
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer 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 and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Greenheart Group Limited.



GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

**(1) POSSIBLE ACQUISITION OF SHARES IN GREENHEART RESOURCES
HOLDINGS LIMITED AND DEBT INTERESTS UNDER THE GREENHEART
RESOURCES AGREEMENT BY NEWFOREST LIMITED AS SPECIAL DEALS;
(2) WAIVERS BY SILVER MOUNT GROUP LIMITED AS CONNECTED
TRANSACTION
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

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



SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 to 25 of this circular. A letter from Somerley Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 26 to 57 of this circular.

A notice convening the SGM to be held at Plaza Meeting Room, Regus Business Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 10 February 2015, at 10:30 a.m. is set out on pages 71 to 72 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share Registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

* for identification purpose only

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EXPECTED TIMETABLE

Below is an indicative timetable showing the key dates of the relevant events:

Event	Time & Date
Latest time and date for lodging forms of proxy for the SGM	10:30 a.m. on Sunday, 8 February 2015
Time and date of the SGM	10:30 a.m on Tuesday, 10 February 2015
Publication of an announcement regarding the poll results of the SGM	Tuesday, 10 February 2015

If the approvals sought at the SGM are obtained:

Expected date of completion of the Share Purchase Agreement and the Greenheart Resources Agreement (*note 1*) Wednesday, 25 February 2015

Note 1: Pursuant to the Share Purchase Agreement and the Greenheart Resources Agreement, the completion of the Share Purchase Agreement is conditional on, and shall take place immediately following, the satisfaction of the Share Transfer Condition, being the completion of the Greenheart Resources Agreement having occurred in accordance with its terms.

Note 2: A detailed timetable for the Offers will be included in the Composite Document. Pursuant to a letter from the Executive dated 23 December 2014, the Executive granted consent to extend the latest time for the despatch of the Composite Document to within seven (7) days from the date of Completion or 7 July 2015, whichever is the earlier.

Note 3: Dates and deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be announced as appropriate. All times and dates refer to Hong Kong local time.

Further announcement(s) will be made in relation to those events which are scheduled to take place after the SGM as and when appropriate in accordance with applicable regulatory requirements.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms have the meanings set out below:

“acting in concert”	the same meaning ascribed to it under the Takeovers Code
“associate(s)”	the same meaning ascribed to it under the Takeovers Code and the Listing Rules, as the context may require from time to time
“Board”	the board of Directors of the Company
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“close associate”	the same meaning ascribed to it under the Listing Rules
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Completion”	Completion of the Share Purchase Agreement
“Companies Law”	the Companies Law (Revised) of the Cayman Islands
“Company”	Greenheart Group Limited (Stock Code: 94), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Composite Document”	the composite offer and response document to be issued jointly by Newforest and the Company in relation to the Offers proposed to be sent to Shareholders, the holders of Options and the holder of the Convertible Notes containing, <i>inter alia</i> , details of the Offers
“connected person”	the same meaning ascribed to it under the Listing Rules
“connected transaction”	the same meaning ascribed to it under the Listing Rules
“Convertible Notes”	the US dollar denominated convertible notes due 17 August 2015 with an original aggregate principal amount of US\$25,000,000 issued by the Company and convertible into 97,077,922 Shares. As disclosed in the Company’s announcement dated 20 February 2013, the Company has redeemed US\$8,000,000 of the principal amount of the convertible notes and as a result, the outstanding principal amount of the convertible notes was reduced to US\$17,000,000 which is convertible into 66,012,987 Shares according to a conversion price of HK\$2.002 per Share and fixed exchange rate of US\$1.00 to HK\$7.774

DEFINITIONS

“Convertible Notes Offer”	the possible mandatory unconditional cash offer for all the Convertible Notes (other than those already owned or agreed to be acquired by Newforest and parties acting in concert with it) to be made by VMS Securities for and on behalf of Newforest
“Debt Interests”	the Sino-Capital Loans and the EPGL Loan
“Deposit Agent”	means a deposit agent which may be appointed by Newforest and Sino-Capital
“Director(s)”	the director(s) of the Company from time to time
“EPGL”	Emerald Plantation Group Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of EPHL
“EPGL Loan”	the loan with an aggregate principal amount of US\$40 million from EPGL to Mega Harvest (as the same may be amended and supplemented from time to time)
“EPHL”	Emerald Plantation Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the ultimate holding company of Sino-Capital
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
“Greenheart Resources”	Greenheart Resources Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect non-wholly owned subsidiary of the Company
“Greenheart Resources Agreement”	the sale and purchase agreement dated 31 October 2014 between Sino-Capital, EPGL, EPHL and Newforest in respect of (i) the sale and purchase of approximately 39.61% of the issued shares of Greenheart Resources; and (ii) the sale and purchase of the Debt Interests
“Greenheart Resources Conditions”	the conditions precedent to the completion of the Greenheart Resources Agreement
“Greenheart Resources Shares”	ordinary shares with no par value in the capital of Greenheart Resources to be acquired in accordance with the Greenheart Resources Agreement (3,036,000,000 ordinary shares representing approximately 39.61% of its issued share capital)
“Group”	the Company and its subsidiaries

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“GSHL”	Greater Sino Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the holder of the Convertible Notes
“HK\$”	Hong Kong dollar(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders on (i) Newforest’s purchase of the Greenheart Resources Shares from Sino-Capital and the Sale of the Debt Interests, (ii) the Offers and (iii) the Silver Mount Waivers
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on (i) the Special Deals, (ii) the Offers and (iii) the Silver Mount Waivers
“Independent Shareholders”	Shareholders other than (i) Sino-Capital, its associates (as defined in the Listing Rules) and parties acting in concert with it and (ii) Newforest, its associates (as defined in the Listing Rules), and parties acting in concert with any of them and those who are involved in or interested in the Greenheart Resources Agreement and the transaction contemplated thereunder
“Interested Directors”	Mr. Wang Tong Sai, Eddie, Mr. Paul Jeremy Brough, Mr. Colin Denis Keogh and Mr. Simon Murray
“Joint Announcement”	the joint announcement issued by Newforest and the Company dated 11 December 2014 in relation to, among other things, the Share Purchase Agreement, the Greenheart Resources Agreement, the Silver Mount Waivers and the Offers
“Last Trading Day”	31 October 2014, being the last day on which the Shares were traded prior to suspension of trading of the Shares pending issue of the Joint Announcement
“Latest Practicable Date	21 January 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“LIBOR”	in respect of each interest period of the EPGL Loan, it means (a) the applicable British Bankers’ Association Interest Settlement Rate for US\$ and the relevant period displayed on the appropriate page of Reuters or, if such page or service is replaced or ceases to be available, such other page or service displaying the appropriate rate after consultation with Mega Harvest; or (b) (if no British Bankers Association Interest Settlement Rate is available for the relevant interest period) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to EPGL at its request by three international banks as the rate at which the relevant bank could borrow funds in the London interbank market in US\$ for the relevant period, in each case as of 10:00 am on the day falling two business days before the first day of the relevant Interest Period for a period comparable to the interest period
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mega Harvest”	Mega Harvest International Limited, an indirect wholly-owned subsidiary of the Company, incorporated in the British Virgin Islands with limited liability
“Newforest”	Newforest Limited, an exempted company incorporated with limited liability in the Cayman Islands
“Newforest Group”	Newforest and its subsidiaries (as such term is defined in the Companies Law)
“Offers”	the Share Offer, the Option Offer and the Convertible Notes Offer
“Offer Shares”	all the Shares (other than those already owned or agreed to be acquired by Newforest and parties acting in concert with it)
“OIA”	the Overseas Investment Act 2005 and Overseas Investment Regulations 2005, in each case, of New Zealand
“OIO Approval”	all consents required under the OIA for the implementation of the Share Purchase Agreement on terms acceptable to Newforest (acting reasonably)
“Option Offer”	the possible mandatory unconditional cash offer for the cancellation of all outstanding Options (other than those already owned or agreed to be acquired by Newforest and parties acting in concert with it) to be made by VMS Securities for and on behalf of Newforest

DEFINITIONS

“Options”	outstanding options granted by the Company under the Share Option Scheme
“Overseas Holders”	Shareholders, whose registered addresses as shown in the register of members of the Company, who are outside Hong Kong, and holders of Options and holder of Convertible Notes who are not residents of Hong Kong
“Prime Rate”	the rate of interest per annum as announced or applied by The Hongkong & Shanghai Banking Corporation Limited (or such other bank as the lender may from time to time select in its absolute discretion) from time to time as its prime interest rate in Hong Kong for lending Hong Kong dollars to its prime customers
“Sale of the Debt Interests”	the disposal of the Debt Interests under the Greenheart Resources Agreement
“Sale Shares”	the Shares to be acquired in accordance with the Share Purchase Agreement (representing approximately 62.82% of the issued share capital of the Company as at the date of the Share Purchase Agreement)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve, among others, (i) Newforest’s purchase of the Greenheart Resources Shares from Sino-Capital and the Sale of the Debt Interests and (ii) the Silver Mount Waivers
“Shareholders”	holders of the Shares
“Share Offer”	the possible mandatory unconditional cash offer for all the Offer Shares to be made by VMS Securities for and on behalf of Newforest
“Share Offer Price”	the price at which the Share Offer will be made, being HK\$0.71 per Offer Share
“Share Option Scheme”	the share option scheme of the Company adopted on 28 June 2012
“Share Purchase Agreement”	the share purchase agreement dated 31 October 2014 between Sino-Capital, EPGL, EPHL and Newforest in respect of the sale and purchase of 496,189,028 Shares, representing approximately 62.82% of the issued share capital of the Company as at the date of the agreement

DEFINITIONS

“Share Transfer Condition”	the condition precedent to Completion
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Silver Mount”	Silver Mount Group Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company and a shareholder of Greenheart Resources
“Silver Mount Waivers”	Silver Mount’s confirmation in writing to the Vendor that it (i) has waived or will not exercise its right of first refusal and (ii) has waived or will not exercise its co-sale right, in each case, in respect of the Greenheart Resources Shares, as referred to in the section headed “E. Silver Mount Waivers as Connected Transaction” in the “Letter from the Board” included in this circular
“Sino-Capital” or “Vendor”	Sino-Capital Global Inc., a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of EPGL with EPHL being its ultimate holding company
“Sino-Capital Loans”	the loans from Sino-Capital to Greenheart Resources (as the same may be amended and supplemented from time to time)
“Special Deals”	the possible acquisition of the Greenheart Resources Shares and the Debt Interests by Newforest, which constitute special deals for the Company under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Day”	a day when the Stock Exchange is open for trading in Hong Kong
“US\$”	US dollar(s), the lawful currency of the United States of America
“VMS Securities”	VMS Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, who has been appointed as the financial adviser to Newforest
“%”	per cent.

US\$:HK\$ exchange rate used in this circular is 1:7.8.

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

Non-executive Directors:

Mr. Wang Tong Sai, Eddie

Mr. Colin Denis Keogh

Mr. Simon Murray

Independent Non-executive Directors:

Mr. Wong Kin Chi

Mr. Wong Che Keung, Richard

Mr. Tong Yee Yung, Joseph

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head Office and principal place
of business in Hong Kong:*

16/F., Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

23 January 2015

To the Shareholders, and for information only, the holders of Options and Convertible Notes

Dear Sir or Madam,

**(1) POSSIBLE ACQUISITION OF SHARES IN GREENHEART RESOURCES
HOLDINGS LIMITED AND DEBT INTERESTS UNDER THE GREENHEART
RESOURCES AGREEMENT BY NEWFOREST LIMITED AS SPECIAL DEALS;
(2) WAIVERS BY SILVER MOUNT GROUP LIMITED AS CONNECTED
TRANSACTION
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

A. INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Share Purchase Agreement, the Greenheart Resources Agreement, the Silver Mount Waivers and the Offers. The Special Deals and the Silver Mount Waivers will be put forward for the Independent Shareholders' approval at the SGM.

* for identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, inter alia, (i) further information about the Share Purchase Agreement, the Greenheart Resources Agreement, the Silver Mount Waivers and the respective transactions contemplated thereunder; (ii) financial information of the Group; (iii) a letter of recommendation from the Independent Board Committee and a letter of advice from the Independent Financial Adviser in respect of the Special Deals and the Silver Mount Waivers; and (iv) a notice of the SGM.

B. THE SHARE PURCHASE AGREEMENT

Date: 31 October 2014

Parties: Vendor: Sino-Capital, a direct wholly-owned subsidiary of EPGL and the legal and beneficial owner of 496,189,028 Shares immediately before Completion, representing approximately 62.82% of the issued share capital of the Company as at the Latest Practicable Date.

Purchaser: Newforest. For further information, please refer to the sub-section headed “Information about Newforest” in the section headed “E. Silver Mount Waivers as Connected Transaction” below.

The Sale Shares

Pursuant to the Share Purchase Agreement, Sino-Capital as vendor has conditionally agreed to sell and Newforest as purchaser has conditionally agreed to purchase the Sale Shares, comprising an aggregate of 496,189,028 Shares, representing approximately 62.82% of the issued share capital of the Company as at the Latest Practicable Date. EPGL, as the holding company of Sino-Capital, is a party to the Share Purchase Agreement giving warranties in respect of the Sale Shares and EPHL, as the ultimate holding company of Sino-Capital, is a party to the Share Purchase Agreement covenanting to various obligations in its capacity as a parent company. In accordance with the Share Purchase Agreement, the Sale Shares will be acquired by Newforest free from any encumbrance and together with all rights attached and accrued to them at the date of Completion including all rights to any dividend or other distribution declared, made or paid on or after the date of Completion. Immediately after Completion, Sino-Capital will no longer hold any Shares.

Consideration

The consideration for the Sale Shares is US\$45,000,000 (equivalent to approximately HK\$351,000,000), which has been agreed between Sino-Capital and Newforest after arm’s length negotiation on normal commercial terms.

The consideration for the Sale Shares shall be settled in the following manner:

- (a) after the date of the Share Purchase Agreement, Newforest may appoint a Deposit Agent and pay US\$10,000,000 (equivalent to approximately HK\$78,000,000) to the Deposit Agent as deposit; and

LETTER FROM THE BOARD

- (b) on the date of Completion:
 - (i) the Deposit Agent to pay the deposit to Sino-Capital (if a Deposit Agent is appointed and the deposit is paid); and
 - (ii) Newforest to pay US\$35,000,000 (approximately HK\$273,000,000), being the balance of the consideration for the Sale Shares (or US\$45,000,000 if no deposit is made with a Deposit Agent), to Sino-Capital.

The Share Transfer Condition and Completion

Completion is conditional on, and shall take place immediately following, satisfaction of the Share Transfer Condition, being the completion of the Greenheart Resources Agreement having occurred in accordance with its terms. The Share Transfer Condition may be waived by the Vendor and Newforest if they agree to such waiver in writing. The Share Purchase Agreement shall automatically terminate if the Share Transfer Condition is not satisfied on or prior to 31 March 2015, but will be automatically extended for up to three additional periods of 30 days each if certain requirements are met. Please refer to the sub-section headed “Greenheart Resources Conditions” under the section headed “C. Greenheart Resources Agreement” below for further details.

Possible Mandatory Unconditional Cash Offers

Immediately following the Completion, Newforest and parties acting in concert with it will be interested in an aggregate of 496,189,028 Shares, representing approximately 62.82% of the issued share capital of the Company as at the Latest Practicable Date. Newforest will be required to make a mandatory unconditional cash offer for (i) all the issued Shares, and (ii) cancellation of all outstanding Options and acquisition of all Convertible Notes (other than those already owned or agreed to be acquired by Newforest and parties acting in concert with it) pursuant to Rules 26.1 and 13.1 of the Takeovers Code, respectively, upon Completion. It was stated in the Joint Announcement that upon Completion, the Offers will be made by VMS Securities on behalf of Newforest in accordance with the Takeovers Code to make (i) the Share Offer for all the issued Shares (other than those already owned or agreed to be acquired by it and parties acting in concert with it); and (ii) the Option Offer and the Convertible Note Offer for the cancellation of all the Options and the acquisition of all the Convertible Notes (other than those already owned or agreed to be acquired by it and parties acting in concert with it), on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code. Details of the Offers are set out in Appendix I to this circular.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document (together with relevant form(s) of acceptance) should be posted to the Shareholders, the holders of the Options and holder of the Convertible Notes within 21 days of the date of the Joint Announcement. In light of the expected time required for obtaining certain approvals for Completion and the time period contemplated by Rule 8.2 of the Takeovers Code, an application has been made to the SFC pursuant to Rule 8.2 of the Takeovers Code for its consent and the consent has been granted by the Executive

LETTER FROM THE BOARD

on 23 December 2014 to extend the latest time for the despatch of the Composite Document (together with relevant form(s) of acceptance) to within 7 days from the date of Completion or 7 July 2015, whichever is earlier.

