
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 licensed securities dealer, or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **GREENHEART GROUP LIMITED**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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



GREENHEART GROUP LIMITED

綠心集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

**CONNECTED TRANSACTION –
PROPOSED ISSUE OF NEW SHARES
TO NEWFOREST LIMITED UNDER SPECIFIC MANDATE BY WAY OF
CAPITALIZATION OF THE SHAREHOLDER LOAN
AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



VMS Securities

鼎珮證券

VMS Securities Limited

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



TC CAPITAL

天財資本

TC Capital Asia Limited

A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the proposed issue of Capitalization Shares to Newforest Limited by way of capitalization of the Shareholder Loan is set out on page 13 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed issue of Capitalization Shares to Newforest Limited by way of capitalization of the Shareholder Loan is set out on pages 14 to 30 of this circular.

A notice convening a special general meeting (the “SGM”) of the Company to be held at Basement 2, Function Room, The Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Wednesday, 16 March 2016 at 11:00 a.m. is set out on pages 36 to 37 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time of the SGM or any adjournment thereof to the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong. 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 proxy shall be deemed to be revoked.

25 February 2016

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	13
Letter from TC Capital	14
Appendix – General Information	31
Notice of the SGM	36

DEFINITIONS

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

“Affiliates”	means, (i) in relation to a natural person, any trust managed by such person, or any trust in which such person is beneficially interested in, or an associate (as defined in the Listing Rules) of such person, (ii) in relation to a body corporate, any subsidiary or holding company of such body corporate, any subsidiary of any such holding company for the time being, and (iii) in relation to any partnership or other fund structure, any other person which through share ownership or through any other arrangement directly or indirectly controlling or controlled by or under direct or indirect common control with, such partnership or other fund structure
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of directors of the Company from time to time
“Capitalization Amount”	means the sum of US\$40,000,000 (equivalent to HK\$312,000,000), being the outstanding principal amount of the Shareholder Loan, and the interest accrued thereon at the rate of LIBOR plus 3.5% per annum up to the Completion Date
“Capitalization Shares”	means the maximum of 524,215,359 new Shares to be allotted and issued by the Company to Newforest Limited at the Subscription Price pursuant to the terms and conditions of the Subscription Agreement, which shall rank <i>pari passu</i> in all respects with other existing Shares
“Company”	Greenheart Group Limited, a company incorporated in Bermuda, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	means completion of the transactions contemplated under the Subscription Agreement
“Completion Date”	means the date (being a business day) on or before the Long Stop Date as the parties to the Subscription Agreement may agree in writing after the last of the Conditions Precedent to be satisfied has been satisfied or waived on which the Completion is to take place
“Conditions Precedent”	has the meaning ascribed to it under the section headed “SUBSCRIPTION AGREEMENT – Conditions Precedent” in the Letter from the Board of this circular

DEFINITIONS

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	means directors of the Company
“Governmental Authority”	means (a) the government of (i) Bermuda, Cayman Islands and Hong Kong or any political subdivision thereof; or (ii) any other jurisdiction in which any member of the Group conducts all or part of its business; or (b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government
“Group”	means the Company and its subsidiaries from time to time and “members of the Group” shall be construed accordingly
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Board Committee”	means an independent committee of the Board comprising all the independent non-executive Directors, namely Nguyen Van Tu, Peter, Tang Shun Lam, Steven and Wong Man Chung, Francis
“Independent Financial Adviser” or “TC Capital”	means TC Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the Share Subscription
“Independent Shareholders”	Shareholders other than Newforest Limited and its associates
“Latest Practicable Date”	23 February 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“LIBOR”	means the London Interbank Offered Rate as announced from time to time
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange responsible for the Main Board listing matters
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means 31 March 2016 or such other date as the parties to the Subscription Agreement may agree

