeting to approve the Second Supplemental Facility Agreement.

Yours faithfully
Wong Che Keung, Richard
Tong Yee Yung, Joseph
Wong Kin Chi
Independent Board Committee

* for identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of the inclusion in this circular.



11/F, 8 Wyndham Street
Central
Hong Kong

6 November 2013

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE EXISTING HK\$215,000,000 LOAN FACILITY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Second Supplemental Facility Agreement and transactions contemplated thereunder (the “Transactions”). Details of the Second Supplemental Facility Agreement are set out in the circular of the Company to the Shareholders dated 6 November 2013 (the “Circular”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meaning as those defined in the Circular.

As at the Latest Practicable Date, the Company through Silver Mount, its wholly-owned subsidiary, is interested in approximately 60.39% of the total issued share capital of Greenheart Resources. Sino-Capital, a wholly-owned subsidiary of Emerald, the controlling shareholder of the Company, is also interested in approximately 39.61% of the total issued share capital of Greenheart Resources. By virtue of the respective substantial shareholdings in Greenheart Resources, Greenheart Resources is therefore a connected person of the Company under Rule 14A.11(5) of the Listing Rules for the purpose of the Transactions. Accordingly, the provision of the Facility by Silver Mount to Greenheart Resources under the Second Supplemental Facility Agreement constitutes continuing connected transactions of the Company. As the Company anticipates that certain ratio(s) for the Transactions exceeds 5% of the applicable ratios as set out in Rule 14.07 of the Listing Rules, the Transactions will be subject to the reporting, announcement and Independent Shareholders’ approval requirements of the Listing Rules. Emerald, and its associates including but not limited to Sino-Capital, are interested in approximately 62.82% of the issued share capital of the Company as at the Latest Practicable Date and is a substantial shareholder of the Company as defined under the Listing Rules. In this regard, Sino-Capital, Emerald and their respective associates are required to abstain from voting on the relevant resolutions to be proposed at the Special General Meeting regarding the Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Messrs. Wong Che Keung, Richard, Tong Yee Yung, Joseph and Wong Kin Chi has been established to advise the Independent Shareholders as to whether the Transactions are fair and reasonable so far as the Independent Shareholders are concerned, whether they are in the interests of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolutions at the Special General Meeting. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcement of the Company dated 4 November 2013 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or management of the Company. We have been advised by the Directors and/or the management of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company including the Facility Agreement, the Supplemental Facility Agreement, the Second Supplemental Facility Agreement, the annual and interim reports of the Company, the Circular and certain published information from the public domain.

We have also discussed with the Directors and/or the management of the Company with respect to the terms of and reasons for the transaction contemplated under the Second Supplemental Facility Agreement (including the Proposed Annual Caps), and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group, Greenheart Resources, Sino-Capital, Emerald and each of their respective associates, and the parties involved in the transactions contemplated under the Second Supplemental Facility Agreement (including the Proposed Annual Caps).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the transactions contemplated under the Second Supplemental Facility Agreement (including the Proposed Annual Caps), we have considered the following principal factors and reasons:

1. Background to and reasons for the entering into of the Second Supplemental Facility Agreement

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise log harvesting, lumber processing, marketing and sales of logs and lumber products.

Greenheart Resources and its subsidiaries hold forest concessions for the exploitation of timber on parcel of land in West Suriname. Their principal business activities include log harvesting, lumber processing and sales of logs and lumber products.

To facilitate the development of Greenheart Resources, on 14 May 2008, Greenheart Resources and Silver Mount (a wholly-owned subsidiary of the Company) entered into the Facility Agreement in relation to the provision of the Facility of HK\$50 million by Silver Mount to Greenheart Resources for a term of three years. Subsequently, on 22 November 2010, in order to further develop the Group's timber business operated under Greenheart Resources, Silver Mount, entered into the Supplemental Facility Agreement with Greenheart Resources pursuant to which both parties agreed to increase the Facility Limit to HK\$215 million and extend the drawdown period and repayment date of the Facility to 22 November 2013.