Shareholding Structure of the Company

The table below sets out the shareholding structure of the Company as at the date of this circular:

Name of Shareholder	Shareholding as at the date of this circular	
	<i>Number of issued Shares</i>	<i>Approximate %</i>
Sino-Capital (<i>Note 3</i>)	496,189,028	62.82
Hui Tung Wah, Samuel *	1,505,000	0.19
Simon Murray *	1,246,000	0.16
Wong Kin Chi *	150,000	0.02
Public Shareholders	290,799,076	36.82
Total	789,889,104	100.00

Notes:

1. Due to rounding up of the percentages, the accumulated percentage is slightly different from 100%.
2. * denotes a director of the Company. Excludes any Options held by the directors under the Share Option Scheme.
3. Sino-Capital is a wholly-owned subsidiary of EPGL, and EPGL is a wholly-owned subsidiary of EPHL. As such, EPHL and EPGL are deemed to be interested in the Shares in which Sino-Capital is interested by virtue of Part XV of the SFO.

Save as disclosed above, the Company has no other substantial shareholders based on publicly available substantial shareholder filings in respect of the Company under Part XV of the SFO.

GSHL holds the Convertible Notes, being the US dollar denominated convertible notes with an aggregate principal amount of US\$17,000,000 due 17 August 2015 issued by the Company which are convertible into 66,012,987 Shares (representing approximately 8.36% of the issued Shares as at the Latest Practicable Date). As at the Latest Practicable Date, there are also 17,488,145 outstanding Options under the Share Option Scheme.

LETTER FROM THE BOARD

C. GREENHEART RESOURCES AGREEMENT

The Greenheart Resources Agreement

Date: 31 October 2014

Vendor: Sino-Capital, as the sole legal and beneficial owner of the Greenheart Resources Shares;

Sino-Capital and EPGL, as the legal and beneficial owners of the Debt Interests

Purchaser: Newforest

The Sale of Greenheart Resources Shares and the Debt Interests

Pursuant to the Greenheart Resources Agreement:

- (a) Sino-Capital conditionally agreed to sell, and Newforest conditionally agreed to purchase, the Greenheart Resources Shares, being 3,036,000,000 ordinary shares of Greenheart Resources (representing approximately 39.61% of its issued share capital as at the Latest Practicable Date); and
- (b) Sino-Capital and EPGL conditionally agreed to sell, and Newforest conditionally agreed to purchase, all the benefits and obligations of the Debt Interests,

in accordance with its terms.

EPGL, as the holding company of Sino-Capital, is a party to the Greenheart Resources Agreement giving warranties in respect of the Greenheart Resources Shares, and EPHL, as the ultimate holding company of Sino-Capital, is a party to the Greenheart Resources Agreement covenanting to various obligations in its capacity as a parent company. According to the Greenheart Resources Agreement, the Greenheart Resources Shares will be acquired by Newforest free from any encumbrance and together with all rights attached and accrued to them at the date of completion including all rights to any dividend or other distribution declared (if any), made or paid on or after the date of completion. Immediately after completion under the Greenheart Resources Agreement, Sino-Capital will no longer hold any shares in Greenheart Resources.

Consideration and Guarantee

The consideration under the Greenheart Resources Agreement is a sum of (i) US\$63,466,960 (equivalent to approximately HK\$495,042,288); (ii) the principal amount of any additional Sino-Capital Loan borrowed by Greenheart Resources from Sino-Capital after the Latest Practicable Date and up to and including the date of completion of the Greenheart Resources Agreement to finance its operations (which may be up to US\$1,033,040 pursuant to the Greenheart Resources

LETTER FROM THE BOARD

Agreement); and (iii) any accrued but unpaid interest of the Debt Interests as of the date of completion of the Greenheart Resources Agreement, which has been agreed among Sino-Capital, EPGL, EPHL and Newforest after arm's length negotiation on normal commercial terms. In particular, US\$10,000,000 (equivalent to approximately HK\$78,000,000) of the consideration is attributed to the Greenheart Resources Shares, US\$40,000,000 (equivalent to approximately HK\$312,000,000) of the consideration is attributed to the principal amount of the EPGL Loan, and approximately US\$13,466,960 (equivalent to approximately HK\$105,042,288) of the consideration is attributed to the principal amount of the Sino-Capital Loans as at the Latest Practicable Date. As at the Latest Practicable Date, the aggregate amount of accrued but unpaid interest of the EPGL Loan and the Sino-Capital Loans was approximately US\$613,875 (equivalent to approximately HK\$4,788,225). The consideration for the Greenheart Resources Shares to be paid at completion is calculated based on the book value and prospects of future profits of Greenheart Resources.

Under the terms of the Greenheart Resources Agreement, the payment of an amount equal to 24.99% of the sum of the consideration under (i) the Share Purchase Agreement and (ii) the Greenheart Resources Agreement (the "Delayed Payment") is deferred, and is payable by Newforest to EPGL on the date falling on the first year anniversary of the date of the Greenheart Resources Agreement. Newforest's obligation to pay the Delayed Payment under the Greenheart Resources Agreement is unconditionally and irrevocably guaranteed by Sharpfield Holdings Limited pursuant to a deed of guarantee entered into between EPGL and Sharpfield Holdings Limited on the date of the Greenheart Resources Agreement. Sharpfield Holdings Limited is directly, wholly, legally and beneficially owned by Chow Tai Fook Enterprises Limited.

The Greenheart Resources Conditions

The Greenheart Resources Agreement is conditional upon:

- (a) the Vendor's warranties under the Greenheart Resources Agreement and the Share Purchase Agreement qualified as to materiality being true and correct, and those not so qualified being true and correct in all material respects, in each case, as of the date of the Greenheart Resources Agreement and the date of completion of the Greenheart Resources Agreement, except to the extent such warranties expressly speak as of an earlier date (in which case such warranties qualified as to materiality being true and correct, and those not qualified being true and correct in all material respects, on and as of such earlier date), provided any failure of the warranties to be so true and correct does not cause a material adverse effect on the Group;
- (b) there shall not have been or occurred any event, change, occurrence or circumstance that, individually or when aggregated with any other such events, changes, occurrences or circumstances, has had or could reasonably be expected to have a material adverse effect on the Group since the date of the Greenheart Resources Agreement, provided that any material adverse effect on the Group attributable to the exercise of any redemption right in respect of the Convertible Notes by the noteholder thereof shall be excepted;

LETTER FROM THE BOARD

- (c) Newforest's warranties under the Greenheart Resources Agreement and the Share Purchase Agreement qualified as to materiality being true and correct, and those not so qualified being true and correct in all material respects, in each case, as of the date of the Greenheart Resources Agreement and the date of completion of the Greenheart Resources Agreement, except to the extent such warranties expressly speak as of an earlier date (in which case such warranties qualified as to materiality being true and correct, and those not qualified being true and correct in all material respects, on and as of such earlier date), provided any failure of the warranties to be so true and correct does not have a material adverse effect on the ability of Newforest to complete the transactions under the Greenheart Resources Agreement or the Share Purchase Agreement;
- (d) Silver Mount Waivers having been given by Silver Mount and approved by the Independent Shareholders at the SGM;
- (e) a copy of the duly executed, undated deed of release having been delivered by the Vendor in relation to security granted by EPGL and Sino-Capital in connection with certain of EPHL's guaranteed debt;
- (f) receipt by Newforest of the OIO Approval in respect of the transactions contemplated under the Share Purchase Agreement;
- (g) receipt by Newforest of a copy of the duly executed waiver of the right of review under a certain loan facility agreement between the Bank of New Zealand and Greenheart MFV Limited (an indirect wholly-owned subsidiary of the Company) relating to a term loan facility for an aggregate principal amount of US\$25,000,000 and a variable overdraft facility, in respect of, or pre-emptive consent to, the implementation of the transactions under the Greenheart Resources Agreement and the Share Purchase Agreement; and
- (h) approval by the applicable shareholders of the Company and the Executive for the implementation of the transactions contemplated under the Greenheart Resources Agreement and the transactions contemplated under the Share Purchase Agreement to the extent required pursuant to the Takeovers Code and the Listing Rules.

The Vendor may at any time before the time and date specified in the Greenheart Resources Agreement waive (whether in whole or in part), in accordance with the terms therein, the above Greenheart Resources Condition specified in paragraph (c) and Newforest may at any time before the time and date specified in the Greenheart Resources Agreement waive (whether in whole or in part), in accordance with the terms therein, the above Greenheart Resources Conditions specified in paragraphs (a), (b) and (g). The above Greenheart Resources Conditions specified in paragraphs (d) to (f) (both inclusive) and (h) may be waived by the Vendor and Newforest if they agree to such waiver in writing. Sino-Capital has advised the Company that it will not waive the Greenheart Resources Condition specified in paragraph (h). The Greenheart Resources Agreement shall automatically terminate in accordance with its terms if the Greenheart Resources Conditions are not satisfied on or prior to 31 March 2015, which shall be automatically extended for up to three additional periods of 30 days each if all of the Greenheart Resources Conditions are satisfied or capable of being satisfied and Newforest is still seeking the OIO Approval.

LETTER FROM THE BOARD

Completion of the Greenheart Resources Agreement

The Greenheart Resources Agreement following its becoming unconditional will be completed simultaneously with the Share Purchase Agreement.

Newforest wishes to note to the Shareholders, holders of the Options and holder of the Convertible Notes, that it would typically take 12-16 weeks (approximately 100 working days) to obtain the OIO Approval, if granted, in satisfaction of the Greenheart Resources Condition as stated in paragraph (f) above. As a consequence, the Greenheart Resources Agreement and accordingly, the Share Purchase Agreement may not be completed, and the Offers as more particularly set out in Appendix I to this circular cannot commence, until such consent has been obtained, which is currently expected to be in early 2015.

Information about Greenheart Resources

Greenheart Resources and its subsidiaries primarily engage in forestry operations in Suriname. As at the Latest Practicable Date, the total number of ordinary shares in the capital of Greenheart Resources is 7,665,000,000, out of which 4,629,000,000 ordinary shares in the capital of Greenheart Resources (representing approximately 60.39% of Greenheart Resources' issued share capital) are held by Silver Mount and the Greenheart Resources Shares (3,036,000,000 ordinary shares in the capital of Greenheart Resources, representing approximately 39.61% of Greenheart Resources' issued capital) are held by Sino-Capital. Those Greenheart Resources Shares are one of the subject matters of the Greenheart Resources Agreement.

Greenheart Resources and its subsidiaries hold forest concessions of approximately 185,000 hectares for the exploitation of tropical hardwood with an operational hardwood processing facility in the western part of Suriname (collectively "West Suriname").

Suriname is the smallest country in South America and situated between French Guiana to the east and Guyana to the west. The southern border is shared with Brazil and the northern border is on the Atlantic coast. The estimated forest area of Suriname is approximately 14.8 million hectares, which is over 94% of the total land area. The Group is the largest forest operator in Suriname.

Greenheart Resource's West Suriname processing mill is located near its forest concessions and covers an area of 20 hectares. It currently owns and operates a sawmill with three lines with a total log input capacity per annum (double shift) of approximately 60,000 m³. The construction of a bio-energy plant has recently been completed. The management of the Company (the "Management") expects the benefits of lower energy costs, especially from the reduction of fossil fuel consumption, will accrue in 2015. Management is focusing on efforts to improve operational efficiency by, inter alia, enhancing the plant layout, streamlining material flows and handling etc. and expect that the final stage of the production capacity enhancement program will be completed by the first half of 2015. By then, the log input volume will increase to up to 100,000 m³ (double shift) per annum.

LETTER FROM THE BOARD

West Suriname currently harvests over 30 different species of commercial hardwood. Given 11 additional new kilns have now been in operation since the last quarter of 2014, West Suriname is better positioned to improve its product mix by increasing the proportion of high value added lumber products, resulting in higher profit margins.

Continued cost reduction is vital to the turnaround of the West Suriname sawmill operation. Management will continue to take further measures to reduce operating costs while maintaining controls and improving operational efficiency and sales order fulfillment.

In 2012 the West Suriname operation obtained Forest Stewardship Council (“FSC”) controlled wood certification. It has just completed a full FSC assessment following which it is expected that West Suriname will advance to full FSC certificate accreditation in early 2015. Such advanced accreditation will facilitate premium pricing and increased penetration into USA and, in particular, European markets which increasingly require FSC products.

The significant increase in the forest concession levy in Suriname, introduced in early 2014, was met with resistance from the Suriname forestry industry. In response, the Suriname government appointed advisors with timber industry experience to work with industry participants and to report and advise on an appropriate level of concession levy. At as the Latest Practicable Date, negotiations between the industry and the Suriname government are continuing. The Group will continue to work with other industry participants and the advisors to the Suriname government in order to reach a more reasonable solution which is equitable to all parties. Up to the Latest Practicable Date, West Suriname has accrued but not paid the increased concession levy, amounting to HK\$10,130,905.

Set out below are the audited/unaudited financial position of Greenheart Resources and its subsidiaries (“Greenheart Resources Group”) as at 31 December 2012, 31 December 2013 and 30 June 2014:

	As at 31 December 2012	As at 31 December 2013	As at 30 June 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Net liabilities	<u>(149,846)</u>	<u>(246,901)</u>	<u>(301,476)</u>

As at 30 June 2014, Greenheart Resources Group had an unaudited deficit of net assets of approximately HK\$301.5 million. After taking into account the adjustments of the carrying fair value of the assets acquired and liabilities assumed upon acquisition of the Greenheart Resources Group in 2007 made on the consolidated financial statements of the Group, Greenheart Resources Group would have an adjusted consolidated net asset value of HK\$340 million (or US\$43.59 million), of which HK\$134.67 million (or US\$17.27 million) would be attributable to the Greenheart Resources Shares representing approximately 39.61% of the issued share capital of Greenheart Resources as at 30 June 2014.

LETTER FROM THE BOARD

Details of the fair value adjustment as mentioned above are as follows:

	<i>HK\$'million</i>
Net liabilities as at 30 June 2014 (unaudited)	(301.5)
Fair value adjustment in relation to recognition of identifiable intangible asset of timber concessions and cutting rights at fair value at acquisition date, net of deferred tax (<i>Note 1</i>)	667.5
Respective amortization on timber concessions and cutting rights from 2007 to 30 June 2014 recorded in accordance with the Group's accounting policy (<i>Note 2</i>)	(26)
Adjusted net assets as at 30 June 2014 (unaudited)	340

Notes:

1. Being the adjustment of the fair value of the identifiable intangible asset of timber concessions and cutting rights as at acquisition date of HK\$741,672,000 net of the respective deferred tax of HK\$74,167,000 arising from such adjustment. Details are disclosed in note 30 to the Group's 2009 annual report.
2. Respective amortization on timber concessions and cutting rights from 2007 to 30 June 2014 are recorded in accordance with the Group's accounting policy regarding the timber concessions and cutting rights, whereby amortization is charged on a unit-of-production basis and the annual amortization amount is determined based on the actual logging volume for that year to the projected total standing log volume of the timber concessions and cutting rights.

The Greenheart Resources Group has been making losses in the past because it is still in development stage and its potential is yet to be actualized. The Board understands that the past financial performance of the Greenheart Resources Group was not an important factor taken into account by the Vendor and Newforest in determining the consideration for the Greenheart Resources Shares. Nevertheless, the Company sets out below the audited financial results of the Greenheart Resources Group for the two years ended 31 December 2013 to provide further information to the Shareholders:

	For the year ended 31 December 2012 HK\$'000 (audited)	For the year ended 31 December 2013 HK\$'000 (audited)
Revenue	35,584	41,332
Loss before tax	(74,420)	(97,055)
Loss after tax	(74,420)	(97,055)

LETTER FROM THE BOARD

Information about Sino-Capital Loans

Sino-Capital has extended loans to Greenheart Resources to finance its operations. The loans owed by Greenheart Resources to Sino-Capital (of an aggregate outstanding principal amount of US\$13,466,960 as at the Latest Practicable Date), i.e. the Sino-Capital Loans, are one of the subject matters of the Greenheart Resources Agreement. As at the Latest Practicable Date, the basic information on such loans is set out below:

Lender	Outstanding principal amount	Repayment date	Interest rate
Sino-Capital	US\$8,000,000	26 March 2015	Prime Rate (i.e. 5%)
Sino-Capital	US\$3,500,000	28 June 2016	Prime Rate (i.e. 5%)
Sino-Capital	US\$1,966,960*	19 June 2017	Prime Rate (i.e. 5%)

* After the Latest Practicable Date, Sino-Capital and Greenheart Resources may amend the principal amount of this loan facility up to an amount not exceeding US\$3,000,000. If they do so and Greenheart Resources further utilises this loan facility, the principal amount outstanding under this facility may be increased.

In addition, Silver Mount has extended loans to Greenheart Resources to finance its operations. As at the Latest Practicable Date, the basic information on such loans is set out below:

Lender	Outstanding principal amount	Repayment date	Interest rate
Silver Mount	HK\$215,000,000	22 November 2016	Prime Rate (i.e. 5%)
Silver Mount	US\$12,196,920	26 March 2015	Prime Rate (i.e. 5%)
Silver Mount	US\$5,336,153	28 June 2016	Prime Rate (i.e. 5%)
Silver Mount	US\$2,998,857*	19 June 2017	Prime Rate (i.e. 5%)

* After the Latest Practicable Date, Silver Mount and Greenheart Resources may amend the principal amount of this loan facility upwards. If they do so and Greenheart Resources further utilises this loan facility, the principal amount outstanding under this facility may be increased.