DEFINITIONS

“Main Board”	means the stock exchange (excluding the futures market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Material Adverse Effect”	means an event or circumstance, occurrence or any combination thereof arising or occurring, the effect of which is reasonably likely to have a material adverse effect on the business, operations, assets, liabilities (including contingent liabilities), business or financial condition, results or prospects of the Group as a whole, or the ability of the Company to perform its obligations under the Subscription Agreement
“Maximum Number of Capitalization Shares”	has the meaning ascribed to it under the section headed “SUBSCRIPTION AGREEMENT – Subscription Price and Maximum Number of Capitalization Shares” in the Letter from the Board of this Circular
“SFO”	means the Securities and Futures Ordinance
“SGM”	means the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Share(s)”	means the share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	means holder(s) of the Shares
“Shareholder Loan”	means the loan in the outstanding principal amount of US\$40,000,000 owed by Mega Harvest International Limited, a wholly owned subsidiary of the Company, to Newforest Limited, the controlling shareholder of the Company
“Share Subscription”	means the subscription and issue of the Capitalization Shares by and to Newforest Limited pursuant to the Subscription Agreement
“Specific Mandate”	means a specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issue of the Capitalization Shares to Newforest Limited upon Completion
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Agreement”	means the subscription agreement entered into between the Company and Newforest Limited on 20 January 2016 in relation to the subscription of the Capitalization Shares by Newforest Limited, as varied, amended, modified, or supplemented in writing by the parties thereto from time to time
“Subscription Price”	means the Capitalization Amount, being the consideration payable by Newforest Limited to the Company for the subscription of the Capitalization Shares, at the rate of HK\$0.611 per Capitalization Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	means the Codes on Takeovers and Mergers and Share Buy-backs
“Trading Day”	means a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“US\$”	means United State dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

LETTER FROM THE BOARD



GREENHEART GROUP LIMITED

綠心集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

Executive Directors:

Mr. WU Wai Leung, Danny

Mr. LIM Hoe Pin

Non-Executive Directors:

Mr. CHENG Chi-Him, Conrad

Mr. TSANG On Yip, Patrick

Mr. MURRAY Simon

Independent non-executive Directors:

Mr. NGUYEN Van Tu, Peter

Mr. TANG Shun Lam, Steven

Mr. WONG Man Chung, Francis

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

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

Suites 1706-10

Dah Sing Financial Centre

108 Gloucester Road

Wanchai, Hong Kong

25 February 2016

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION – PROPOSED ISSUE OF NEW SHARES
TO NEWFOREST LIMITED UNDER SPECIFIC MANDATE BY WAY OF
CAPITALIZATION OF THE SHAREHOLDER LOAN
AND NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to the announcement of the Company dated 20 January 2016 in respect of the capitalization of the Shareholder Loan as contemplated under the Subscription Agreement entered into between the Company and Newforest Limited on 20 January 2016 (after trading hours) pursuant to which Newforest Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Capitalization Shares at the Subscription Price by way of capitalization of the Shareholder Loan and the interest accrued thereon up to the Completion Date.

LETTER FROM THE BOARD

The proposed issue of the Capitalization Shares to Newforest Limited by way of capitalization of the Shareholder Loan pursuant to the Subscription Agreement (including the grant of the Specific Mandate to the Directors for the allotment and issue of the Capitalization Shares to Newforest Limited) is subject to the approval by the Independent Shareholders. The purpose of this circular is to provide you with information relating to the capitalization of the Shareholder Loan and the notice of the SGM.

INFORMATION ON 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. The principal activities of the subsidiaries of the Company comprise log harvesting, lumber processing, marketing and sales of logs and lumber products.

INFORMATION ON NEWFOREST LIMITED

Newforest Limited is a company incorporated in the Cayman Islands with limited liability. The principal activity of Newforest Limited is investment holding and it is currently the substantial shareholder of the Company.

Newforest Limited 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). 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.