Greenheart Resources has already drawn down a principal amount of HK\$214,998,728 as of the Latest Practicable Date in order to provide funding to complete a processing plant in West Suriname (the "WS Processing Plant"). Silver Mount and Sino-Capital have also each advanced additional loan facilities in the aggregate amount of US\$17,533,073 and US\$11,500,000 respectively, which are proportional to their respective shareholdings in Greenheart Resources, in 2012 and 2013. As at 30 June 2013, Greenheart Resources has undrawn loan facility from Silver Mount and Sino-Capital of US\$7,511,000 in aggregate.

The said US\$17,533,073 loan facilities granted by Silver Mount to Greenheart Resources constitutes continuing connected transactions of the Company. As such financial assistance was provided (i) for the benefit of Greenheart Resources in which Silver Mount is a shareholder; (ii) not in the ordinary and usual course of business but on normal commercial terms; (iii) in proportion to Silver Mount's equity interest in Greenheart Resources; and (iv) no guarantee was given by the Company or Silver Mount, such financial assistance is therefore exempted from the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.65(3) of the Listing Rules.

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As at 31 December 2010, 31 December 2011 and 31 December 2012 and 30 June 2013 (unaudited), respectively, Greenheart Resources had net liabilities of approximately US\$1.9 million, US\$9.7 million, US\$19.2 million and US\$23.9 million; and cash and bank balances (exclude pledged deposit) of approximately US\$1.4 million, US\$3.1 million, US\$4.9 million and US\$1.3 million. During the years ended 31 December 2010, 31 December 2011 and 31 December 2012 and the six months ended 30 June 2013 (unaudited), Greenheart Resources recorded net losses of approximately US\$5.8 million, US\$7.8 million, US\$9.5 million and US\$4.7 million. As at the Latest Practicable Date, Greenheart Resources has no default in any loan repayment or interest payment.

Although the WS Processing Plant has been largely completed and its first production line has commenced operations, production remains at an early stage and further time is needed to develop and refine the operation to its planned full capacity. Accordingly, Greenheart Resources will continue to need the Facility for a period of 3 more years and will not be in a position to repay the loan drawn earlier under the Facility by 22 November 2013.

Since Greenheart Resources is a connected person of the Company, the entering into the Second Supplemental Facility Agreement requires, among other things, Independent Shareholders' approval in a special general meeting of the Company. In the event that such approval was not obtained, Greenheart Resources would fail to repay the loan drawn under the Facility by the original repayment date of 22 November 2013 and would be in breach of the Supplemental Facility Agreement. The Directors believe that, as Greenheart Resources' operations are just only coming on stream, with additional construction works due to be completed by the end of March 2014, it is not desirable for Greenheart Resources to sell its assets to repay the loan drawn under the Facility by 22 November 2013, as it would have a negative impact on the operations and the overall value of Greenheart Resources. Greenheart Resources has also been considering other financing options including bank financing. Greenheart Resources is of the view that such options are not as commercially desirable as the entry into the Second Supplemental Facility Agreement after taking into relevant factors such as collateral required by a bank, interest rates, financial covenants and disclosure of information required by a bank. Therefore, Greenheart Resources and Silver Mount entered into the Second Supplemental Facility Agreement, in order to maintain, on broadly the same terms, the present loan, which should allow Greenheart Resources to complete the development of its production facilities in West Suriname, currently expected to be in March 2014. Following completion, Greenheart Resources will be fully operational and in a position to begin generating cash flow from expected increase in sales which will be retained and used to repay outstanding loans of Greenheart Resources drawn under the Facility. Positive cashflow should also make it easier to re-finance the loan either with a bank or a third party. The completion of the West Suriname production facilities is aligned with the Group's corporate strategy to further its development in Suriname.