Information about EPGL Loan

Mega Harvest and its subsidiaries primarily engage in forestry operations in New Zealand. EPGL has extended a loan of US\$40 million (i.e. the EPGL Loan) to Mega Harvest to finance its operations. The EPGL Loan is repayable on 17 May 2015. The interest applicable to the EPGL Loan accrues at the rate of LIBOR plus 3.5% per annum. The EPGL Loan is one of the subject matters of the Greenheart Resources Agreement.

LETTER FROM THE BOARD

D. SPECIAL DEALS IN RELATION TO GREENHEART RESOURCES AGREEMENT

Newforest's purchase of the Greenheart Resources Shares from Sino-Capital and the Sale of the Debt Interests constitute special deals on the part of the Company under Rule 25 of the Takeovers Code requiring (i) the Independent Shareholders to approve the Special Deals at the SGM by way of poll; (ii) the Executive to consent to the Special Deals; and (iii) the Independent Financial Adviser to publicly state that in its opinion the terms of the Special Deals are fair and reasonable.

The Company has appointed Somerley as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Special Deals. The advice of the Independent Financial Adviser on the Special Deals is set out in the "Letter from Somerley" on pages 26 to 57 of this circular.

The Independent Board Committee (comprising only the independent non-executive Directors), after considering the advice of the Independent Financial Adviser on the Special Deals and after taking into account the factors brought to their attention by the Independent Financial Adviser, set out its recommendations in the "Letter from the Independent Board Committee" on pages 24 to 25 of this circular.

E. SILVER MOUNT WAIVERS AS CONNECTED TRANSACTION

The transfer of Greenheart Resources Shares by Sino-Capital to Newforest pursuant to the Greenheart Resources Agreement is subject to Silver Mount's right of first refusal whereby Silver Mount has the right to acquire such Greenheart Resources Shares at the same price as that in the Greenheart Resources Agreement. Further, Silver Mount has the co-sale right to require Sino-Capital to cause Newforest to purchase the shares of Greenheart Resources it holds and the interests in its loans to Greenheart Resources. However, Silver Mount has decided to conditionally waive these two rights by not exercising either the aforesaid right of first refusal or the co-sale right (i.e. the Silver Mount Waivers).

Sino-Capital has informed the Company that it intends to comply with its obligations to Silver Mount in respect of Silver Mount's right of first refusal and co-sale right, in each case, in respect of the Greenheart Resources Shares, as referred to in this section.

Listing Rules implications

Sino-Capital is a controlling shareholder (as defined in the Listing Rules) of the Company and is therefore a connected person of the Company. The Silver Mount Waivers in respect of Sino-Capital's proposed sale of Greenheart Resources Shares under the Greenheart Resources Agreement constitutes a connected transaction of the Company under Rules 14A.24(2)(b) and 14A.79 of the Listing Rules. Based on the applicable ratios, the de minimis exemption under Chapter 14A of the Listing Rules does not apply. The Silver Mount Waivers are subject to approval by the Independent Shareholders at the SGM by way of poll.

The Company has appointed Somerley as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Silver Mount Waivers. The advice of the Independent Financial Adviser on the Silver Mount Waivers is set out in the "Letter from Somerley" on pages 26 to 57 of this circular.

LETTER FROM THE BOARD

Given the material interests of the Interested Directors in the Silver Mount Waivers, the Interested Directors were required to abstain and had abstained from voting at the Board meeting approving the Silver Mount Waivers.

Factors for the Silver Mount Waivers

The independent non-executive Directors, together with the Director who may participate in the Board discussions on the Silver Mount Waivers, have considered the following factors and considerations in respect of whether the Silver Mount Waivers should be given:

- Whether it is beneficial to the Group and its Shareholders to retain the Group's investment in the Greenheart Resources business in view of its growth potential and the capital investments already made and substantially completed over the past few years. The Greenheart Resource business is centered on its sawmill and forestry operations in West Suriname. These operations, combined with the Group's wholly-owned Central Suriname operations, are an important element of the Group's strategic plans to develop strong customer bases for Forest Stewardship Council (FSC)-accredited products sold mainly to customers in Europe and China. The Group's business in Central Suriname was acquired in February 2014.
- The need for the Group to maintain a diversified income stream to withstand changes in demand. Its two major streams are presently derived from its New Zealand softwood logging business, which is in general more exposed to short-term changes in supply and demand, and its Suriname hardwood logging and lumber business.
- If the co-sale right is exercised, the Company would cease to have a majority shareholding in Greenheart Resources which would mean the Company would no longer control Greenheart Resources or the West Suriname business. As a result, the financial results of Greenheart Resources would no longer be consolidated in the accounts of the Company. This loss of control would mean, among other things, that the Company would no longer have the ability to control the making of distributions or the issue of further shares by Greenheart Resources. This loss of control may also disrupt the stability of the Group's Suriname management team, whose expertise and experience in managing operations in emerging markets and their connections in the industry are important to the success of the Group's Suriname business. The consequences of loss of control may impact the Group's ability to invest and expand the Suriname business as a whole which is integral to the Group's overall business.
- The Group's current financial position, the need to complete capital expenditure programs in Suriname, expansion plans for New Zealand and retention of its internal financial resources to meet the Group's liabilities. If the right of first refusal is exercised, the Company will have to utilize up to US\$10,000,000, which represents a significant portion of the Group's present cash resources, to pay the consideration for the Greenheart Resources Shares held by Sino-Capital.

LETTER FROM THE BOARD

- Whether Newforest will be a supportive partner in Greenheart Resources and the Suriname business.
- Whether the performance of Greenheart Resources will improve in future as investment comes to an end, capital expenditure diminishes and the operations grow and become more efficient, which will eventually improve the overall profitability of the Group.

The Independent Board Committee (comprising only the independent non-executive Directors), after considering the advice of the Independent Financial Adviser on the Silver Mount Waivers and after taking into account the above factors as well as other factors brought to their attention by the Independent Financial Adviser, has set out its recommendations in the “Letter from the Independent Board Committee” on pages 24 to 25 of this circular.

Information about the Company

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding, and the principal activities of the subsidiaries of the Company comprise log harvesting, lumber processing, marketing and sales of logs and lumber products, as disclosed in the latest 2013 annual report and 2014 interim report of the Company.

Information about Silver Mount

Silver Mount is a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of the Company and a shareholder of Greenheart Resources. The principal activity of Silver Mount is investment holding.

Information about Sino-Capital

Sino-Capital a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of EPGL with EPHL being its ultimate holding company. The principal activity of Sino-Capital is investment holding.

Information about Newforest

Newforest is a company incorporated in the Cayman Islands and is directly and beneficially owned by Gateway Asia Resources Limited (a direct wholly-owned company of Wu Wai Leung, Danny) and Sharpfield Holdings Limited (a direct wholly-owned company of Chow Tai Fook Enterprises Limited). Save for the entering into of the Share Purchase Agreement and the Greenheart Resources Agreement, Newforest has not traded and/or engaged in any business activity since its incorporation.

LETTER FROM THE BOARD

Financial information of the Group

The following table is a summary of certain audited financial information of the Group for the two financial years ended 31 December 2013. More financial information of the Group is set out in Appendix II to this circular.

	Year ended 31 December 2012 <i>HK'000</i> (audited)	Year ended 31 December 2013 <i>HK'000</i> (audited)
Revenue	495,226	724,583
Gross profit	186,416	335,471
Profit (loss) before tax	(130,720)	(13,925)
Profit (loss) for the year	(144,377)	(60,297)
	As at 31 December 2012 <i>HK'000</i> (audited)	As at 31 December 2013 <i>HK'000</i> (audited)
Net assets	1,192,897	1,140,194

F. GENERAL

SGM

The SGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of (i) the Special Deals and (ii) the Silver Mount Waivers, by way of poll at the SGM. Sino-Capital, Newforest, their respective associates, parties acting in concert with any of them and those who are involved in or interested in the Special Deals will abstain from voting on the resolutions at the SGM.

As at the Latest Practicable Date, Sino-Capital held an aggregate of 496,189,028 Shares, representing approximately 62.82% of the existing issued Shares. Save for Sino-Capital's interest in the Shares, none of Sino-Capital's associates held any Shares as at the Latest Practicable Date.

As disclosed in the Joint Announcement, Mr. Simon Murray, an Interested Director, has an interest in Newforest's purchase of the Greenheart Resources Shares from Sino-Capital and the Sale of the Debt Interests, and will abstain from voting on the resolutions at the SGM. As at the Latest Practicable Date, Mr. Simon Murray held an aggregate of 1,246,000 Shares, representing approximately 0.158% of the existing issued Shares.

LETTER FROM THE BOARD

Save for the interest in the Sale Shares to be acquired under the Share Purchase Agreement, no member of the Newforest Group, its associates and parties acting in concert with any of them held any Shares as at the Latest Practicable Date.

A notice convening the SGM is set out on pages 71 to 72 of this circular. A form of proxy for use at the SGM is enclosed herein. Whether or not you intend to attend the SGM (or any adjournment thereof), you are requested to complete the 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Independent Board Committee

The Independent Board Committee comprising all the independent non-executive Directors has been formed in order to make recommendations to the Independent Shareholders regarding (i) the Special Deals and (ii) the Silver Mount Waivers.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Special Deals, (ii) the Silver Mount Waivers and (ii) the Offers. The appointment of Somerley has been approved by the Independent Board Committee.

Recommendations

Your attention is drawn to the letter from the Independent Board Committee set out on pages 24 to 25 of this circular which contains its recommendation to the Independent Shareholders in respect of (i) the Special Deals and (iii) the Silver Mount Waivers, based on the advice from the Independent Financial Adviser set out on pages 26 to 57 of this circular which contains their recommendation to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons taken into consideration.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Special Deals and the Silver Mount Waivers are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Special Deals and the Silver Mount Waivers and the respective transactions contemplated thereunder. The text of the letter from the Independent Board Committee is set out on pages 24 to 25 of this circular.

LETTER FROM THE BOARD

G. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Greenheart Group Limited
Paul Jeremy Brough
*Interim Chief Executive Officer and
Executive Director*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Greenheart Resource Agreement and the Silver Mount Waivers.



GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

23 January 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) POSSIBLE ACQUISITION OF SHARES IN GREENHEART RESOURCES
HOLDINGS LIMITED AND DEBT INTERESTS UNDER THE GREENHEART
RESOURCES AGREEMENT BY NEWFOREST LIMITED AS SPECIAL DEALS;
(2) WAIVERS BY SILVER MOUNT GROUP LIMITED AS CONNECTED
TRANSACTION
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of the Company to the Shareholders dated 23 January 2015 (the “Circular”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been appointed by the Board to consider and to advise the Independent Shareholders as to whether (i) the terms of the Special Deals are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (ii) the terms of the Silver Mount Waivers are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned and the granting of the Silver Mount Waivers is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should approve the Special Deals and the Silver Mount Waivers.

We wish to draw your attention to the letter of advice from Somerley, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Special Deals and the Silver Mount Waivers as set out on pages 26 to 57 of the Circular, and the letter from the Board set out on pages 7 to 23 of the Circular.

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of Somerley as stated in its letter of advice, we consider that (i) the terms of the Special Deals are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (ii) the terms of the Silver Mount Waivers are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concern and the granting of the Silver Mount Waivers, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Special Deals and the Silver Mount Waivers.

Yours faithfully,
Independent Board Committee

Mr. Wong Che Keung,
Richard
Independent
non-executive Director

Mr. Tong Yee Yung,
Joseph
Independent
non-executive Director

Mr. Wong Kin Chi
Independent
non-executive Director

LETTER FROM SOMERLEY

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



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

23 January 2015

*To: The Independent Board Committee and the Independent Shareholders of
Greenheart Group Limited*

Dear Sirs,

**(1) POSSIBLE ACQUISITION OF SHARES IN
GREENHEART RESOURCES HOLDINGS LIMITED AND DEBT INTERESTS
UNDER THE GREENHEART RESOURCES AGREEMENT
BY NEWFOREST LIMITED AS SPECIAL DEALS;
AND
(2) WAIVERS BY SILVER MOUNT GROUP LIMITED
AS CONNECTED TRANSACTION**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to (i) Newforest's purchase of the Greenheart Resources Shares from Sino-Capital and the Sale of the Debt Interests (the "**Special Deals**"); and (ii) the Silver Mount Waivers, details of which are set out in the letter from the Board contained in this circular of the Company to the Shareholders, and for information only, the holders of the Options and the Convertible Notes dated 23 January 2015 (the "**Circular**"), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 31 October 2014 (after trading hours), Sino-Capital and Newforest, among others, entered into the Share Purchase Agreement, pursuant to which Sino-Capital conditionally agreed to sell, and Newforest conditionally agreed to purchase the Sale Shares, being 496,189,028 Shares, representing approximately 62.82% of the issued share capital of the Company as at the Latest Practicable Date for a total consideration of US\$45,000,000 (equivalent to approximately HK\$351,000,000 and approximately HK\$0.71 per Share). Completion is conditional upon the satisfaction of the Share Transfer Condition, being completion of the Greenheart Resources Agreement having occurred in accordance with its terms. The Share Transfer Condition may be waived by the Vendor and Newforest if they agree to such waiver in writing. Details of the conditions precedent to completions of the Share Purchase Agreement and the Greenheart Resources Agreement are set out in the letter from the Board in the Circular. Immediately following Completion, Newforest and parties acting in concert with it will be interested in an aggregate

LETTER FROM SOMERLEY

of 496,189,028 Shares, representing approximately 62.82% of the issued share capital of the Company as at the Latest Practicable Date. Newforest will, upon Completion, be required under Rules 26.1 and 13.1 of the Takeovers Code, respectively, to make (i) the Share Offer for all the issued Shares (other than those already owned or agreed to be acquired by Newforest and parties acting in concert with it); and (ii) the Option Offer and the Convertible Note Offer for the cancellation of all the outstanding Options and the acquisition of all the Convertible Notes (other than those already owned or agreed to be acquired by Newforest and parties acting in concert with it).

Furthermore, on 31 October 2014 (after trading hours), Sino-Capital, EPGL, EPHL and Newforest, entered into the Greenheart Resources Agreement whereby (i) Sino-Capital conditionally agreed to sell, and Newforest conditionally agreed to purchase, the Greenheart Resources Shares for an aggregate consideration of US\$10,000,000 (equivalent to approximately HK\$78,000,000); and (ii) Sino-Capital and EPGL conditionally agreed to sell, and Newforest conditionally agreed to purchase, the Debt Interests for an aggregate consideration equivalent to the total amount outstanding (being the principal amount plus any accrued but unpaid interest, if applicable) from the Debt Interests as of the date of completion of the Greenheart Resources Agreement, which comprises (a) the total principal amount of approximately US\$53,466,960 (equivalent to approximately HK\$417,042,288); (b) the principal amount of any additional Sino-Capital Loan borrowed by Greenheart Resources from Sino-Capital after the Latest Practicable Date and up to and including the date of completion of the Greenheart Resources Agreement to finance its operations (which may be up to US\$1,033,040 (equivalent to approximately HK\$8,057,712) pursuant to the Greenheart Resources Agreement); and (c) the total amount of accrued but unpaid interest as of the date of completion of the Greenheart Resources Agreement, which was approximately US\$613,875 (equivalent to approximately HK\$4,788,225) as of the Latest Practicable Date. The Greenheart Resources Agreement following its becoming unconditional will be completed simultaneously with the Share Purchase Agreement.

Newforest's purchase of the Greenheart Resources Shares from Sino-Capital and the Sale of the Debt Interests constitute special deals on the part of the Company under Rule 25 of the Takeovers Code requiring, among other things, the Independent Shareholders to approve Newforest's purchase of the Greenheart Resources Shares from Sino-Capital and the Sale of the Debt Interests at the SGM by way of poll.

The transfer of the Greenheart Resources Shares by Sino-Capital to Newforest is subject to Silver Mount's right of first refusal whereby Silver Mount has the right to acquire such Greenheart Resources Shares at the same price as that in the Greenheart Resources Agreement. Further, Silver Mount has the co-sale right to require Sino-Capital to cause Newforest to purchase the shares of Greenheart Resources it holds and the interests in its loans to Greenheart Resources. However, Silver Mount has decided to conditionally waive these two rights by not exercising either the aforesaid right of first refusal or the co-sale right (i.e. the Silver Mount Waivers).

Sino-Capital is a controlling shareholder (as defined in the Listing Rules) of the Company and is therefore a connected person of the Company. The Silver Mount Waivers in respect of Sino-Capital's proposed sale of the Greenheart Resources Shares under the Greenheart Resources Agreement constitutes a connected transaction of the Company under Rules 14A.24(2)(b) and 14A.79 of the Listing Rules. Based on the applicable ratios, the de minimis exemption under Chapter 14A of the Listing Rules does not apply. The Silver Mount Waivers are subject to approval by the Independent Shareholders at the SGM by way of poll.