SUBSCRIPTION AGREEMENT

On 20 January 2016 (after trading hours), the Company entered into the Subscription Agreement with Newforest Limited, pursuant to which the Company has conditionally agreed to issue, and Newforest Limited has conditionally agreed to subscribe for, the Capitalization Shares at the Subscription Price by way of capitalization of the Capitalization Amount, which is the sum of US\$40,000,000 (equivalent to HK\$312,000,000) being the outstanding principal amount of the Shareholder Loan, and the interest accrued thereon up to the Completion Date.

Subscription Price and Maximum Number of Capitalization Shares

Pursuant to the Subscription Agreement, assuming the Completion takes place on the Long Stop Date i.e. 31 March 2016 (being the latest date that the Completion may take place), a total of 524,215,359 new Shares (the “**Maximum Number of Capitalization Shares**”) will be subscribed for by Newforest Limited at the Subscription Price (which is equivalent to the Capitalization Amount, being the sum of (i) the outstanding principal amount of the Shareholder Loan of US\$40,000,000 (equivalent to HK\$312,000,000); and (ii) the interest accrued on the Shareholder Loan up to the Long Stop Date of US\$1,063,536.47 (equivalent to HK\$8,295,584.47) at HK\$0.611 per Capitalization Share).

LETTER FROM THE BOARD

The Subscription Price of HK\$0.611 per Capitalization Share was arrived at after arm's length negotiations between the Company and Newforest Limited taking into account the prevailing market price of the Shares. The aforesaid Subscription Price per Capitalization Share represents:

- (i) the average closing price of HK\$0.611 per Share for the 30 Trading Days immediately prior to the date of the Subscription Agreement;
- (ii) a discount of approximately 3.78% to the average closing price of HK\$0.635 per Share for the 10 Trading Days immediately prior to the date of the Subscription Agreement;
- (iii) a discount of approximately 2.08% to the average closing price of HK\$0.624 per Share for the 5 Trading Days immediately prior to the date of the Subscription Agreement;
- (iv) a discount of approximately 1.45% to the closing price of HK\$0.620 per Share on 20 January 2016, which is the date of the Subscription Agreement;
- (v) a discount of approximately 4.53% to the closing price of HK\$0.640 per Share on the Latest Practicable Date; and
- (vi) a discount of approximately 27.52% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.843 per Share based on the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$811,525,000 as at 30 June 2015 and 962,477,947 Shares in issue as at the Latest Practicable Date.

Conditions Precedent

Completion of the Share Subscription is conditional upon the fulfillment (or waiver) of the following conditions on or before the Long Stop Date:

- (A) the warranties and representations from the Company to Newforest Limited under the Subscription Agreement remaining true, accurate and correct in all material aspects;
- (B) the approval from the Independent Shareholders in relation to the transactions contemplated under the Subscription Agreement in accordance with the applicable Listing Rules (including any specific mandate required for the issue of the Capitalization Shares) having been obtained;
- (C) listing of, and permission to deal in, all of the Capitalization Shares having been granted by the Listing Committee of the Stock Exchange (either unconditionally or if subject to conditions, such conditions being reasonably acceptable to Newforest Limited and if required by the Stock Exchange for it to be fulfilled before Completion, such conditions being fulfilled or satisfied before Completion) and such listing and permission remaining in full force and effect and not subsequently being revoked;
- (D) there being no event existing or having occurred and no condition being in existence which would have a Material Adverse Effect;
- (E) there being no injunction, restraining order or order of similar nature by a Governmental Authority issued as of the Completion Date that could prevent or materially interfere with the consummation of the transactions contemplated under the Subscription Agreement; and

LETTER FROM THE BOARD

- (F) the warranties and representations from Newforest Limited to the Company under the Subscription Agreement remaining true, accurate and correct in all material aspects.

In the event that all the Conditions Precedent shall not have been satisfied in full or waived in writing by Newforest Limited or the Company (as the case may be) on or before the Long Stop Date, the Subscription Agreement shall lapse and become null and void and no party thereto shall have or make any claim against the other in respect thereof, save for liabilities for any antecedent breach.