According to the unaudited consolidated results for the six months ended 30 June 2013 of the Group, the Group had cash and cash equivalents of approximately HK\$222.3 million and bank borrowing of approximately HK\$195 million. The Group recorded unaudited consolidated net current liabilities of approximately HK\$132.7 million (including a loan from an intermediate holding company amounting to approximately HK\$312 million) and a consolidated net asset value of HK\$1,145.6 million as at 30 June 2013. Subsequent to Emerald becoming the controlling shareholder of the Company in January 2013, Emerald has shown continuing support and strong commitment to the Group. Emerald, through the assignment by Sino-Forest Corporation pursuant to its own restructuring plan implemented in January 2013, extended an unsecured loan of US\$40,000,000 to the Group which had an original repayment date of 28 March 2013 which has recently been further extended by Emerald to 17 February 2014.

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2. Principal terms of the Facility Agreement (as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement)

Pursuant to the Second Supplemental Facility Agreement, Silver Mount and Greenheart Resources agreed to: (a) extend the repayment date of the outstanding amount drawn from the Facility for 3 years to 22 November 2016; (b) extend the Drawdown Period to the earlier of (i) the date falling 6 years after the date of the Supplemental Facility Agreement (i.e. 22 November 2016); and (ii) the date on which the Facility is terminated under the provisions of the Facility Agreement (as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement); and (c) change the interest payments from monthly payments in arrears to six-monthly payments in arrears, or such other interest payment date as may be mutually agreed between Silver Mount and Greenheart Resources. Particulars of the Facility Agreement (as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement) are set out below:

- | | |
|-----------------------|---|
| (i) Facility Limit: | A revolving facility up to a maximum of HK\$215 million at any time during the Drawdown Period. |
| (ii) Drawdown Period: | The period commencing on the date of the Facility Agreement and ending on but excluding the earlier of (i) the date falling 6 years after the date of the Supplemental Facility Agreement (i.e. 22 November 2016); and (ii) the date on which the Facility is terminated under the provisions of the Facility Agreement as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement. |
| (iii) Interest: | <p>Prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong and Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount).</p> <p>Interest is calculated on the basis of the actual number of days elapsed on a 365-day year and is paid six-monthly in arrears.</p> |
| (iv) Repayment: | Greenheart Resources may repay the whole or any part of the amount drawn under the Facility on or before the date falling 6 years after the date of the Supplemental Facility Agreement (i.e. 22 November 2016). |

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- (v) Prepayment: Greenheart Resources may on any Banking Day prepay the whole or any part of the amount drawn under the Facility together with interest accrued thereon by giving Silver Mount not less than two Banking Days' prior notice specifying the date of prepayment.
- (vi) Security: None.
- (vii) Conditions: Greenheart Resources may draw under the Facility provided that:
- (a) it gives Silver Mount a notice of drawing in the manner set out in the Facility Agreement;
 - (b) no Event of Default or prospective Event of Default has occurred and all representations and warranties given by Greenheart Resources under the Facility Agreement are true and correct as at the date of each drawing; and
 - (c) the amount of such drawing shall, when aggregated with the principal amount of then outstanding, not exceed the Facility Limit.
- (viii) Events of Default: Events of Default include but are not limited to:
- (a) failure of Greenheart Resources to pay any sum payable under the Facility Agreement (as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement) when due;
 - (b) failure of Greenheart Resources to perform or comply with any of its obligations or undertakings under the Facility Agreement (as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement);

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- (c) any representation, warranty or statement made by Greenheart Resources under the Facility Agreement, the Supplemental Facility Agreement and the Second Supplemental Facility Agreement, being or proving to have been untrue, inaccurate, incorrect or misleading in any material respect;
- (d) failure of Greenheart Resources to pay any other indebtedness when due by reason of a default or an event of default;
- (e) any litigation, arbitration or administrative proceedings before any court, arbitration or other relevant authority being current, pending or threatened against Greenheart Resources or any of its subsidiaries which Silver Mount considers will have or is likely to have a material adverse effect on Greenheart Resources and its subsidiaries; and
- (f) any material adverse change in the financial condition and/or business of Greenheart Resources.