LETTER FROM SOMERLEY

The SGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of (i) the Special Deals; and (ii) the Silver Mount Waivers, by way of poll at the SGM. Sino-Capital, Newforest, their respective associates, parties acting in concert with any of them and those who are involved in or interested in the Special Deals will abstain from voting on the resolutions.

THE INDEPENDENT BOARD COMMITTEE

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 formed in order to advise the Independent Shareholders on, among other things, (i) the Special Deals; and (ii) the Silver Mount Waivers.

The Silver Mount Waivers are subject to approval by the Independent Shareholders under the Listing Rules. Under the Listing Rules, only the independent non-executive Directors who have no interest in the subject matter can be members of the Independent Board Committee.

In respect of the Special Deals, the Independent Board Committee shall be constituted in accordance with the Takeovers Code. Under the Takeovers Code, the Independent Board Committee should comprise all non-executive Directors who have no direct or indirect interest in the subject matters.

- The three independent non-executive Directors have no interest in the Special Deals and no interest in the Offers other than being Shareholders and/or holders of Options.
- Mr. Wang Tong Sai, Eddie (a non-executive Director) is a director of Sino-Capital, EPGL and EPHL. Mr. Colin Denis Keogh (a non-executive Director) is a director of EPGL and EPHL. Due to their association with Sino-Capital and its concert parties, Mr. Wang Tong Sai, Eddie and Mr. Colin Denis Keogh will not be eligible to be members of the Independent Board Committee.
- Mr. Simon Murray (a non-executive Director) is interested in the Convertible Notes. Completion will trigger the “Change of Control” provisions of the Convertible Notes which allow the holder of the Convertible Notes (i.e. GSHL) to require redemption of the Convertible Notes in whole or in part before they expire on 17 August 2015. This exit right is not enjoyed by any Shareholders because GSHL can require full redemption even before the Offers are launched. On the other hand, the approval of the Executive of the Special Deals is one condition precedent to the completion of the Greenheart Resources Agreement, and Completion depends on the completion of the Greenheart Resources Agreement, and the obligation to make the Offers is triggered by Completion. From the above, Mr. Murray has an interest in (i) the Special Deals; and (ii) the Offers, other than being a Shareholder or a holder of securities who may only exit by accepting the respective Offers. Such interest would undermine the “independence” of the Independent Board Committee if Mr. Murray were included. Therefore, the Company is of the view that Mr. Murray should also be excluded from the Independent Board Committee in respect of (i) the Special Deals; and (ii) the Offers.

LETTER FROM SOMERLEY

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to, among other things, (i) the Special Deals; and (ii) the Silver Mount Waivers. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

We are not connected with the Company, Newforest, Sino-Capital, EPGL, EPHL or any of their respective close associates, associates or core connected persons (as defined in the Listing Rules) or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered suitable to give independent advice on the Special Deals and the Silver Mount Waivers. Apart from the normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, Newforest, Sino-Capital, EPGL, EPHL or any of their respective close associates, associates or core connected persons or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and recommendation, we have reviewed, amongst others, the Joint Announcement, the Share Transfer Agreement, the Greenheart Resources Agreement, the annual report of the Company for the year ended 31 December 2013 (the “**2013 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2014 (the “**2014 Interim Report**”), certain financial information of the Greenheart Resources, the cashflow forecast of the Company and the information contained in the Circular. We have also discussed with and reviewed the information provided by the management of the Group regarding the business and outlook of the Group.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, which we have assumed to be true, accurate, complete and not misleading in all material aspects as at the date of this letter and will remain as at the date of the SGM. The Independent Shareholders will be informed as soon as possible if we become aware of any material change to such information up to the date of completion of the Greenheart Resources Agreement. We have sought and received confirmation from the Directors and the management of the Group that no material facts have been omitted from the information supplied and opinions expressed by them to us. We consider that the information which we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have considered the following principal factors and reasons:

1. Business and financial information of the Group

(a) Business of the Group

The principal activities of the Group comprise log harvesting, lumber processing, marketing and sales of logs and lumber products. The Group operates its business mainly in two geographical location, namely New Zealand and Suriname.

Acquired in early 2011, the New Zealand division is principally engaged in softwood log harvesting, marketing and sale of logs and it has been contributing majority of revenue and profit to the Group. As at 30 June 2014, the radiata pine plantation forest assets managed by the Group in the Northland region of New Zealand had a total land base of approximately 13,000 hectares, of which approximately 11,000 hectares was net productive area. The radiata pine produced by the New Zealand division are mainly exported to China and India.

The Suriname division is principally engaged in hardwood log harvesting, timber processing, marketing and sale of logs and timber products. The Group is a natural forest concession owner and operator in Suriname and currently manages and operates certain forest concessions for the exploitation of timber on parcels of land in Suriname with terms ranging from 10 to 20 years. In February 2014, the Group completed the acquisition of certain forest concessions in Central Suriname of approximately 91,750 hectares of natural tropical hardwood forest in Suriname (“**Suma**”), which were previously held by the Group under a two-year exclusive cutting right agreement. As at 30 June 2014, the total forest concessions under management by the Group in Suriname covered a land area of approximately 322,000 hectares.

(b) Financial information of the Group

(i) Financial results

The following are summaries of the consolidated statement of comprehensive income of the Group for the years ended 31 December 2013 and 2012 and the six months ended 30 June 2014 and 2013 as extracted from the 2013 Annual Report and the 2014 Interim Report respectively.

LETTER FROM SOMERLEY

	For the six months ended 30 June		For the year ended 31 December	
	2014	2013	2013	2012
	HK\$	HK\$	HK\$	HK\$
	(million)	(million)	(million)	(million)
Revenue	354.2	319.0	724.6	495.2
Cost of sales/goods sold (<i>Note</i>)	(276.9)	(208.4)	(389.1)	(308.8)
Gross profit (<i>Note</i>)	77.3	110.6	335.5	186.4
Fair value (loss)/gain on plantation forest assets	(66.9)	24.8	108.8	94.8
Selling and distribution costs	(108.6)	(95.8)	(224.2)	(169.7)
Administrative expenses	(36.6)	(41.3)	(89.1)	(79.5)
Finance costs	(21.7)	(26.7)	(47.3)	(40.0)
Others	(32.1)	2.0	(97.6)	(122.7)
Loss before tax	(188.6)	(26.4)	(13.9)	(130.7)
Tax	31.1	(20.3)	(46.4)	(13.7)
Loss for the period/year	(157.5)	(46.7)	(60.3)	(144.4)
Loss for the period/year attributable to:				
The Shareholders	(127.1)	(24.8)	(5.7)	(76.8)
Non-controlling interests	(30.4)	(21.9)	(54.6)	(67.6)
	(157.5)	(46.7)	(60.3)	(144.4)

Note: As disclosed in the 2014 Interim Report, the Group's gross profit was defined as revenue less cost of goods sold in prior years. Other expenses such as unallocated production overheads, write-down/write-back of inventories, amortisation of harvest roading and provisions for impairment, are separately disclosed in "Other operating expenses" in the consolidated statement of comprehensive income.

For the six months ended 30 June 2014, the Group's gross profit was re-defined. The unallocated production overheads, write-down/write-back of inventories and amortisation of harvest roading were classified as "Cost of sales" in the consolidated statement of comprehensive income and provisions for impairment is separately disclosed in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2014. Accordingly, the comparative amounts for the six months ended 30 June 2013 (for the avoidance of doubt, not for the years ended 31 December 2013 and 2012) have been reclassified to conform to the presentation for the six months ended 30 June 2014.

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The Group reported record-high revenue for 2013 of approximately HK\$724.6 million, of which the New Zealand division contributed approximately 91.6% and the Suriname division provided almost the rest. The significant growth in sales was mainly driven by the increasing demand for the New Zealand radiata pine in China. Both the export sales volume and the average export selling price of the New Zealand radiata pine have recorded considerable increases during 2013. For the first half of 2014, revenue of the Group rose by approximately 11.0% as compared to the same period in 2013 to approximately HK\$354.2 million. The growth was mainly contributed by the New Zealand division as a result of the high export selling prices to China during the first four months of 2014, in particular when the aforesaid price reached its historical peak in March 2014, and a further improvement in sales of the Suriname division.

The gross profit and the gross profit margin of the Group for 2013 increased from approximately HK\$186.4 million for 2012 by approximately 80.0% to approximately HK\$335.5 million for 2013 and from 37.6% for 2012 to 46.3% for 2013 respectively. The improvements in both gross profit and gross profit margin were chiefly driven by the increased average selling prices of the New Zealand radiata pine. However, both the gross profit and the gross profit margin of the Group decreased for the six months ended 30 June 2014, which were largely due to the increase in non-cash forest depletion cost as a result of the increase in fair value of the plantation forest assets located in New Zealand as at 31 December 2013 and the increase of unit harvesting cost due to the appreciation of the New Zealand currency, respectively.

The loss for the year attributable to the Shareholders reduced significantly from approximately HK\$76.8 million for 2012 by approximately 92.6% to approximately HK\$5.7 million for 2013. The improvement in the financial result of the Group for 2013 was mainly attributable to the growths in sales and margin of the New Zealand radiata pine and the implementation of cost control measures in the last quarter of 2013. The financial result of the Group however deteriorated substantially for the six months ended 30 June 2014 due to two large non-cash losses. First is a fair value loss on plantation forest assets located in New Zealand amounted to approximately HK\$66.9 million, which was recognised during the first half of 2014 as compared to a gain of approximately HK\$24.8 million for the corresponding period in 2013, as a result of significant decline in the spot market price of the New Zealand radiata pine on 30 June 2014 as compared to that on 31 December 2013. Second, provisions for impairment, in particular a goodwill of approximately HK\$27.9 million in relation to the Group's investment in Suma, were charged to the financial result of the Group for the six months ended 30 June 2014 after an unexpected significant increase in the forest concession levy announced by the Suriname government in early 2014. Compounded with the drop in gross profit contribution as mentioned above, the loss attributable to the Shareholders surged considerably from approximately HK\$24.8 million for the six months ended 30 June 2013 by approximately 4.1 times to approximately HK\$127.1 million for the corresponding period in 2014.

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(ii) Financial positions

The following are summaries of the consolidated statements of the financial position of the Group as at 30 June 2014, 31 December 2013 and 31 December 2012 as extracted from the 2014 Interim Report and the 2013 Annual Report.

	As at 30 June 2014 HK\$ (million)	As at 31 December 2013 HK\$ (million)	2012 HK\$ (million)
NON-CURRENT ASSETS			
Property, plant and equipment	483.0	458.3	407.5
Timber concessions and cutting rights	759.9	710.8	738.1
Plantation forest assets	397.1	521.8	500.7
Other non-current assets	63.2	35.5	37.8
Total non-current assets	1,703.2	1,726.4	1,684.1
CURRENT ASSETS			
Cash and cash equivalents	123.1	204.0	144.3
Other current assets	164.2	232.2	177.8
Total current assets	287.3	436.2	322.1
CURRENT LIABILITIES			
Loan from holding companies/former holding company	374.4	312.0	312.0
Balances with related parties	23.2	22.7	22.7
Convertible bonds	161.3	155.9	214.7
Other current liabilities	112.1	102.8	84.0
Total current liabilities	671.0	593.4	633.4
NET CURRENT LIABILITIES	(383.7)	(157.2)	(311.3)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,319.5	1,569.2	1,372.8
NON-CURRENT LIABILITIES			
Loans from holding company	31.4	89.7	62.4
Interest-bearing bank borrowings	195.0	195.0	–
Other non-current liabilities	101.1	144.3	117.5
Total non-current liabilities	327.5	429.0	179.9
NET ASSETS	992.0	1,140.2	1,192.9
EQUITY			
Equity attributable to the Shareholders	892.2	1,010.0	1,008.1
Non-controlling interests	99.8	130.2	184.8
TOTAL EQUITY	992.0	1,140.2	1,192.9

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The non-current assets of the Group were relatively stable in general as at 31 December 2012, 31 December 2013 and 30 June 2014. The property, plant and equipment mainly comprised forestry land in New Zealand, buildings and capital roadings and plant and machinery. Timber concessions and cutting rights represent the forest concessions and cutting rights for the exploitation of timbers on parcels of land in Suriname with terms ranging from 10 to 20 years. Plantation of forest assets represent the radiata pine plantation forest assets managed by the Group in New Zealand. The decrease in the plantation forest assets during the period of six months ended 30 June 2014 was mainly attributed to the recognition of fair value loss of approximately HK\$66.9 million as a result of significant decline in the spot market price of the New Zealand radiata pine on 30 June 2014 as compared to that on 31 December 2013.

The liquidity positions of the Group have not been very satisfactory. The cash balance was approximately HK\$123.1 million and the net current liabilities were approximately HK\$383.7 million as at 30 June 2014. Consequently, the Group's operations have been significantly financed by its related parties. As at 30 June 2014, the Group had related party borrowings consisting of, among others, (i) loans from EPGL (i.e. the EPGL Loan) with an aggregate principal amount of US\$40.0 million (equivalent to approximately HK\$312.0 million), which carried an interest rate at the LIBOR plus 3.5% per annum and were unsecured and repayable on 17 May 2015; (ii) loans from Sino-Capital with aggregate principal amount of approximately US\$12.0 million (equivalent to approximately HK\$93.6 million), which carried an interest rate at the Prime Rate per annum and were unsecured and repayable on various dates from 26 March 2015 to 19 June 2017; and (iii) convertible notes issued to a company which Mr. Simon Murray, a non-executive Director, has interest as an indirect substantial shareholder of its fund manager, with an aggregate outstanding principal amount of US\$17.0 million (equivalent to approximately HK\$132.6 million), which had a coupon rate of 5% per annum and a conversion price of HK\$2.002 and will be matured on 17 August 2015. In addition to the above, the Group also had bank borrowings from Bank of New Zealand ("**Bank of NZ**") of US\$25.0 million (equivalent to approximately HK\$195.0 million), which carried a base rate, as determined by Bank of NZ, plus 1.65% per annum, and were secured and had a final maturity date of 28 February 2017. As a result of the potential change in control of the Company contemplated under the Share Purchase Agreement, a waiver or consent from Bank of NZ will be required pursuant to a certain loan facility agreement with Bank of NZ for the implementation of the transactions under the Greenheart Resources Agreement and the Share Purchase Agreement. Please refer to paragraph headed "(e) Conditions precedent" under the section headed "4. Key terms and conditions of the Greenheart Resources Agreement" in this letter below for further details of the required waiver or consent from Bank of NZ.

As at 30 June 2014, the net assets value attributable to the Shareholders stood at approximately HK\$892.2 million. Based on the total number of issued Shares of 789,889,104 as at the Latest Practicable Date, the net asset value attributable to the Shareholders as at 30 June 2014 was approximately HK\$1.13 per Share.

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(c) *Outlook of the Group*

As discussed above, the financial result of the Group during the six months ended 30 June 2014 was significantly impacted by the fair value loss on its plantation assets in New Zealand due to a fall in the price of export logs towards the end of the first half of 2014, and a provision for impairment of goodwill in relation to the acquisition of Suma due to the sharp increase in the concession levy.

The export price of New Zealand radiata pine had bottom out in the early second half of 2014 and the management of the Group anticipated that the reduction of inventories in China would take several months to occur and the export price of New Zealand radiata pine would gradually return to the projected long-term average price by end of 2014. Consequently, the total targeted harvest volume for 2014 had been reduced from 700,000 m³ by approximately 10.6% to 626,000 m³.

In respect of the increase in forest concession levy in Suriname, the Group would keep on working closely with other industry participants to negotiate with the Suriname government's advisors with a view to reach a solution on the appropriate level of concession levy acceptable to all parties.

Internally, management of the Group continued to focus on improving the operational efficiency of the west Suriname operation as well as expanding and renovating Suma's sawmill plant. It was expected that extra cash resources would be required for implementation of these enhancement programs. The profitability of the Suriname operations was anticipated to improve once the aforesaid enhancement programs complete.

In general, the financial performance of the Group will continue to be hinged on, among other things, the future export price of New Zealand radiata pine which had been fluctuated significantly in the last few months, the results of the negotiations in Suriname regarding the forest concession levy and the success of the implementation of the enhancement program in its west Suriname operation. Furthermore, given the limited cash resources, the proposed enhancement programs to be implemented in Suriname will likely to put pressure on the already tight liquidity position of the Group.

2. **Business and financial information of the Greenheart Resources Group**

(a) *Business and outlook of the Greenheart Resources Group*

Greenheart Resources and its subsidiaries (the "**Greenheart Resources Group**") primarily engage in forestry operations, i.e. activities including but not limited to hardwood log harvesting, timber processing, marketing and sale of logs and timber products, in West Suriname, South America. As at the Latest Practicable Date, Greenheart Resources was jointly owned as to 60.39% by Silver Mount, a wholly-owned subsidiary of the Company, and 39.61% by Sino-Capital, the controlling shareholder of the Company. The 39.61% equity interest in Greenheart Resources (i.e. the Greenheart Resources Shares) is one of the subject matters of the Greenheart Resources Agreement.