The Company shall use its reasonable endeavours to satisfy or procure the satisfaction of the Conditions Precedent (A) to (E) above, and Newforest Limited shall use its reasonable endeavours to satisfy or procure the satisfaction of the Condition Precedent (F) above, as soon as reasonably practicable after the date of the Subscription Agreement. Newforest Limited may at any time waive any or all of the Conditions Precedent (A), (D) and (E) above, and the Company may at any time waive the Condition Precedent (F) above (save and except if as a result of such waiver the Company or Newforest Limited would be in breach of the Listing Rules, the Takeovers Code or the rules or regulations of any relevant Governmental Authority) either in whole or in part and conditionally or unconditionally.

Specific Mandate

The Capitalization Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

Ranking

The Capitalization Shares will rank *pari passu* in all respects with the Shares in issue at the dates of allotment and issue of the Capitalization Shares.

Listing

Completion of the Share Subscription is conditional upon, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Capitalization Shares. Application will be made to the Stock Exchange for the listing of and permission to deal in the Capitalization Shares.

Completion

Subject to the fulfilment or waiver of the Conditions Precedent, Completion shall take place on the Completion Date at such place and time to be agreed in writing between the Company and Newforest Limited. At Completion, the Company shall allot and issue the Capitalization Shares to Newforest Limited, and the Subscription Price shall be satisfied by fully capitalizing the Capitalization Amount. Immediately upon Completion, the Company shall be irrevocably and fully discharged and released from all its liabilities and obligations in connection with and from all claims and demands whatsoever under the Shareholder Loan (including all interest accrued thereon up to the Completion Date).

Warranties and Representations

The Company has given customary warranties and representations to Newforest Limited under the Subscription Agreement.

LETTER FROM THE BOARD

Indemnification

The Company shall indemnify and hold harmless Newforest Limited and its Affiliates, and their respective officers, directors, partners, shareholders, professional advisers, counsel, employees and agents, to the fullest extent permitted by law, from and against any losses, claims, costs, damages, liabilities and expenses (or actions in respect thereof), as reasonably incurred by, related to or arising out of or in connection with, whether directly or indirectly:

- (i) any action taken or omitted to be taken by any of the Company or its subsidiaries, officers, directors or employees or agents in breach or violation of their respective representations, warranties, covenants and agreements set forth in the Subscription Agreement; or
- (ii) any breach by the Company of its representations, warranties, covenants and agreements set forth in the Subscription Agreement;

provided that the Company shall not be liable for such loss to the extent that such loss has arisen solely and directly as a result of the willful default, gross negligence or fraud on the part of Newforest Limited and, subject to the provisions of the Subscription Agreement, the Company shall indemnify Newforest Limited against all reasonable expenses (including, without limitation, fees and expenses of counsel) as they are incurred in connection with investigating, preparing, defending or settling any such action or claim, whether or not in connection with litigation in which Newforest Limited is a named party. This indemnity shall be in addition to any liability that the Company may otherwise have to Newforest Limited.

Termination

If an event or circumstance that carries a Material Adverse Effect occurs prior to the Completion, Newforest Limited may, without liability to the Company, elect not to proceed to the Completion by giving notice in writing to the Company at any time prior to 12:00 noon (Hong Kong time) on the Completion Date.

REASONS FOR AND BENEFIT OF THE SHARE SUBSCRIPTION

The principal reason for the Share Subscription is to alleviate some of the Company's debts and improve the Company's financial position and gearing level. According to the Company's latest published interim results for the six months ended 30 June 2015, it recorded net current liabilities of HK\$474.5 million. The Shareholder Loan will be repayable on 21 March 2016 and thus was recorded as a current liability of the Group. Capitalization of the Shareholder Loan and the related accrued interests enables the Group to settle its existing material current liabilities and avoid immediate cash outflows. This improves the Group's financial position by reducing the gearing level and broadening the capital base. It also demonstrates the support and solid confidence given by Newforest Limited, the Company's controlling shareholder and an indirect subsidiary of Chow Tai Fook Enterprises Limited, regarding the prospect of the Company. For the Subscription Price, it represents the average closing price of the Shares for the 30 Trading Days immediately prior to the date of the Subscription Agreement without discount.