The Directors are of the view that the change the interest payments frequency from monthly payments in arrears to six-monthly payments in arrears will provide Greenheart Resources with additional flexibility on operating cashflow to further develop its business and in view of the Group's cash resources, such amendments will not have material impact on the Group's cash resources.

As confirmed by the Directors, during the term of the Facility Agreement and the Supplemental Facility Agreement, no event of default has occurred.

Pursuant to the Second Supplemental Facility Agreement, the completion of the Second Supplemental Facility Agreement is conditional upon, among other things, the approval by the Independent Shareholders. Other terms and conditions precedent to drawdown are customary, in the view of the Directors, for facilities of this type.

The Group's surplus/unused cash resources earn interest income at the bank short term deposit interest rates of approximately 0.2% per annum. On the contrary, the Group will be earning an interest income at prime rate of 5% as at the Latest Practicable Date by the provision of Facility to Greenheart Resources, which is significantly higher than the short term bank deposit rate currently earned by the Group.

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We have also reviewed the prime rate for Hong Kong dollars per annum from time to time as quoted by The Hong Kong and Shanghai Banking Corporation Limited (“HSBC”) for the period between 1 January 2013 up to the Latest Practicable Date (the “Relevant Period”). As quoted from Bloomberg, we noted that the Prime Rate was at 5% during the entire Relevant Period. We also noted that the Hong Kong dollar benchmark savings rate as quoted by HSBC for the Relevant Period of approximately less than 0.001% for the entire Relevant Period. In view of the above, the interest income earned from the provision of Facility is substantially more than that of placing deposit in banks.

3. Comparison of terms with independent third parties

Members of the Group have entered into loan facility agreements during the past three years with interest rate ranging from London Interbank Offered Rate plus 1.75% per annum (approximately 1.925% as at the Latest Practicable Date) up to the Prime interest rate in Hong Kong (approximately 5% as at the Latest Practicable Date). The Group also has outstanding convertible notes amounting to approximately HK\$150.8 million with annual coupon rate of 5%. We noted that the interest rate of the Facility (the prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong and Shanghai Banking Corporation Limited) in which was approximately 5% as at the Latest Practicable Date was comparable to the interest rate of other financing facilities entered into the Group. We have also noted that the terms as amended and supplemented by the Second Supplemental Facility Agreement, were comparable to the terms of the facility entered into by the Group with independent third parties.

The repayment date of the outstanding amount drawn from the Facility has been extended for 3 years to 22 November 2016. We have reviewed the terms of other loan facility agreements entered into by the Group. We noted that the terms of the other loan facilities entered into by the Group ranged from 2 to 3 years and the convertible notes of the Group were issued with a term of 5 years. According to the management of the Group, the Directors, taking into account the cash resources of the Group, would normally enter into financing facilities with a term ranging from 2 to 5 years, and will consider refinancing taking into account the then financial situation of the Group upon the end of the 2 to 5 years term. As such, we noted that the extension of the term stipulated under the Second Supplemental Facility Agreement of 3 years is in line with the terms of the Group’s other financing facilities. In addition, the Directors consider that, as the production facilities in West Suriname require a certain period of time to be completed and to develop the operation to full capacity, it is vital for the Group to secure stable financing sources for the development of such project, and, accordingly, the Directors are of the view that the extension of term of the Facility under the Second Supplemental Facility Agreement of 3 years is in the interests of the Company and the Shareholders as a whole. Having considered (1) the interest rate of the Facility was higher than the ordinary deposit interest rate of the Group enjoyed by the Group; (2) the Facility’s borrowing rate was comparable to other borrowing rates of the Group’s debt financing; (3) the extension term of 3 years for the repayment date of the outstanding amount drawn from the Facility is in line with the terms of other debt financing of Group; and (4) since the Company’s existing forestry business and timber business in Suriname, are held and operated under