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As at 30 June 2014, the Greenheart Resources Group held tropical hardwood concessions with total land base of approximately 185,000 hectares with terms ranging from 10 to 20 years (with rights to renewal) in West Suriname, South America. Suriname is the smallest country in South America and situated between French Guiana to the east and Guyana to the west. The southern border is shared with Brazil and the northern border is on the Atlantic coast. The estimated forest area of Suriname is approximately 14.8 million hectares, which is over 94% of the total land area. The Group is the largest forest operator in Suriname.

For the aforesaid tropical hardwood concessions, Greenheart Resources entered into the relevant concessions directly with the Foundation for Forest Management and Production Control (“SBB”), the forestry authority representing the Suriname government. As explained by management of the Group, due to limited processing capabilities in the previous years, the Greenheart Resources Group has concentrated on exporting logs. After completion the phase one of the processing facility, the Greenheart Resources Group put forth more effort on developing the overseas markets and marketing channels for lumber exports. The logs produced by the Greenheart Resources Group are exported to China, while lumber products are mainly exported to China, Europe and the United States and sold domestically in Suriname. Due to the higher profit margins of the lumber products, the Greenheart Resources Group is planning to move towards exporting processed lumber products as much as possible in the coming years.

Greenheart Resources’ West Suriname processing sawmill is located near its forest concessions and covers an area of 20 hectares. It currently has three production lines with a total log input capacity per annum (double shift) of approximately 60,000 m³. The latest completed production line of the Greenheart Resources Group’s sawmill was commissioned in August 2012. The sawmill is one of the largest of its kind in South America. Greenheart also completed the construction of a bio-energy plant in the third quarter of 2014 to convert the sawmill waste into green bio-energy to reduce the power costs of the sawmill by more than 80%. The management of the Greenheart Group expects the benefits of lower energy costs, especially from the reduction of fossil fuel consumption, will accrue in 2015.

Based on our discussion with management of the Group, the priorities given to the Greenheart Resources Group would be to reduce operating costs, to improve the efficiency of the entire operation as well as to strengthen the collaboration between forestry operations, sawmill production, sales and logistics. The enhancement of the plant layout, streamlining of material flows, the optimisation of product mix, the sub-contracting of certain services and the commissioning of the bio-energy plant to reduce power costs are some key initiatives implemented by management of the Greenheart Resources Group to achieve such priorities. The final stage of the production capacity enhancement program will be completed by the first half of 2015. By then, the log input volume will increase to up to 100,000 m³ (double shift) per annum from 60,000 m³. Through this program, management of the Greenheart Resources Group aims to enhance sawmill operational efficiency, expand capacity and increase the proportion of high value-added lumber products and the spectrum of wood species to generate higher profit margins for the business.

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West Suriname currently harvests over 30 different species of commercial hardwood. Given 11 additional new kilns have now been in operation since the last quarter of 2014, West Suriname is better positioned to improve its product mix by increasing the proportion of high value-added lumber products, resulting in higher profit margins.

Continued cost reduction is vital to the turnaround of West Suriname's sawmill operation. The management of the Greenheart Resources Group will continue to take further measures to reduce operating costs while maintaining controls and improving operational efficiency and sales order fulfillment.

In 2012, the West Suriname operation obtained Forest Stewardship Council* ("FSC") controlled wood certification. It has just completed a full FSC assessment following which it is expected that West Suriname will advance to full FSC certificate accreditation in early 2015. Such advanced accreditation should facilitate premium pricing and increased penetration into the United States and, in particular, European markets which increasingly require FSC products.

The significant increase in the forest concession levy (from 0.01 Suriname dollars per hectare per year to 20.00 Suriname dollars per hectare per year) in Suriname, introduced by the Suriname government in early 2014, was met resistance from the Suriname forestry industry. In response, the Suriname government appointed advisors with timber industry experience to work with industry participants and to report and advise on an appropriate level of concession levy. At as the Latest Practicable Date, negotiations between the industry and the Suriname government are continuing. The Group will continue to work with other industry participants and the advisors to the Suriname government in order to reach a more reasonable solution which is equitable to all parties. As at the Latest Practicable Date, the Greenheart Resources Group has accrued but not paid the increased concession levy, amounting to approximately HK\$10.1 million.

Based on the latest internal assessment of the management of the Group, the Group will still need to contribute cash to the West Suriname operation during 2015 before it becomes cash flow neutral.

(b) Financial information of the Greenheart Resources Group

(i) Financial performance

The following is a summary of the consolidated statement of comprehensive income of the Greenheart Resources Group for the years ended 31 December 2013 and 2012 as extracted from the audited consolidated financial statements of the Greenheart Resources Group for the year ended 31 December 2013.

* The FSC is an international not-for-profit organisation established in 1993 to promote responsible management of the world's forests. Its main tools for achieving this are standard setting, certification and labelling of forest products.

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	For the year ended 31 December	
	2013	2012
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
	(Audited)	(Audited)
Revenue	41.3	35.6
Cost of goods sold	(26.4)	(14.1)
Gross profit	14.9	21.5
Other revenue and gains	5.0	2.8
Selling and distribution expenses	(14.0)	(13.0)
Administrative expenses	(36.7)	(30.3)
Other operating expenses	(45.8)	(39.7)
Finance costs	(20.5)	(15.7)
Loss before taxation	(97.1)	(74.4)
Taxation	—	—
Loss for the year	(97.1)	(74.4)

Due to the increased production and sales driven by the additional production line commissioned in August 2012 as well as the changing sales mix with additional sales of higher margin lumber products, the revenue of the Greenheart Resources Group increased to approximately HK\$41.3 million for the year ended 31 December 2013 from approximately HK\$35.6 million for the year ended 31 December 2012, representing an increase of approximately 16.0%. The cost of goods sold for the year ended 31 December 2013 increased more significantly to approximately HK\$26.4 million, representing an increase of approximately 87.2% from that for the year ended 31 December 2012. The considerable increase in cost of goods sold was also attributable to the changes in sales mix with more lumber products which were of higher production costs as compared to round logs. The Greenheart Resources Group recorded a gross profit of approximately HK\$14.9 million for the year ended 31 December 2013, representing a decrease of approximately 30.7% from approximately HK\$21.5 million for the year ended 31 December 2012. The decrease in gross profit was mainly attributable to the low average selling prices due to clearance sales of certain lower grade lumber and aged logs which had lower margins. During 2013, due to operational inefficiencies and underutilised production capacity, both the administrative expenses and other operating expenses increased as a result of the recognition of certain unallocated operating and manufacturing overhead expenses in the Suriname logging and sawmill operations. These unallocated operating and manufacturing overhead expenses were mainly attributable to a slow-down in forestry activities and certain sawmill activities in order to synchronise them with installed

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processing facilities in West Suriname thereby the actual overhead expenses exceeded the standard overhead expenses such as subcontracting expenses, utilities and fuels expenses, production staff costs and depreciation. In addition, a change in log species mix input into the sawmill too often (with the primary objective of producing a wider variety of products for customers) also affected the sawmill's overall performance as it increased machinery set-up time and impacted efficiency.

The loss for the year ended 31 December 2013 increased to approximately HK\$97.1 million from approximately HK\$74.4 million for the year ended 31 December 2012, representing an increase of approximately 30.5%. The increase in loss in 2013 was a combination of the above rise in cost of goods sold, administrative expenses and other operating expenses. As confirmed by the Directors, save as discussed above regarding the increase in forest concession levy in Suriname, the decrease in average export selling prices due to a higher proportion of low grade products being sold and higher production expenses, there had not been any material change in the trend of the financial performance of the Greenheart Resources Group since the year ended 31 December 2013 and until the Latest Practicable Date.

(ii) Financial positions

The following is a summary of the consolidated statements of the financial position of the Greenheart Resources Group as at 31 December 2013 and 31 December 2012 as extracted from the audited consolidated financial statements of the Greenheart Resources Group for the year ended 31 December 2013.

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	As at 31 December	
	2013	2012
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
	(Audited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	180.7	165.6
Prepaid land lease payments	3.2	3.3
Timber concessions and cutting rights	8.9	9.1
Other intangible assets	0.7	0.8
Goodwill	7.6	7.6
Prepayment, deposits and other receivables	1.0	6.7
	<u>202.1</u>	<u>193.1</u>
CURRENT ASSETS		
Due from the immediate holding company	–	11.7
Due from fellow subsidiaries	3.4	1.8
Inventories	28.9	14.9
Trade receivables	5.2	5.3
Prepayments, deposits and other receivables	11.3	5.9
Cash and bank balances	16.5	38.1
	<u>65.3</u>	<u>77.7</u>
CURRENT LIABILITIES		
Loan from the immediate holding company	–	205.4
Due to the immediate holding company	18.1	–
Due to a fellow subsidiary	1.4	1.0
Trade payables	4.8	2.7
Other payables and accruals	11.1	20.2
Deposit received from a fellow subsidiary	22.6	22.5
Finance lease payables	5.4	2.7
	<u>63.4</u>	<u>254.5</u>
Net current assets/(liabilities)	<u>1.9</u>	<u>(176.8)</u>
Total assets less current liabilities	<u>204.0</u>	<u>16.3</u>
NON-CURRENT LIABILITIES		
Loans from the immediate holdings company	351.8	95.1
Loans from a non-controlling shareholder	89.7	62.4
Finance lease payables	9.4	8.6
	<u>450.9</u>	<u>166.1</u>
NET LIABILITIES	<u>(246.9)</u>	<u>(149.8)</u>

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The property, plant and equipment mainly comprised buildings and capital roadings, plant and machinery and construction in progress. The increase in the property, plant and equipment during the year ended 31 December 2013 was mainly attributed to the capital investment for the construction of drymill, acquisition of plant and machinery, forestry infrastructure and heavy equipment in Suriname.

The liquidity positions of the Greenheart Resources Group has not been satisfactory. In particular, the cash and bank balance has been decreasing and only had approximately HK\$16.5 million as at 31 December 2013. Moreover, it carried a minimal net current assets of approximately HK\$1.9 million on the same date. Inventories of the Greenheart Resources Group, which mostly made up of logs and lumber products, have been built up during the period under review. The inventories balance increased from approximately HK\$14.9 million as at 31 December 2012 to approximately HK\$28.9 million as at 31 December 2013. The increase was mainly because more lumber were produced after completion of the phase one of the processing facility, which included the addition of a new sawmill production line.

The Greenheart Resources Group's operations were mainly financed by related party borrowings provided by its shareholders, namely Silver Mount and Sino-Capital. As at 31 December 2013, the Greenheart Resources Group had related party borrowings consisting of, among others, (i) loans from Sino-Capital with aggregate principal amount of approximately US\$11.5 million (equivalent to approximately HK\$89.7 million), which carried an interest rate at the Prime Rate per annum and were unsecured and repayable on various dates from 26 March 2015 to 28 June 2016; and (ii) loans from Silver Mount with aggregate principal amount of approximately US\$45.1 million (equivalent to approximately HK\$351.8 million), which carried an interest rate at the Prime Rate per annum and were unsecured and repayable on various dates from 26 March 2015 to 22 November 2016.

As at 30 June 2014, the Greenheart Resources Group had an unaudited net liabilities of approximately HK\$301.5 million. After taking into account the adjustments of the carrying fair value of the assets acquired and liabilities assumed upon acquisition of the Greenheart Resources Group in 2007 made on the consolidated financial statements of the Group, the Greenheart Resources Group would have an unaudited adjusted consolidated net asset value of approximately HK\$340.0 million (or US\$43.59 million), of which HK\$134.67 million (or US\$17.27 million) would be attributable to the Greenheart Resources Shares representing approximately 39.61% of the issued share capital of Greenheart Resources as at the Latest Practicable Date. Details of the fair value adjustment are set out in the paragraph headed "Information about Greenheart Resources" under the section headed "C. Greenheart Resources Agreement" in the letter from the Board in the Circular.

3. Industry overview

As a majority of the forestry products of the Greenheart Resources Group are sold to the Chinese market, we have explored the significance of this market.

China has achieved gross domestic product growth averaging more than 10% a year over last decade and lifted more than hundreds of millions of people out of poverty. Being the most populous country in the world with a population of 1.3 billion as well as the second largest economy, China is increasingly playing a key role in shaping the global economy. In the Chinese government's latest policy address, China's 12th Five-Year Plan (2011-2015) (the "**FYP**") has set an annual growth target of 7%, being lower than the previous five-year plan of 7.5%.

The FYP turned into a host of economic policies aiming to improve the lives of the people as well as promoting a growing segment of middle-income consumers. With this growing middle-income consumers, naturally comes with the demand for better housing and furnishing. In terms of furnishing, China currently has strong demand for wood-based, roof and wall framing, flooring, doors, window frames and trim, furniture and interior decoration items. The annual production of wood and bamboo-based flooring and wood furniture between 2007 and 2011 had increased at a compound annual growth rate ("**CAGR**") of approximately 23.0% and 4.2%. China's annual timber consumption in 2011 was approximately 500 million m³, of which approximately 45% of such demand was met by imports. The CAGR of China's annual timber consumption between 2007 and 2011 was approximately 8.5%. According to the State Forestry Administration (the "**SFA**"), it is expected that China's appetite for log and lumber imports will continue as the China growth story continues. The SFA estimated that China's annual timber consumption by 2020 will reach 800 million m³.

We are of the view that external market forces are generally positive for the Group in the medium term. However there remain challenges for the Greenheart Resources Group to optimise its operations and to arrive at an acceptable result of its negotiation with the SBB on a reasonable level of forest concession levy to achieve better economics for its business as discussed in paragraph headed "(a) Business and outlook of the Greenheart Resources Group" under the section headed "2. Business and financial information of the Greenheart Resources Group" in this letter above.

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4. Key terms and conditions of the Greenheart Resources Agreement

(a) *Date*

31 October 2014

(b) *Parties*

Vendor of the Greenheart Resources Shares: Sino-Capital

Vendors of the Debt Interests: Sino-Capital and EPGL

Purchaser: Newforest

Warrantors: Sino-Capital and EPGL

Convenator: EPHL

(c) *The sale of the Greenheart Resources Shares and the Debt Interest*

Pursuant to the Greenheart Resources Agreement, (i) Sino-Capital conditionally agreed to sell, and Newforest conditionally agreed to purchase the Greenheart Resources Shares, being 3,036,000,000 ordinary shares of Greenheart Resources (representing approximately 39.61% of the issued share capital of Greenheart Resources); and (ii) Sino-Capital and EPGL conditionally agreed to sell, and Newforest conditionally agreed to purchase, all the benefits and obligations of the Debt Interests.

Immediately after completion of the Greenheart Resources Agreement, Sino-Capital will no longer hold any shares in Greenheart Resources.

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(d) *Consideration and payment terms*

Components of the consideration under the Greenheart Resources Agreement	US\$	(equivalent amount in HK\$)
Greenheart Resources Shares	US\$10,000,000	HK\$78,000,000
Principal amount of the EPGL Loan	US\$40,000,000	HK\$312,000,000
Principal amount of the Sino-Capital Loans	US\$13,466,960 (Note 1)	HK\$105,042,288
Sub-total	US\$63,466,960	HK\$495,042,288
Any accrued but unpaid interest of the Debt Interests as of the date of completion of the Greenheart Resources Agreement	US\$613,875 (Note 2)	HK\$4,788,225
Total	US\$64,080,835 (Note 2)	HK\$499,830,513

Notes:

1. The principal amount of the Sino-Capital Loans as at the Latest Practicable Date is for illustration purpose only. After the Latest Practicable Date, the principal amount of the Sino-Capital Loans may include the principal amount of any additional Sino-Capital Loans borrowed by Greenheart Resources from Sino-Capital after the Latest Practicable Date and up to and including the date of completion of the Greenheart Resources Agreement to finance its operations (which may be up to US\$1,033,040 (equivalent to approximately HK\$8,057,712) pursuant to the Greenheart Resources Agreement). The principal amount of the Sino-Capital Loans could amount to US\$14,500,000 (equivalent to approximately HK\$113,100,000).
2. The amounts above are calculated based on the aggregate amount of accrued but unpaid interest of the EPGL Loan and the Sino-Capital Loans as at the Latest Practicable Date and are set out for illustration purpose only. The actual amount payable will be determined based on the accrued but unpaid interest of the Debt Interests as of the date of completion of the Greenheart Resources on a dollar-for-dollar basis.

As set out in the letter from the Board in the Circular, the above consideration has been agreed among Sino-Capital, EPGL, EPHL and Newforest after arm's length negotiation on normal commercial terms. The consideration for the Greenheart Resources Shares to be paid at completion of the Greenheart Resources Agreement is calculated based on the book value and prospects of future profits of Greenheart Resources.

Under the terms of the Greenheart Resources Agreement, the payment of an amount equal to 24.99% of the sum of the consideration under (i) the Share Purchase Agreement and (ii) the Greenheart Resources Agreement (the "**Delayed Payment**") is deferred, and is payable by Newforest to EPGL on the date falling on the first year anniversary of the date of the Greenheart Resources Agreement. Newforest's obligation to pay the Delayed Payment under the Greenheart Resources Agreement is unconditionally and irrevocably guaranteed

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by Sharpfield Holdings Limited pursuant to a deed of guarantee entered into between EPGL and Sharpfield Holdings Limited, a wholly-owned subsidiary of Chow Tai Fook Enterprises Limited, on the date of the Greenheart Resources Agreement.