Based on the existing financial position of the Group and in the absence of the Share Subscription, the Shareholder Loan is unlikely to be settled in short term without debt or equity funding raising exercises. As such, the Board had also considered other fund raising exercises in settling the Shareholder Loan which include loan financing and equity financing. However, the implementation of any such fund raising exercises may be difficult or infeasible, in particular under the current market conditions. For loan financing, it would increase the Group's indebtedness and therefore worsen its gearing level. For equity financing, the Company would have to incur commission in engaging a placing agent or an underwriter

LETTER FROM THE BOARD

for the exercise. Also, in light of the net current liabilities position, it might be difficult if not impossible to identify any willing lenders, placing agents or underwriters (for equity financing in placing, rights issue or open offer) within a short period of time with terms (such as loan interest rate and placing/underwriting commission) that are affordable and acceptable to the Company before 21 March 2016, the repayment date of the Shareholder Loan. Accordingly, the Board is of the view that the above fund raising exercises are not practical in light of the Group's current status and the current market conditions.

If the Share Subscription, for whatever reasons, is unable to proceed and in order to avoid any default, the Board is of the view that the Shareholder Loan would only be extended further but not to be settled in the short term. In this regard, the Group has to continue incurring interest expense for the Shareholder Loan.

The Board is also aware that the capitalization of the Shareholder Loan and the related accrued interest will dilute the existing shareholders' interest in the Company. However, in light of the practical difficulties in the implementation of other fund raising exercises and the preferable outcomes of the capitalization of the Shareholder Loan and the related accrued interest to the Group as detailed above, the Board is of the view that the dilution is justifiable and it is in the interest of the Company and its Shareholders as a whole to capitalize the Shareholder Loan and the related accrued interest.

SHAREHOLDING STRUCTURE OF THE COMPANY

To the best knowledge of the Directors and the Company, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion of the Share Subscription is as follows:

	(i) as at the Latest Practicable Date		(ii) immediately after the Completion of the Share Subscription (Note 2) (assuming there is no change in the shareholding structure of the Company from the Latest Practicable Date to the Completion Date other than the issue of the Capitalization Shares)	
	<i>Number of share held</i>	<i>Approximately % of Shares in issue</i>	<i>Number of share held</i>	<i>Approximately % of Shares in issue</i>
Newforest Limited	496,313,830	51.57	1,020,529,189	68.64
Simon Murray (Note 1)	2,035,889	0.21	2,035,889	0.14
Other public Shareholders	464,128,228	48.22	464,128,228	31.22
	<u>962,477,947</u>	<u>100.00</u>	<u>1,486,693,306</u>	<u>100.00</u>

Notes:

- (1) Simon Murray is a director of the Company.
- (2) Assuming the Completion takes place on the Long Stop Date (being the latest date that the Completion may take place) and the Maximum Number of Capitalization Shares are allotted and issued to Newforest Limited on the Completion Date.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST TWELVE MONTHS

Set out below is a summary of the fund raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Fund raising activity	Approximate net proceed	Intended use of proceeds	Actual use of proceeds (as at the Latest Practicable Date)
15 July 2015	The placing of 160,000,000 Shares at the placing price of HK\$0.93 per Share, which was completed on 4 August 2015	HK\$144.8 million	To finance the redemption of the then outstanding US\$17 million convertible notes (the “Notes”) and/or as general working capital of the Group	All of the net proceeds from the placing was used to settle part of the redemption amount of approximately US\$22.2 million (equivalent to approximately HK\$173.2 million) of the Notes.