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Greenheart Resources, the provision of Facility to Greenheart Resources ensures it to maintain the status quo of such loan for the sustainable development, which is aligned with the Group's corporate strategy to further its growth in Suriname, we concur with the view of the Directors that the entering into the Second Supplemental Facility Agreement and the transactions contemplated thereunder are on normal commercial terms and determined after arm's length negotiation and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. The Proposed Annual Caps

The Transactions which are continuing connected transactions, are subject to the Listing Rules' requirements and conditions as more particularly discussed under the section headed "Reporting requirements and conditions of the Transactions" below. In particular, the Transactions are subject to the proposed related caps. According to the Second Supplemental Facility Agreement, the Facility Limit amounted to HK\$215 million, which means in any point of time, Greenheart Resources aggregate principal drawdown shall not exceed HK\$215 million (the "Proposed Annual Caps") for the coming three financial years ending 31 December 2013, 2014 and 2015.

Up to the Latest Practicable Date, approximately HK\$215.0 million was drawn down and outstanding by Greenheart Resources pursuant to the Facility. The Proposed Annual Caps were determined based on the Facility Limit and the current loan amount advanced under the Facility.

In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Group the basis and assumption underlying the projections of the Proposed Annual Caps. In estimating the Proposed Annual Caps, the Directors have taken into account, among other things, the estimated demand for cash flow and future capital expenditure of Greenheart Resources and the projected costs of operation of Greenheart Resources for the coming three years.

Over the last two years, Greenheart Resources has achieved FSC Controlled Wood accreditation for its Suriname forestry and sawmill operations. The full FSC accreditation is targeted to be obtained within the coming eighteen months making Greenheart Resources part of the world's 6% of tropical forests that are FSC certified. With so few certified suppliers, Greenheart Resources' strategy is to become a world-leader in the production of legal, sustainable FSC certified lumber and other wood products.

In view of the above and the development plans of Greenheart Resources, the Directors are of the view that the current outstanding balance of the loan to Greenheart Resources could be maintained for the time being, with expected partial repayments once the development of WS Processing Plant is completed and has become fully operational thereby generating increased sales and sufficient cashflow to repay or refinance the Facility. The Proposed Annual Caps are determined by assuming that Greenheart Resources will sustain the borrowing level up to HK\$215 million and will repay all principal and interest in accordance with the terms of the Facility Agreement (as amended and supplemented by the Second Supplemental Facility Agreement).

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Having considered the basis on which the Proposed Annual Caps is determined as described above, we are of the view that the Proposed Annual Caps are fair and reasonable.

5. Financial effects of the Transactions

(i) *Gearing and working capital*

We understand from the management of the Group that the Group is expected to be exposed to a maximum financial exposure of HK\$215 million as a result of the Transactions. The size of such financial exposure represent approximately 18.8% of the unaudited consolidated net assets of the Group as at 30 June 2013 of approximately HK\$1,145.6 million. Given Greenheart Resources is held as to approximately 60.39% indirectly by the Company and the financial position of Greenheart are consolidated to the Company's account (i.e. the Facility will be eliminated in the consolidated financial statements of the Group), the extension of the loan repayment will have no direct material effect on the gearing and working capital of the Group as a whole.

(ii) *Earnings*

The financial cost accrued at the prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong and Shanghai Banking Corporation Limited as at the Latest Practicable Date in respect of the Facility as amended by the Supplemental Facility Agreement and the Second Supplemental Facility Agreement is expected to be approximately HK\$10.8 million per annum and approximately HK\$32.4 million for the entire extension period. The minority interest's portion of the financial cost incurred by Greenheart Resources, which will not be eliminated in the consolidated financial statement of the Group, amounted to approximately HK\$4.3 million per annum and approximately HK\$12.8 million for the entire extension period. Save as disclosed above, the Transactions will not have other impact on the earnings of the Group.