(e) Conditions precedent

Completion of the Greenheart Resources Agreement is conditional upon the following Greenheart Resources Conditions being satisfied, among other things:

- (i) Silver Mount Waivers having been given by Silver Mount and approved by the Independent Shareholders at the SGM;
- (ii) a copy of the duly executed, undated deed of release having been delivered by the Vendor in relation to security granted by EPGL and Sino-Capital in connection with certain of EPHL's guaranteed debt;
- (iii) receipt by Newforest of the OIO Approval in respect of the transactions contemplated under the Share Purchase Agreement;
- (iv) receipt by Newforest of a copy of the duly executed waiver of the right of review under a certain loan facility agreement between the Bank of New Zealand and Greenheart MFV Limited (an indirect wholly-owned subsidiary of the Company) relating to a term loan facility for an aggregate principal amount of US\$25,000,000 and a variable overdraft facility, in respect of, or pre-emptive consent to, the implementation of the transactions under the Greenheart Resources Agreement and the Share Purchase Agreement; and
- (v) approval by the Independent Shareholders and the Executive for the implementation of the transactions contemplated under the Greenheart Resources Agreement and the transactions contemplated under the Share Purchase Agreement to the extent required pursuant to the Takeovers Code and the Listing Rules.

Other Greenheart Resources Conditions are set out in the letter from the Board in the Circular.

Newforest may waive condition (iv) above. The above conditions (i) to (iii) and (v), which include certain regulatory approvals, may be waived by Sino-Capital and Newforest if they agree to such waiver(s) in writing. As set out in the letter from the Board in the Circular, Sino-Capital has informed the Company that it intends to comply with its obligations to Silver Mount in respect of Silver Mount's right of first refusal and co-sale right, in each case, in respect of the Greenheart Resources Shares. In other words, Sino-Capital has the intention of not exercising its right to waive condition (i) above in the event that such condition is not fulfilled. Moreover, as set out in the letter from the Board in the Circular, Sino-Capital has advised the Company that it will not waive the Greenheart Resources Condition (v) above.

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The Greenheart Resources Agreement shall automatically terminate in accordance with its terms if the Greenheart Resources Conditions are not satisfied on or prior to 31 March 2015, which shall be automatically extended for up to three additional periods of 30 days each if all of the Greenheart Resources Conditions are satisfied or capable of being satisfied and Newforest is still seeking the OIO Approval.

(f) Completion

The Greenheart Resources Agreement following its becoming unconditional will be completed simultaneously with the Share Purchase Agreement.

5. The Silver Mount Waivers

(a) Background

The transfer of the Greenheart Resources Shares by Sino-Capital to Newforest as contemplated under the Greenheart Resources Agreement is subject to Silver Mount's right of first refusal whereby Silver Mount has the right to acquire such Greenheart Resources Shares at the same price as that in the Greenheart Resources Agreement. Further, Silver Mount has the co-sale right to require Sino-Capital to cause Newforest to purchase the shares of Greenheart Resources it holds and the interests in its loans to Greenheart Resources. However, Silver Mount has decided to conditionally waive these two rights by not exercising either the aforesaid right of first refusal or the co-sale right (i.e. the Silver Mount Waivers).

(b) Non-exercise of right of first refusal to acquire the Greenheart Resources Shares

As mentioned in the paragraph headed "(b) Financial information of the Group" under the section headed "1. Business and financial information of the Group" in this letter above, the liquidity positions of the Group have not been very satisfactory. The cash balance was approximately HK\$123.1 million and the net current liabilities were approximately HK\$383.7 million as at 30 June 2014. The immediate financial needs on the operational enhancement to be carried out in the West Suriname operations as well as the expansion plans for the New Zealand operations will also require substantial capital commitment. If the right of first refusal is exercised, the Company will have to utilise up to US\$10 million (equivalent to approximately HK\$78 million), which represents 63.4% of the Group's cash resources as at 30 June 2014, to pay the consideration for the Greenheart Resources Shares held by Sino-Capital.

Moreover, should the right of first refusal is exercised and Sino-Capital cease to be a shareholder of Greenheart Resources, it is doubtful if the Sino-Capital Loans, a significant portion of which will fall due in March 2015, will be extended by Sino-Capital upon their maturities. In the event that the Sino-Capital Loans are not extended, the repayment of the Sino-Capital Loans will add further pressure to the already strained liquidity positions of the Group.

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We have reviewed the working capital forecast of the Group up to 31 March 2016 as prepared by management of the Group and note that in order to fund the amount of capital required for the exercise of the right of first refusal, the Group may need to realise some of its long-term assets, which may not be in the best interests of the Group and the Shareholders as a whole.

(c) *Non-exercise of co-sale right in respect of the transfer of the Greenheart Resources Shares*

(i) *P/B Multiples of the Comparable Companies*

The Greenheart Resources Group primarily engage in and generate all of their revenue and profit or loss from their forestry operations in West Suriname. In assessing the fairness and reasonableness of the non-exercise of the co-sale right in respect of the transfer of the Greenheart Resources Shares by Sino-Capital to Newforest, we have attempted to compare the pricing ratios represented by the consideration for the transfer of the Greenheart Resources Shares against the market valuation of listed companies in Hong Kong with principal activities of forestry operations (the “**Hong Kong Forestry Companies**”). However, except for the Company, (i) trading in the shares of other Hong Kong Forestry Companies have been suspended (including China Asean Resources Limited (stock code: 8186), Dejin Resources Group Company Limited (stock code: 1163), China Forestry Holdings Co. Ltd. (stock code: 930) and Superb Summit International Group Limited (stock code: 1228)); (ii) the forestry operations of other Hong Kong Forestry Companies have been terminated or suspended (including China Agroforestry Low-Carbon Holdings Limited (stock code: 1069), Merdeka Mobile Group Limited (stock code: 8163), Sustainable Forest Holdings Limited (stock code: 723) and Yueshou Environmental Holdings Limited (stock code: 1191)) for various reasons; and/or (iii) the forestry operations of the Hong Kong Forestry Companies directly contribute less than 50% of revenue or profit (including China Resources and Transportation Group Limited (stock code: 269) and Nature Home Holding Company Limited (stock code: 2083)). Accordingly, the pricing ratios of the aforesaid Hong Kong Forestry Companies were not meaningful for valuation purpose. In particular, the valuations of the Hong Kong Forestry Companies with forestry operations directly contributing less than 50% of revenue and/or profit are considered not comparable for our analysis on the basis that the valuations of these companies are more likely to be based on, among other things, the other business operations or assets held by them, but not the forestry operations given their insignificance of revenue and/or profit contributions.

We have therefore expanded our review to companies listed on stock exchanges located in Asia, North America and Western Europe with principal activities that are broadly comparable to that of the Greenheart Resources Group and market capitalisation of over HK\$100 million as at the Latest Practicable Date (the “**Comparable Companies**”). Although the Comparable Companies are listed in different countries and may subject to different market sentiments, we are of the view that the Comparable Companies in general represent a fair and representative sample for our assessment on the basis that (i) the Comparable Companies have principal activities similar to that of the Greenheart Resources Group and therefore they face common market environment and operational risks; and (ii) the products of the Greenheart Resources Group are sold to various international destinations including China, Europe and the United States and the financial performance and the business operations of the Greenheart Resources Group are also subject to the sentiments in the

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different markets where the Comparable Companies are listed. Based on the criteria above, we have identified 12 Comparable Companies. We consider the selection of comparable companies with market capitalisation of over HK\$100 million a reasonable criterion as we are of the view that micro-cap listed companies with market capitalisation of below HK\$100 million would likely to be thinly-traded which are more vulnerable to extreme market movements hence they may not be a representative indication of value.

As the Greenheart Resources Group has recorded net losses in the recent years, we have adopted price-to-book multiples (“**P/B Multiple(s)**”) in the analysis. The list of the aforesaid Comparable Companies and their respective P/B Multiples are set out in the table below.

Company name	Stock code	Listing location	Principle activities	Market capitalisation (HK\$ million)	P/B Multiple (times) (Note 1)
West Fraser Timber Company Limited	WFT	Toronto, Canada	West Fraser Timber Company Limited produces dimension lumber and related wood products, fiberboard, pulp, linerboard, kraft paper, and newsprint. The company has operations in British Columbia, Alberta and in the southern United States.	32,759.0	2.5
Canfor Corporation	CFP	Toronto, Canada	Canfor Corporation is an integrated forest products company that produces and supplies SPF lumber, oriented strand board, plywood, kraft pulp and kraft paper. The company also produces remanufactured lumber products, hardboard paneling and special baled fibre products. In addition, Canfor Corporation produces kraft pulp and newsprint through a joint venture partnership with Howe Sound Pulp and Paper.	22,525.3	2.5
Interfor Corporation	IFP	Toronto, Canada	Interfor Corporation harvests timber and manufactures and markets lumber products, logs, and wood chips. The company has logging operations and sawmills in Western Canada.	7,909.5	2.0
Deltic Timber Corporation	DEL	New York, United States of America	Deltic Timber Corporation grows and harvests timber and manufactures and markets lumber. The company is also involved in real estate development projects, owns farmland, and holds an interest in a joint venture to manufacture and market medium density fiberboard.	6,279.2	3.0

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Company name	Stock code	Listing location	Principle activities	Market capitalisation (HK\$ million)	P/B Multiple (times) <i>(Note 1)</i>
Western Forest Products Inc.	WEF	Toronto, Canada	Western Forest Products Inc. is an integrated forest products company and a coastal woodland operator located in British Columbia, Canada. The company's activities include timber harvesting, reforestation, sawmilling logs into lumber and wood chips, value-added remanufacturing, and producing NBSK pulp. Western Forest's products are sold in various countries worldwide.	5,362.5	2.0
Fujian Jinsen Forestry Company Limited	002679	Shenzhen, China	Fujian Jinsen Forestry Company Limited cultivates, creates, maintains and protects forests, and sells timber production. The company's main product includes wood, with firs and masson pines as the main species.	3,726.7	1.8
Pope Resources, A Delaware Limited Partnership	POPE	NASDAQ, United States of America	Pope Resources, a limited partnership, owns or manages acres of timberland and development property in Washington, Oregon, California, and British Colombia, Canada. The company also assists investors in building and managing timber based investment portfolios.	2,048.4	3.8
Acadian Timber Corporation	ADN	Toronto, Canada	Acadian Timber Corporation harvests and markets forest products. The company markets saw logs to lumber mills, pulp wood to paper mills, and biomass to electricity generating plants. Acadian Timber Corporation operates in New Brunswick and Maine.	1,656.2	1.4
Conifex Timber, Inc.	CFF	Toronto, Canada	Conifex Timber, Inc. manufactures forest products. The company harvests softwood trees and produces structural grade dimensional lumber.	844.4	1.1
The Company	94	Hong Kong	The Company operates in log harvesting, lumber processing, marketing and sales of logs and lumber products. The Company supplies sustainable wood fiber, primarily to China as well as other markets around the world.	402.8 <i>(Note 2)</i>	0.5 <i>(Note 2)</i>
RusForest AB	RUSF	Stockholm, Sweden	RusForest AB produces sawn lumber in Russia.	176.9	0.5

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Company name	Stock code	Listing location	Principle activities	Market capitalisation	P/B Multiple
				(HK\$ million)	(times)
(Note 1)					
Timberwell Berhad	TWB	Malaysia	Timberwell Berhad is an investment holding company. Through its subsidiaries, the company has operations in forest management, timber harvesting, manufactures and trades timber and timber related products. Timberwell Berhad also manufactures and trades plywood, block board, and invests in property.	152.8	2.1
				Average	1.9
				Median	2.0
				Maximum	3.8
				Minimum	0.5
Greenheart Resources			Forestry operations in West Suriname.		0.6
(Note 3)					

Source: Bloomberg and the latest annual or interim reports of the Comparable Companies.

Notes:

1. The market capitalisation and the P/B Multiples of the Comparable Companies (except for the Company) are calculated based on the market capitalisation as at the Latest Practicable Date (for those listed in Asia) or the business day immediately before the Latest Practicable Date (for those listed in North America and Western Europe) divided by the most recent consolidated net assets value attributable to the shareholders of the Comparable Companies as shown in their respective latest published annual or interim reports.
2. The market capitalisation and the P/B Multiple of the Company is calculated based on the market capitalisation as at 16 June 2014, being the last trading day immediately before the publication of the announcement by the Company regarding, among other things, the possible Offers.
3. The implied P/B Multiple of the Greenheart Resources Shares of 0.6 times is calculated based on the consideration for the Greenheart Resources Shares of US\$10.0 million (equivalent to approximately HK\$78.0 million) divided by the proportionate (i.e. 39.61%) unaudited adjusted consolidated net assets of Greenheart Resources as at 30 June 2014 attributable to Sino-Capital (i.e. HK\$134.7 million) as extracted from the audited consolidated financial statement of the Greenheart Resources Group. The unaudited adjusted consolidated net assets of Greenheart Resources attributable to the shareholders as at 30 June 2014 of HK\$340.0 million was derived at after taking into account the adjustments of the carrying fair value of the assets acquired and liabilities assumed upon acquisition of the Greenheart Resources Group in 2007 made on the consolidated financial statements of the Group.
4. Keweenaw Land Association, Limited ("**Keweenaw Land**", stock code in the over-the-counter market of the United States of America: KEWL), a partnership association that owns more timberlands in Michigan used in forest land production and harvesting and also owns various subsurface and mineral interests, and Forst Ebnath AG ("**Forst Ebnath**", stock code in Berlin stock exchange of Germany: FEB), a company produces forestry products in the areas of Ebnath and Bayreuth in Bavaria and also owns, manages and leases real estate properties in Berlin and Potsdam, are not included in the above table as Keweenaw Land and Forst Ebnath had extreme P/B Multiples of 7.0 times and 8.3 times respectively, which we considered not meaningful for our analysis.

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The implied P/B Multiple of the consideration for the Greenheart Resources Shares is approximately 0.6 times, which is lower than the average of that of the Comparable Companies of 1.9 times.

- (ii) Discount of the consideration for the Greenheart Resources Shares to the net asset value of Greenheart Resources Group

The unaudited adjusted consolidated net assets of Greenheart Resources attributable to the shareholders of Greenheart Resources as at 30 June 2014 was approximately HK\$340.0 million. The consideration for the Greenheart Resources Shares (representing approximately 39.61% of the issued share capital of Greenheart Resources) of US\$10.0 million (equivalent to approximately HK\$78.0 million) therefore represents a discount of approximately 42.1% to the proportionate unaudited adjusted consolidated net assets of Greenheart Resources attributable to Sino-Capital as at 30 June 2014 of approximately HK\$134.7 million.

In light of the above, we are of the view that the consideration for the Greenheart Resources Shares under the Greenheart Resources Agreement is not particularly attractive from the point of view of the Shareholders and the Company. Accordingly, it is reasonable for the Company not to exercise its co-sale right in respect of the transfer of the Greenheart Resources Shares by Sino-Capital to Newforest to dispose of any part of the Group's shareholding in Greenheart Resources.

(d) Other analyses on the Silver Mount Waivers

In addition to the above analyses on the Silver Mount Waivers, we had also examined the following other factors and considerations in respect of whether the Silver Mount Waivers should be given.

Factors and considerations supportive of the non-exercise of the right of first refusal in respect of the transfer of the Greenheart Resources Shares:

- There remains uncertainty in the future performance of Greenheart Resources. Should Silver Mount exercise its right of first refusal to acquire Sino-Capital's Greenheart Resources Shares and to control Greenheart Resources 100%, the risk of West Suriname operation not performing as promised would have a much greater negative bearing on the part of the Group. In this case, the non-exercise of the right of first refusal in respect of the transfer of the Greenheart Resources Shares may seem a more conservative option.

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Factors and considerations supportive of the non-exercise of the co-sale right in respect of the transfer of the Greenheart Resources Shares:

- As discussed above in paragraph headed “(a) Business and outlook of the Greenheart Resources Group” under the section headed “2. Business and financial information of the Greenheart Resources Group” in this letter above, the Greenheart Resources business holds promise to profitability and growth potential after completion of the operational enhancement program in West Suriname. Production capacity and efficiency have been the key concerns of management of the Group and there had been substantial capital investments made in West Suriname in the past few years. These developments, combined with the Group’s wholly-owned Central Suriname operations, are an important element of the Group’s strategic plans to develop strong customer bases for FSC – accredited products sold mainly to customers in Europe and China. The Group’s recent acquisition of Central Suriname in February 2014 was an evidence of management’s commitment to the Suriname operations. Should Silver Mount exercise the co-sale right to require Sino-Capital to cause Newforest to purchase the shares of Greenheart Resources it holds and the interest in its loans to Greenheart Resources would preclude the Group from reaping the long-term economic prospects of the entire Suriname operation after substantial efforts have been made.
- The two key divisions of the Group are the New Zealand softwood logging business and the Suriname hardwood logging and lumber business. The diversity of income stream is important to the Group in hedging the changes of demand and supply in the forestry industry especially when the New Zealand operation is more prone to short-term changes in supply and demand. The retention of Silver Mount’s Greenheart Resources Shares can be seen as crucial to retain this ability to hedge.
- Greenheart Resources’ incumbent management team currently oversees both the West Suriname (i.e. Greenheart Resources) and the Central Suriname (i.e. Suma) operations. Management of the Group foresee that should all of the Silver Mount’s Greenheart Resources Shares be sold to Newforest under the co-sale right, the loss of control of Greenheart Resources may disrupt the stability of the Group’s Suriname incumbent management team, whose expertise and experience in managing forestry operations in emerging markets and their connections in the industry are vital to the success of the entire Suriname operation. The consequences of loss of control of Greenheart Resources may impact the Group’s ability to invest and expand the entire Suriname operation which is integral to the Group’s overall business.