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Newforest Limited, which directly holds approximately 51.57% of the existing issued share capital of the Company, is a substantial shareholder of the Company and thus a connected person of the Company. Accordingly, the Share Subscription constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to reporting, announcement and shareholders’ approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Share Subscription must abstain from voting on the relevant resolution. As the subscriber of the Capitalization Shares, Newforest Limited and its associates are required to abstain from voting on the resolution to be proposed at the SGM.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. The Company has appointed TC Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Wu Wai Leung, Danny, the Chief Executive Officer and an executive Director of the Company, is indirectly interested in 40% of the total issued share capital of Newforest Limited and therefore abstained from voting at the Company’s board meeting for considering and approving the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

SGM

The notice of the SGM is set out on pages 36 to 37 of this circular. An ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to the Directors for the allotment and issue of the Capitalization Shares to Newforest Limited.

A form of proxy for use at the SGM is enclosed. Whether or not the Shareholders are able to attend the SGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should the Shareholders so wish and in such event, the proxy shall be deemed to be revoked.

All the resolution(s) proposed to be approved at the SGM will be taken by poll and an announcement will be made by the Company on the poll results of the SGM as soon as possible after the conclusion of the SGM.

RECOMMENDATION

The Directors (including all the independent non-executive Directors whose view is set out in the "Letter from the Independent Board Committee" of this circular) are of the view that the terms and conditions of the Subscription Agreement were negotiated on an arm's length basis, agreed on normal commercial terms between the Company and Newforest Limited and the terms were fair and reasonable, and the proposed issue of Capitalization Shares to Newforest Limited by way of capitalization of the Shareholder Loan is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from the Independent Financial Adviser of this circular.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Greenheart Group Limited
Wu Wai Leung, Danny
Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the proposed issue of Capitalization Shares to Newforest Limited by way of capitalization of the Shareholder Loan.



GREENHEART GROUP LIMITED

綠心集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

25 February 2016

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION – PROPOSED ISSUE OF NEW SHARES TO NEWFOREST
LIMITED UNDER SPECIFIC MANDATE BY WAY OF CAPITALIZATION OF THE
SHAREHOLDER LOAN**

We refer to the circular (the “**Circular**”) dated 25 February 2016 issued by the Company to its shareholders of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. TC Capital has been appointed by the Company as the Independent Financial Adviser to advise us in this regard. Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 14 to 30 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with their views and consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms after arm’s length negotiations between the parties, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully

For and on behalf of the

Independent Board Committee

Nguyen Van Tu, Peter

Tang Shun Lam, Steven

Wong Man Chung, Francis

Independent non-executive Directors

LETTER FROM TC CAPITAL



25 February 2016

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

Dear Sir/Madam,

CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW SHARES TO NEWFOREST LIMITED UNDER
SPECIFIC MANDATE BY WAY OF CAPITALIZATION OF SHAREHOLDER LOAN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription, details of the which are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company dated 25 February 2016 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

On 20 January 2016 (after trading hours), the Company entered into the Subscription Agreement with Newforest Limited pursuant to which Newforest Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Capitalization Shares at the Subscription Price by way of capitalization of the Shareholder Loan and the interest accrued thereon up to the Completion Date.

Upon the Completion, the Capitalization Shares to be issued represent (i) approximately 54.47% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 35.26% of the issued share capital of the Company as enlarged by the issuance of the Capitalization Shares. The Capitalization Shares will be issued under the Specific Mandate and will rank pari passu with the existing Shares.

LETTER FROM TC CAPITAL

As at the Latest Practicable Date, Newforest Limited directly holds 496,313,830 Shares which represent approximately 51.57% of the existing issued share capital of the Company. Hence, Newforest Limited is a substantial shareholder and thus a connected person of the Company. Accordingly, the Share Subscription constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The SGM will be held and convened for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder. In accordance with the Listing Rules, any Shareholder who has a material interest in the Share Subscription shall abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM. To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, save for Newforest Limited and its associates, no Shareholder has a material interest in the Share Subscription and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Nguyen Van Tu, Peter, Tang Shun Lam, Steven and Wong Man Chung, Francis, has been established to advise the Independent Shareholders in relation to the Share Subscription.