(iii) *Net asset value*

There will be no effect on the Group's net asset value in relation to the extension of the Facility.

6. Reporting requirements and conditions of the Transactions

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;

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- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company (currently, Moore Stephens) must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming that the Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group (if applicable);
 - (iii) have been entered into in accordance with the relevant agreements governing the Transactions; and
 - (iv) have not exceeded the Proposed Annual Caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Proposed Annual Caps; and (ii) the on-going review by the independent non-executive Directors and auditors of the Company of the Transactions, we are of the view that appropriate measures will be in place to monitor the conduct of the Transactions and assist to safeguard the interests of the Independent Shareholders.

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RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the terms of the Second Supplemental Facility Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions in respect of the Second Supplemental Facility Agreement and the transactions contemplated thereunder at the Special General Meeting.

Yours faithfully,
For and on behalf of
HALCYON CAPITAL LIMITED
Terry Chu
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interests in securities

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which: (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in Shares and underlying Shares

(i) Interests in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company %
Hui Tung Wah, Samuel	Beneficial owner	1,430,000	0.181
	Family interest (Note 1)	75,000	0.009
Simon Murray	Beneficial owner	1,246,000	0.158
Wong Kin Chi	Beneficial owner	150,000	0.019

Note 1: These 75,000 Shares were jointly owned by Mr. Hui Tung Wah, Samuel and his spouse.

(b) Other interests

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date up to which the latest audited published financial statements of the Group were made; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than any Director or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Positions in Shares and underlying Shares:

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company %
Emerald	Interest of controlled corporation (Note 1)	496,189,028	–	62.82
Sino-Capital	Beneficial owner (Note 1)	496,189,028	–	62.82
General Enterprise Management Services Limited	Interest of controlled corporation (Note 2)	7,000,000	66,012,987	9.24
Development Bank of Japan Inc.	Interest of controlled corporation (Note 3)	–	66,012,987	8.36
Asia Resources Fund Limited	Interest of controlled corporation (Note 4)	–	66,012,987	8.36
Greater Sino Holdings Limited	Interest of controlled corporation (Note 4)	–	66,012,987	8.36

Notes:

1. Sino-Capital is a wholly-owned subsidiary of Emerald, Emerald is deemed to be interested in the Shares in which Sino-Capital is interested by virtue of Part XV of the SFO.
2. General Enterprise Management Services (International) Limited ("GEMS") owned 23.26% of Asia Resources Fund Limited and was a person in accordance with whose directions Asia Resources Fund Limited is accustomed to act. GEMS is a wholly-owned subsidiary of General Enterprise Management Services Limited and therefore General Enterprise Management Services Limited is deemed to be interested in the Shares in which GEMS and Greater Sino Holdings Limited are interested by virtue of Part XV of the SFO.
3. Development Bank of Japan Inc. owned 46.51% of Asia Resources Fund Limited. As such, it is deemed to be interested in the Shares in which Asia Resources Fund Limited is interested by virtue of Part XV of the SFO.
4. Greater Sino Holdings Limited is a wholly-owned subsidiary of Asia Resources Fund Limited, Asia Resources Fund Limited is also deemed to be interested in the Shares in which Greater Sino Holdings Limited is interested by virtue of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or the chief executive of the Company, no persons (other than any Director or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or a proposed service contract with any member of the Group (excluding contracts expiring or determinable by the relevant Group member within one year without payment of compensation other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MATERIAL ADVERSE CHANGES

Save as disclosed below, the Directors confirmed that there has been no material adverse change in the financial or trading positions or outlook of the Group since 31 December 2012, being the date up to which the latest published audited financial statements of the Group were made, and up to the Latest Practicable Date:

- (a) The implementation of the Plan as mentioned above constituted a "Change of Control" event under the Company's Convertible Note (the "CN") which allows the CN holder to require full or partial redemption of the CN. On 20 February 2013, the Company has redeemed US\$8,000,000 of the principal amount of the CN in accordance with the terms and conditions of CN at a redemption amount of US\$9,542,000, upon the partial exercise by the CN holder of its redemption right following the occurrence of a "Change of Control" event.