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6. Sale of the Debt Interests

Sino-Capital has extended loans to Greenheart Resources to finance its operations. The loans owed by Greenheart Resources to Sino-Capital, i.e. the Sino-Capital Loans, had an aggregate outstanding principal amount of US\$13,466,960 as at the Latest Practicable Date. As at the Latest Practicable Date, the basic information on such loans is set out below:

Outstanding principal amount	Repayment date	Interest rate
US\$8,000,000	26 March 2015	Prime rate (i.e. 5%)
US\$3,500,000	28 June 2016	Prime rate (i.e. 5%)
US\$1,966,960 (<i>Note</i>)	19 June 2017	Prime rate (i.e. 5%)
US\$13,466,960		

Note: After the Latest Practicable Date, Sino-Capital and Greenheart Resources may amend the principal amount of this loan facility up to an amount not exceeding US\$3,000,000. If they do so and Greenheart Resources further utilises this loan facility, the principal amount outstanding under this facility may be increased.

In addition, EPGL has extended a loan of US\$40 million (i.e. the EPGL Loan) to Mega Harvest to finance its operations. The EPGL Loan is repayable on 17 May 2015. The interest applicable to the EPGL Loan accrues at the rate of LIBOR plus 3.5% per annum.

Pursuant to the Greenheart Resources Agreement, Sino-Capital and EPGL will sell and Newforest will purchase all the benefits and obligations of the Debt Interests upon Completion. The consideration for the transfer of the EPGL Loan will be US\$40 million (equivalent to approximately HK\$312 million) plus any accrued but unpaid interest of the EPGL Loan as of the date of completion of the Greenheart Resources Agreement. The consideration for the transfer of the Sino-Capital Loans will be the sum of (a) the total principal amount of the Sino-Capital Loans of US\$13,466,960 (equivalent to approximately HK\$105,042,288) outstanding as at the Latest Practicable Date; (b) the principal amount of any additional Sino-Capital Loan borrowed by Greenheart Resources from Sino-Capital after the Latest Practicable Date and up to and including the date of completion of the Greenheart Resources Agreement to finance its operations (which may be up to US\$1,033,040 (equivalent to approximately HK\$8,057,712) pursuant to the Greenheart Resources Agreement); and (c) any accrued but unpaid interest of the Sino-Capital Loans as of the date of completion of the Greenheart Resources Agreement. In other words, the consideration for the transfers of the Debt Interests will be on a dollar-for-dollar basis. As at the Latest Practicable Date, the aggregate amount of accrued but unpaid interest of the EPGL Loan and the Sino-Capital Loans was approximately US\$613,875 (equivalent to approximately HK\$4,788,225).

Mega Harvest, together with its subsidiaries (the “**Mega Harvest Group**”), primarily engage in forestry operations in New Zealand. As set out in the 2013 Annual Report and the 2014 Interim Report, the finance performance of the New Zealand operations was satisfactory in 2013 with growths in revenue and segment results while that in the first half of 2014 was less desirable with both the revenue and segment profits decreased, after charging the non-cash forest depletion cost and fair value loss on plantation forest assets as a result of substantial downward adjustment to the price of New Zealand radiata pine. Notwithstanding the above, the Mega Harvest Group still maintained a positive net asset value as at 30 June 2014.

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The Greenheart Resources Group primarily engage in forestry operations in West Suriname. The financial results and positions of the Greenheart Resources Group are summarised in the section headed “2. Business and financial information of the Greenheart Resources Group” in this letter above. Despite the Greenheart Resources Group have been loss-making during the review period, the Greenheart Resources Group still had net asset value of approximately HK\$340.0 million (after taking into account the adjustments of the carrying fair value of the assets acquired and liabilities assumed upon acquisition of the Greenheart Resources Group in 2007 made on the consolidated financial statements of the Group) as at 30 June 2014.

On the basis that (i) the consideration for the transfers of the Debt Interests, comprising both the principal amount and any accrued but unpaid interest as of the date of completion of the Greenheart Resources Agreement, will be on a dollar-for-dollar basis; and (ii) the positive net asset values of both the Mega Harvest Group and the Greenheart Resources Group as discussed above, we are of the view that the Sale of the Debt Interests is fair and reasonable.

As mentioned above, Silver Mount has the co-sale right to require Sino-Capital to cause Newforest to purchase the shares of Greenheart Resources it holds and the interests in its loans to Greenheart Resources. The co-sale right in respect of the Sino-Capital Loans is only exercisable if the co-sale right in respect of the Greenheart Resources Shares is exercised simultaneously. In our analysis as set out in the paragraph headed “(c) Non-exercise of co-sale right in respect of the transfer of the Greenheart Resources Shares” under the section headed “5. The Silver Mount Waivers” in this letter above, it is considered acceptable to Silver Mount of not exercising the co-sale right in respect of the transfer of the Greenheart Resources Shares. Given the above and on the basis that the terms of the transfer of the Sino-Capital Loans are fair and reasonable, we concur the view of the Directors of not exercising the co-sale right in respect of the Sino-Capital Loans.

7. The Special Deals

Newforest’s purchase of the Greenheart Resources Shares from Sino-Capital and the Sale of the Debt Interests constitute special deals on the part of the Company under Rule 25 of the Takeovers Code.

As mentioned in the paragraph headed “(c) Non-exercise of co-sale right in respect of the transfer of the Greenheart Resources Shares” under the section headed “5. The Silver Mount Waivers” in this letter above, (i) the consideration for the Greenheart Resources Shares represents a discount of approximately 42.1% to the proportionate unaudited adjusted consolidated net assets attributable to the shareholders of Greenheart Resources as at 30 June 2014; and (ii) the implied P/B Multiple of the consideration for the Greenheart Resources Shares is approximately 0.6 times, which is less than the average of that of the Comparable Companies of 1.9 times. On the above bases, we are of the view that the consideration for the Greenheart Resources Shares is relatively low and therefore the transfer of the Greenheart Resources Shares does not confer a special benefit to Sino-Capital, the vendor of the Greenheart Resources Shares. In addition, the discount of the Share Offer Price (i.e. HK\$0.71 for each Offer Share) to the consolidated net assets of the Company attributable to the Shareholders as at 30 June 2014 of HK\$1.13 per Share is approximately 37.2%, which is lower than the discount of the consideration for the Greenheart Resources Shares to the net asset value of Greenheart Resources Group of approximately 42.1%.

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As discussed in the section headed “6. Sale of the Debt Interests” in this letter above, the consideration for the transfer of the Debt Interests, comprising both the principal amount and any accrued but unpaid interest as of the date of completion of the Greenheart Resources Agreement, will be on a dollar-for-dollar basis. Furthermore, both borrowers of the Debt Interests, i.e. the Mega Harvest Group and the Greenheart Resources Group, had positive net asset values and therefore there is limited recoverability risk for the Debt Interests. Based on the above, we are of the view that the Sale of the Debt Interests does not confer a special benefit to Sino-Capital and/or EPGL, the vendors of the Debt Interests.

Based on the above, we are of the view that the terms of the Special Deals are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

DISCUSSION AND ANALYSIS

The principal activities of the Group comprise log harvesting, lumber processing, marketing and sales of logs and lumber products. The Group operates its business mainly in two geographical location, namely New Zealand and Suriname. The overall financial performance of the Group were not very satisfactory. In particular, the Suriname division has not yet generated positive cashflow from its operations. In addition to the negotiations of forest concession levy with the Suriname government, the management of the Group is implementing various measures aiming to enhance sawmill operational efficiency, expand capacity and increase the proportion of high value-added lumber products and the spectrum of wood species to generate higher profit margins for the Suriname business. Due to the losses made in the last few years and the capital expenditure required for the Suriname operations, the liquidity positions of the Group remains tight with limited cash reserves and net current liabilities. The current financing of the Group was largely dependent on borrowings from the controlling Shareholders, related parties and bank.

The industry outlook is generally positive for the Group in the medium term. However there remain challenges for the Suriname division to optimise its operations and to arrive at an acceptable result of its negotiation with the SBB to achieve better economics for its business.

The transactions contemplated under the Greenheart Resources Agreement mainly involves the transfers of (i) approximately 39.61% equity interest in Greenheart Resources for a consideration of US\$10.0 million (equivalent to approximately HK\$78.0 million); and (ii) the Debt Interests for a consideration of approximately US\$53.5 million (equivalent to approximately HK\$417.3 million) plus the principal amount of any additional Sino-Capital Loan borrowed by Greenheart Resources from Sino-Capital after the Latest Practicable Date and up to and including the date of completion of the Greenheart Resources Agreement (which may be up to US\$1,033,040 (equivalent to approximately HK\$8,057,712) pursuant to the Greenheart Resources Agreement) and the accrued but unpaid interest on a dollar-for-dollar basis, by Sino-Capital and EPGL to Newforest.

The transfer of the Greenheart Resources Shares by Sino-Capital to Newforest as contemplated under the Greenheart Resources Agreement is subject to Silver Mount’s right of first refusal whereby Silver Mount has the right to acquire such Greenheart Resources Shares at the same price as that in the Greenheart Resources Agreement. Further, Silver Mount has the co-sale right to require Sino-Capital to cause Newforest to purchase the shares of Greenheart Resources it holds and the interests in its loans to Greenheart Resources. However, Silver Mount has decided to conditionally waive these two rights by not exercising either the aforesaid right of first refusal or the co-sale right (i.e. the Silver Mount Waivers).

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The non-exercise of the right of first refusal is considered reasonable given (i) the limited cash reserves of the Group; and (ii) it is a more conservative approach for not taking up additional risk of the potential non-performance in the West Suriname operation.

In respect of the co-sale right in respect of the transfer of the Greenheart Resources Shares, we are of the view that the consideration for the Greenheart Resources Shares under the Greenheart Resources Agreement is not particularly attractive from the point of view of the Shareholders and the Company based on the P/B Multiples of the Comparable Companies. Moreover, the exercise of the co-sale right may (i) preclude the Group from obtaining the long-term economic prospects of the entire Suriname operation after substantial efforts have been made; (ii) reduce the Group's ability to diversify its income streams from two different sources; and (iii) result in loss of control and destabilise the entire Suriname operations. Accordingly, it is reasonable for the Company not to exercise its co-sale right in respect of the transfer of the Greenheart Resources Shares by Sino-Capital to Newforest to dispose of any part of the Group's shareholding in Greenheart Resources.

The co-sale right in respect of the Sino-Capital Loans is only exercisable if the co-sale right in respect of the Greenheart Resources Shares is exercised simultaneously. Given our analysis above and on the basis that the terms of the Sino-Capital Loans are fair and reasonable, we concur the view of the Directors of not exercising the co-sale right in respect of the Sino-Capital Loans.

In respect of the Debt Interests, on the basis that (i) the consideration for the transfer of the Debt Interests, comprising both the principal amount and any accrued but unpaid interest as of the date of completion of the Greenheart Resources Agreement, will be on a dollar-for-dollar basis; and (ii) the positive net asset values of both the Mega Harvest Group and the Greenheart Resources Group as discussed above, we are of the view that the Sale of the Debt Interests are fair and reasonable.

In terms of the Special Deals, given (i) the relatively low pricing for the Greenheart Resources Shares as compared to that of the Comparable Companies; (ii) the consideration for the Greenheart Resources Shares is at discount to the corresponding net asset value; (iii) the dollar-for-dollar basis for the Sale of the Debt Interests and any accrued but unpaid interest; and (iv) the positive net assets values of the borrowers, the transfer of the Greenheart Resources Shares and the Sale of the Debt Interests are considered not conferring a special benefit to Sino-Capital and/or EPGL, the vendors in the Greenheart Resources Agreement.

The transactions contemplated under the Share Purchase Agreement and the Greenheart Resources Agreement, if materialised, will result in Newforest taking over the entire investments in the Group held by the existing controlling Shareholders (i.e. Sino-Capital, EPGL and EPHL), i.e. approximately 62.82% equity interest in the Company, approximately 39.61% equity interest in Greenheart Resources and the Debt Interests. The arrangements contemplated under the Greenheart Resources Agreement (i.e. the transfer of the Greenheart Resources Shares and the Sale of the Debt Interests) are considered reasonable and a common market practice for third party acquisition where vendor's interests in both equity and debt in the target company of the subject acquisition to be completely disposed of to the purchaser, and the vendor will no longer retain any interest in either equity or debt of the target company upon completion of the acquisition.

LETTER FROM SOMERLEY

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider (i) the terms of the Special Deals are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (ii) the terms of the Silver Mount Waivers are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned and the granting of the Silver Mount Waivers, though not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise that the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to approve the Special Deals and the Silver Mount Waivers at the SGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

Kenneth Chow
Managing Director

Danny Cheng
Director

Mr. Kenneth Chow is a licensed person registered with the SFC and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

Mr. Danny Cheng is a licensed person registered with the SFC and as a responsible officer of Somerley to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

Information contained in this appendix is reproduced from the Joint Announcement for the purpose of providing the Independent Shareholders with reference in respect of the key terms of the Offers. Information reproduced from the Joint Announcement reflects the situation as of the date of the Joint Announcement. To the best of the Directors' knowledge and belief after all reasonable enquiries, there is no material change to the information contained in this appendix since the date of the Joint Announcement. Detailed terms of the Offers were set out in the Joint Announcement and will be set out in the Composite Document.

The Joint Announcement also contains the following responsibility statements:

"The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than information relating to Newforest and parties acting in concert with it and the terms of the Offers) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by Newforest and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading."

"The directors of Chow Tai Fook Enterprises Limited, Sharpfield Holdings Limited and Newforest jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading."

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS

As at the date of this joint announcement, Newforest and parties acting in concert with it are not interested in any Shares, convertible securities, warrants, options or derivatives of the Company, other than the interest in the Sale Shares under the Share Purchase Agreement. Immediately following Completion, Newforest and parties acting in concert with it will be interested in 496,189,028 Shares, representing approximately 62.82% of the issued share capital of the Company as at the date of this joint announcement. Newforest will be required to make a mandatory unconditional cash offer for (i) all the issued Shares; and (ii) cancellation of all outstanding Options and acquisition of all Convertible Notes (other than those already owned or agreed to be acquired by Newforest and parties acting in concert with it) pursuant to Rules 26.1 and 13.1 of the Takeovers Code, respectively, upon Completion.

As at the date of this joint announcement, the Company has:

- (a) 789,889,104 Shares in issue;
- (b) 17,488,145 outstanding Options under its Share Option Scheme each exercisable in issue each exercisable into one Share; and
- (c) Convertible Notes in aggregate convertible into 66,012,987 Shares.

Save as disclosed above, the Company has no outstanding options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this joint announcement.

Principal Terms of the Offers

Upon Completion, as Newforest and persons acting in concert with it will hold more than 50% of the voting rights of the Company, the Offers will not be subject to any acceptance or other conditions. The Offers will be made by VMS Securities Limited on behalf of Newforest in accordance with the Takeovers Code and on the following basis:

The Share Offer

For each Offer Share HK\$0.71 in cash.

The Share Offer will extend to all Shares in issue on the date on which the Share Offer is made and to any further Shares which are unconditionally allotted or issued after the date on which the Share Offer is made and before the date on which the Share Offer closes, including any Shares which are unconditionally allotted or issued on the exercise of Options granted under the Share Option Scheme or on conversion of the Convertible Notes, other than those held by Newforest and parties acting in concert with it.

Total consideration for the Share Offer

Upon Completion and based on the Share Offer Price, not less than 293,700,076 Shares (valued at approximately HK\$208,527,000, assuming no outstanding Option is exercised between the date of the joint announcement and up to the date of Completion) and not more than 311,188,221 Shares (valued at approximately HK\$220,944,000, assuming full exercise of the Outstanding Options between the date of this joint announcement and up to the date of Completion) will be subject to the Share Offer.

Comparisons of value

The Share Offer, valued at HK\$0.71 per Offer Share, represents:

- (a) a discount of approximately 21.1% to the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 16.7% to the average closing price of approximately HK\$0.852 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 16.8% to the average closing price of approximately HK\$0.853 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and

- (d) a discount of approximately 14.4% to the average closing price of approximately HK\$0.829 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day.

Highest and lowest prices

During the six-month period preceding the date of this joint announcement and up to and including the Last Trading Day:

- (a) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.92 on 9 October 2014; and
- (b) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.50 on 7 May 2014, 13 May 2014, 16 May 2014, 19 May 2014, 21 May 2014, 9 June 2014 and 12 June 2014.