Under the terms and conditions of the CN, following such partial redemption, the CN holder may subsequently exercise its redemption right (in whole or in part of its outstanding CN), by giving an exercise notice of 30 days prior to such further redemption, at any time prior to the maturity of the CN.

- (b) On 3 April 2013, a notification was given to the Group by a licence holder (the “License Holder”) of the forest concession with a gross area of approximately 128,000 hectares in East Suriname (the “Concession”), whereas the Group has the right to harvest, transport and sell timber from the Concession (the “Cutting Right”), that on 21 December 2012, the Suriname Ministry of Environmental Planning, Land and Forest Management had withdrawn the Concession of the License Holder under the relevant Suriname laws and regulations (the “Withdrawal”). Accordingly, the License Holder has been prohibited to exploit any timber from the Concession. As a result of the Withdrawal, the Cutting Right has been frustrated and has ceased to be of effect. Although the notification was received in April 2013, the Withdrawal was effective in December 2012 which constituted an adjusting event under HKAS 10 Events after the Reporting Period. Accordingly, impairment of timber concessions and cutting rights of HK\$63,601,000 and impairment of property, plant and equipment of HK\$632,000 were recognized to the consolidated income statement during the financial year ended 31 December 2012. Further details of the accounting treatment are set out in the Company’s announcement dated 5 April 2013.

7. CONSENT AND EXPERT

The following is the qualification of the professional adviser who has given opinion or advice, which is contained in this circular:

Name	Qualification
Halcyon Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Halcyon has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Halcyon is not beneficially interested in the share capital of any member of the Group nor does it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor does it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal office of the Company at 16/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong during normal business hours on any business day up to and including the date of the Special General Meeting:

- (1) the letter from the Board, the text of which is set out on pages 4 to 11 of this circular;
- (2) the letter from Halcyon, the text of which is set out on pages 13 to 24 of this circular;
- (3) the written consent from Halcyon referred to in paragraph 7 of this appendix;
- (4) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 12 of this circular;
- (5) the Facility Agreement;
- (6) the Supplemental Facility Agreement;
- (7) the Second Supplemental Facility Agreement; and
- (8) this circular.

NOTICE OF THE SPECIAL GENERAL MEETING



GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

NOTICE IS HEREBY GIVEN that the Special General Meeting of Greenheart Group Limited (the “**Company**”) will be held at Basement 2, Function Room, The Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong at 11:00 a.m. on 21 November 2013 for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions of the Company. Terms defined in the circular of the Company dated 6 November 2013 bear the same meanings herein unless the context otherwise requires.

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Second Supplemental Facility Agreement entered into between Silver Mount and Greenheart Resources, the terms and conditions thereof and transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one or more of the Directors be and is/are hereby authorized to sign, seal, execute, perfect, deliver all such documents and to do all such things and acts as he/they may in his/their discretion consider necessary, expedient or desirable to effect the transactions contemplated under Second Supplemental Facility Agreement, variation or modification of the terms and conditions of the Second Supplemental Facility Agreement upon such terms and conditions as he/they may think fit.”

By Order of the Board
Greenheart Group Limited
Tse Nga Ying
Company Secretary

Hong Kong, 6 November 2013

* for identification purposes only

NOTICE OF THE SPECIAL GENERAL MEETING

Principal place of business in Hong Kong:

16th Floor
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Notes:

- (1) Any shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. A shareholder who is a holder of two or more Shares may appoint more than one proxy to attend and vote on the same occasion.
- (2) In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
- (3) Completion and return of the form of proxy will not preclude members from attending and voting at the Special General Meeting or any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (4) Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the meeting, either in person or by proxy, in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.