The Option Offer

For cancellation of each Option with an exercise price of:

HK\$0.51 (17,488,145 Options in total) HK\$0.20 in cash.

The Option Offer price of HK\$0.20 for Options with an exercise price of HK\$0.51 represents the difference between the exercise price of HK\$0.51 and the Share Offer Price.

Total consideration for the Option Offer

The maximum consideration Newforest will be required to pay under the Option Offer is approximately HK\$3,498,000, assuming that none of the Options have been exercised in the period after the date of this joint announcement and before the date on which the Option Offer closes, and full acceptance of the Option Offer by all holders of Options.

The Convertible Notes Offer

For each US\$1.00 face value of the Convertible Notes HK\$2.76 in cash.

The Convertible Notes Offer will apply to the outstanding Convertible Notes in issue on the date on which the Convertible Notes Offer is made and will not apply to any Convertible Notes which are or have been converted into Shares prior to the close of the Convertible Notes Offer.

The offer price for the Convertible Notes is HK\$2.76 for each US\$1.00 face value of the Convertible Notes determined, in accordance with Rule 13 and Practice Note 6 to the Takeovers Code, as the “seethrough” consideration for each Convertible Note being the number of Shares into which the Convertible Note is convertible multiplied by the Share Offer Price. The Convertible Notes are in aggregate convertible into 66,012,987 Shares which when multiplied by the Share Offer Price (HK\$0.71) per Share values the total Convertible Notes Offer at approximately HK\$46,869,000.

Total Consideration

The total amount required to satisfy full acceptance of the Convertible Notes Offer is approximately HK\$46,869,000, assuming full acceptance in respect of the whole principal amount of the outstanding Convertible Notes of US\$17,000,000.

Financial Resources

Newforest intends to finance the Offers from the internal resources of Newforest Group. VMS Securities Limited, being the financial adviser to Newforest in respect of the Offers, is satisfied that sufficient financial resources are available to Newforest to satisfy full acceptance of the Offers.

Settlement of Consideration

Payment in cash in respect of valid acceptances of the Offers will be made within 7 Business Days of the date on which the duly completed acceptances of the Offers and the relevant documents of title are received by or on behalf of Newforest to render such acceptance complete and valid.

Further Terms and Conditions of the Offers

The Offers are not subject to any acceptance or other conditions. The Offers are subject to the further terms set out below:

- (a) The Offers will be made in compliance with the Takeovers Code and the rules and regulations of the Stock Exchange and will be subject to the further terms contained in this joint announcement and the Composite Document.
- (b) The Share Offer will extend to all Shares in issue on the date on which the Share Offer is made and to any further Shares which are unconditionally allotted or issued after the date on which the Share Offer is made and before the date on which the Share Offer closes including any Shares which are unconditionally allotted or issued on the exercise of Options granted under the Share Option Scheme or conversion of the Convertible Notes, other than those Shares held by Newforest and any other member of Newforest Group, and persons acting in concert with Newforest.
- (c) The Offer Shares and the Convertible Notes will be acquired by Newforest or another member of Newforest Group fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights attaching or accruing to them, on or after the date on which the Share Offer and the Convertible Notes Offer are made, including the right to all dividends and other distributions (if any) declared, made or paid on or after the date on which the Share Offer and the Convertible Notes Offer are made (i.e. the date of the Composite Document).
- (d) Acceptance of the Option Offer by a holder of outstanding Options will result in the cancellation and renunciation of those outstanding Options, together with all rights attaching thereto.

Overseas Holders of the Shares, Options and Convertible Notes

It is intended that the Offers will be made available to the Shareholders, and holders of the Options and holders of the Convertible Notes respectively, including those Shareholders, holders of the Options and holders of Convertible Notes whose registered address, as shown on the register of members of the Company, is outside Hong Kong. However, as the making of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions, any Shareholder or holder of Options or holder of Convertible Notes who is not a resident of Hong Kong should inform himself about and observe any applicable legal and/or regulatory requirements and, where necessary, seek legal advice. Newforest reserves the right to make arrangements in respect of Shareholders, holders of Options and holders of Convertible Notes who are not residents of Hong Kong in relation to the terms of the Offers.

It is the responsibility of each Overseas Holder who wishes to accept the Share Offer and/or the Option Offer and/or the Convertible Notes Offer to satisfy himself as to the full observance of the laws and regulations of the relevant jurisdiction, including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities or legal and/or regulatory requirements and the payment of any issue, transfer or other taxes due in such jurisdiction, in connection with the Offers.

In the event that the receipt of the Composite Document by the Overseas Holders is prohibited by any relevant laws and regulations or may only be effected upon compliance with conditions or requirements that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such Overseas Holders. Newforest will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Nonetheless, such Overseas Holders will be provided with all material information in the Composite Document. Any arrangements for such Overseas Holders to collect the Composite Document will be set out in a further announcement.

Newforest reserves the right to notify any matter, including the making of the Offers, to Overseas Holders by announcement or by advertisement in a newspaper which may not be circulated in the jurisdictions in which the Overseas Holders are resident. The notice will be deemed to have been sufficiently given, despite any failure by an Overseas Holder to receive or see that notice.

Public Float and Maintaining the Listing Status of the Company

Newforest intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Share Offer and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares. Newforest does not intend to exercise or apply any right which may be available to it under Section 102 of the Companies Act and in accordance with Rule 2.11 of the Takeovers Code to proceed to acquire compulsorily any Shares outstanding after the close of the Offers.

Insufficient Public Float

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of its issued Shares, is held by the public, or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the Shares or (b) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares. In this connection, it should be noted that, upon the closing of the Offers, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a prescribed level of public float is attained and/or restored.

Information about Newforest

Newforest is a company incorporated in the Cayman Islands and is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Wu Wai Leung, Danny) and as to 60% by Sharpfield Holdings Limited (a direct wholly-owned subsidiary of Chow Tai Fook Enterprises Limited), respectively. Chow Tai Fook Enterprises Limited is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, a 78.58% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. Save for the entering into of the Share Purchase Agreement and the Greenheart Resources Agreement, Newforest has not traded and/or engaged in any business activity since its incorporation.

Other Agreements and Arrangements

Newforest confirms that, as at the date of this joint announcement, neither Newforest nor any person acting in concert with it:

- (a) has received any irrevocable commitment to accept the Offers;
- (b) has entered into any outstanding derivatives in respect of the shares, securities and interests of the Company;
- (c) owns or has control or direction over any rights or voting rights over the Shares or convertible securities, options, warrants or entered into derivatives in respect of securities of the Company; and
- (d) has borrowed or lent any relevant securities in the Company within the meaning of Note 4 to Rule 22 of the Takeovers Code.

Newforest confirms that as at the date of this joint announcement, there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to shares of Newforest or the Company and which might be material to the Offers. Newforest confirms that as at the date of this joint announcement, there is no agreement or arrangement to which Newforest is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Offers.

Intention of Newforest in Relation to the Company

Newforest does not have any plans to change the Company's existing business activities. However, it is the intention of Newforest that, following closing of the Offers, it will initiate a review on the business activities and assets of the Company, for the purpose of formulating business plans and strategies for the future business development of the Company.

Newforest has made no decision in relation to the identity of individuals to be appointed to the Board. Any such change will only take effect in compliance with the requirements of the Takeovers Code and the Listing Rules.

GENERAL MATTERS**Dealings and Interests in the Company's Securities**

None of Newforest, its ultimate beneficial owner nor parties acting in concert with any of them has dealt in the Shares, derivatives, warrants or other securities convertible into Shares during the six-month period prior to 17 June 2014 (being the date of an announcement made by the Company in relation to the sale and purchase of the Shares pursuant to Rule 3.7 of the Takeovers Code) and up to the date of this joint announcement.

Stamp Duty

In Hong Kong, seller's ad valorem stamp duty at a rate of 0.1% (HK\$1.00 for every HK\$1,000 (or part of HK\$1,000)) of the consideration payable will be deducted from the amount payable to Shareholders and holders of Convertible Notes (as the case may be) who accept the Offers. Newforest Group will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Shareholders and holders of Convertible Notes (as the case may be) and will pay buyer's ad valorem stamp duty on the acquisition of any Offer Shares or Convertible Notes to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial statements of the Group for the year ended 31 December 2013 has been set out in the annual report 2013 of the Company which was posted on 30 April 2014 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the annual report 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0430/LTN20140430766.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2012 has been set out in the annual report 2012 of the Company which was posted on 30 April 2013 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the annual report 2012:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0430/LTN20130430382.pdf>

2. MATERIAL ADVERSE CHANGE

The Directors confirm that, save for the expected significant loss attributable to equity holders of the Company for eleven months ended 30 November 2014 (the "Period") mainly due to the net effect of the following:

- (i) the decrease of the gross profit of New Zealand radiata pine business as a result of a decrease of the average selling price and an increase in non-cash forest depletion costs (which reflected the increase of the fair value of the plantation assets as at 31 December 2013) and an increase in unit harvesting cost due to the appreciation of the New Zealand dollar and higher trucking costs due to longer trucking distances;
- (ii) the decrease in the gross profit of Suriname hardwood business due to clearance sales of some aged log inventories and increases in production costs, mainly due to operational inefficiency and the unexpected significant increase in the forest concession levy announced by the Suriname Government in early 2014, details of which are set out in the profit warning and inside information announcement of the Company dated 14 July 2014 (the "Profit Warning Announcement") during the Period; and
- (iii) The export price of New Zealand radiata pine has recently stabilized and the price of A grade pine recovered from its lowest level of US\$126.3 per m³ at the end of June 2014 to an average of approximately US\$139 per m³ during the last quarter of 2014, and the changes of the timing and volume of harvesting in order to maximize the return of the entire plantation assets, it is expected that at 31 December 2014 there will be a significant reversal adjustment to the substantial non-cash fair value loss on the New Zealand plantation forest assets of HK\$66.9 million, which was provided for the six months ended 30 June 2014 and disclosed in the Profit Warning Announcement.

there has been no material adverse change in the financial or trading positions of the Group since 31 December 2013, being the date which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

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.

Information and confirmation relating to Newforest, its associates and parties acting in concert with it, and the Offers set out in this circular have been duly extracted from the Joint Announcement or provided by the respective parties. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which 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 which the Directors and the chief executives of the Company were taken or deemed to have under such provisions of the SFO), or were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”) adopted by the Company were as follows:

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares and underlying shares interested	Approximate Percentage of the total issued share capital of the Company
Hui Tung Wah, Samuel	Beneficial owner	3,009,778 (<i>Note 2</i>)	0.381
	Family interest (<i>Note 1</i>)	75,000	0.009
Simon Murray	Beneficial owner	2,035,889 (<i>Note 3</i>)	0.258
Tong Yee Yung, Joseph	Beneficial owner	789,889 (<i>Note 4</i>)	0.100
Wong Che Keung, Richard	Beneficial owner	789,889 (<i>Note 5</i>)	0.100
Wong Kin Chi	Beneficial owner	939,889 (<i>Note 6</i>)	0.119

Notes:

1. These 75,000 Shares were jointly owned by Mr. Hui Tung Wah Samuel and his spouse.
2. It includes 1,579,778 Share Options granted by the Company.
3. It includes 789,889 Share Options granted by the Company.
4. It includes 789,889 Share Options granted by the Company.
5. It includes 789,889 Share Options granted by the Company.
6. It includes 789,889 Share Options granted by the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 which the Director and the chief executive of the Company were taken or deemed to have under such provisions of the SFO), or required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF 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 Directors or chief executives 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 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 members of the Group or held any option in respect of such capital:

Long position in the Shares and underlying Shares

Name of Shareholder	Number of Shares	Number of Shares	Number of underlying shares	Approximate percentage of issued share capital of the Company (%)
EPHL	Interest of controlled corporation (Note 1)	496,189,028	–	62.82
EPGL	Interest of controlled corporation (Note 1)	496,189,028	–	62.82
Sino-Capital	Beneficial owner (Note 1)	496,189,028	–	62.82
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation (Note 2)	496,189,028	–	62.82
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation (Note 2)	496,189,028	–	62.82
Wu Wai Leung, Danny	Interest of controlled corporation (Note 2)	496,189,028	–	62.82
Fortune Tiger Fund Limited	Interest of controlled corporation (Note 3)	–	66,012,987	8.36
Development Bank of Japan Inc.	Interest of controlled corporation (Note 4)	–	66,012,987	8.36
Asia Resources Fund Limited	Interest of controlled corporation (Note 5)	–	66,012,987	8.36
GSHL	Interest of controlled corporation (Note 5)	–	66,012,987	8.36

Notes:

1. Sino-Capital is a wholly-owned subsidiary of EPGL, and EPGL is a wholly-owned subsidiary of EPHL. As such, EPHL and EPGL are deemed to be interested in the Shares in which Sino-Capital is interested by virtue of Part XV of the SFO. Wang Tong Sai, Eddie, Paul Jeremy Brough and Colin Denis Keogh are directors of EPGL and EPHL, and Wang Tong Sai, Eddie and Paul Jeremy Brough are directors of Sino-Capital.
2. Newforest is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Wu Wai Leung, Danny) and as to 60% by Sharpfield Holdings Limited (a direct wholly-owned subsidiary of Chow Tai Fook Enterprises Limited), respectively. Chow Tai Fook Enterprises Limited is a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, a 78.58% owned subsidiary of Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. As such, Wu Wai Leung, Danny, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares in which Newforest is interested by virtue of Part XV of the SFO.
3. Fortune Tiger Fund Limited owned 23.26% 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. 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.
5. GSHL holds the Convertible Notes. It is a wholly-owned subsidiary of Asia Resources Fund Limited. As such, Asia Resources Fund Limited is also deemed to be interested in the Shares in which GSHL 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 chief executive of the Company, no person (other than Directors 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 Division 2 and 3 of Part XV of the SFO, or was, 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, or held any options in respect of such capital.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE COMPANY

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited consolidated accounts of the Company were made up (being 31 December 2013), 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.
- (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any members of the Group which was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or any of their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. QUALIFICATION AND CONSENT OF EXPERT

- (a) The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Somerley	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Somerley had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.
- (d) As at the Latest Practicable Date, Somerley did not have any interest, direct or indirect, in any assets which have been, since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

7. DIRECTORS' SERVICE CONTRACTS

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong 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 SGM:

- (a) the letter from the Board, the text of which is set out on pages 7 to 23 of this circular;
- (b) the letter from Somerley, the text of which is set out on pages 26 to 57 of this circular;
- (c) the written consent from Somerley referred to in the section headed "Qualification and Consent of Expert" in this appendix;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this circular;
- (e) the Greenheart Resources Agreement; and
- (f) this circular.

NOTICE OF SGM



GREENHEART GROUP LIMITED

綠森集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (“SGM”) of Greenheart Group Limited (the “**Company**”) will be held at Plaza Meeting Room, Regus Business Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 10 February 2015, at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** the purchase by Newforest Limited (“**Newforest**”) from Sino-Capital Global Inc. (“**Sino-Capital**”) of (i) 3,036,000,000 ordinary shares (“**Greenheart Resources Shares**”) with no par value in the capital of Greenheart Resources Holdings Limited (“**Greenheart Resources**”), an indirect non-wholly owned subsidiary of the Company; (ii) the loans with an aggregate principal amount of US\$13,466,960 as at the Latest Practicable Date (as defined in the Circular) from Sino-Capital to Greenheart Resources (as the same may be amended and supplemented from time to time) (which amount is subject to change after the Latest Practicable Date); and (iii) the loan with an aggregate principal amount of US\$40,000,000 from Emerald Plantation Group Limited (“**EPGL**”) to Mega Harvest International Limited, an indirect wholly-owned subsidiary of the Company (as the same may be amended and supplemented from time to time), pursuant to the sale and purchase agreement dated 31 October 2014 between Sino-Capital, EPGL, Emerald Plantation Holdings Limited and Newforest (“**Greenheart Resources Agreement**”) (details relating to the Greenheart Resources Agreement are set out in the circular of the Company dated 23 January 2015 (the “**Circular**”)), and the transactions contemplated thereunder, be and are hereby approved.”
2. **“THAT** the confirmation in writing issued by Silver Mount Group Limited (“**Silver Mount**”), a wholly-owned subsidiary of the Company, to Sino-Capital confirming that Silver Mount (i) has waived and will not exercise its right of first refusal; and (ii) has waived and will not exercise its co-sale right, in each case in respect of the Greenheart Resources Shares to be sold by Sino-Capital to Newforest pursuant to the Greenheart Resources Agreement be and is hereby approved, confirmed and ratified.”

By order of the Board
Greenheart Group Limited
Paul Jeremy Brough
*Interim Chief Executive Officer and
Executive Director*

Hong Kong, 23 January 2015

* for identification purpose only

NOTICE OF SGM

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place
of business in Hong Kong:*

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

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting thereof (as the case may be).
3. Completion and return of the form of proxy will not preclude members from attending and voting at the 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.
5. All the resolutions are to be voted by way of poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.