We, TC Capital Asia Limited, have been appointed by the Company as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to whether (i) the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole; (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationship with or interest in the Company or any other parties that could reasonably be regarded as hindrance to our independence (as defined under Rule 13.84 of the Listing Rules) to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the Subscription Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exist whereby we will receive any fees from the Company, its subsidiaries, its associates and their respective substantial shareholders or associates.

LETTER FROM TC CAPITAL

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation, we have relied on upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

I. Background and reasons for the Share Subscription

Information on the Group

The Group is principally engaged in log harvesting, lumber processing, marketing and sales of logs and lumber products.

The following table summarises the audited financial information of the Group for the years ended 31 December 2013 (“**FY2013**”) and 31 December 2014 (“**FY2014**”), and the unaudited financial information of the Group for the six months ended 30 June 2014 (“**HY2014**”) and 30 June 2015 (“**HY2015**”), as extracted from the annual report of the Company for the year ended 31 December 2014 (“**2014 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2015 (“**2015 Interim Report**”), respectively.

LETTER FROM TC CAPITAL

	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited and restated)	(audited)	(unaudited)	(unaudited)
Turnover	724,583	673,604	354,167	297,344
Gross Profit	244,419	145,033	77,262	71,272
Loss for the year/period	(60,297)	(189,913)	(157,482)	(126,446)
Loss attributable to the owners of the Company	(5,739)	(133,303)	(127,074)	(107,583)

The following table summarises the consolidated financial positions of the Group as at 31 December 2013, 31 December 2014 and 30 June 2015, which are extracted from 2014 Annual Report and 2015 Interim Report.

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
	(audited and restated)	(audited)	(unaudited)
Non-current assets	1,726,371	1,747,316	1,601,469
Current assets			
– Cash and cash equivalents	204,014	108,056	86,139
Non-current liabilities			
– Interest-bearing bank borrowings	195,000	195,000	195,000
Current liabilities	593,377	678,835	723,247
Net asset value	1,140,194	945,960	811,525

As noted from the above table, the Group recorded a turnover of approximately HK\$673.6 million for FY2014, representing a decrease of approximately 7.0% as compared to FY2013 of approximately HK\$724.6 million. We noted from 2014 Annual Report that such decrease in turnover was primarily due to reduction in sales of the New Zealand radiata pine because of decrease in export sales volume and average export selling price of New Zealand radiata pine. The Group recorded a loss attributable to owners of the Company of approximately HK\$133.3 million for FY2014 as compared to FY2013 of approximately HK\$5.7 million. We noted from 2014 Annual Report that such loss increase was primarily due to a decrease in fair value gain on plantation assets from approximately HK\$76.4 million to approximately HK\$32.4 million and lower revenue generated from sales of the New Zealand radiata pine.

LETTER FROM TC CAPITAL

According to 2015 Interim Report, the Group recorded a turnover of approximately HK\$297.3 million for HY2015, representing a decrease of approximately 16.0% as compared to HY2014 of approximately HK\$354.2 million. The decrease in turnover was primarily due to decrease in average selling price of New Zealand radiata pine and decrease in sales volume of logs and timber products in Suriname. The Group recorded a loss attributable to owners of the Company of approximately HK\$107.6 million for HY2015 as compared to HY2014 of approximately HK\$127.1 million. We noted from 2015 Interim Report that such decrease in loss attributable to owners of the Company was primarily attributable to the net effect of certain one-off non-cash events, including the reversal of accrued concession levy of HK\$13,441,000, increase of the fair value loss on plantation forest assets of HK\$19,970,000 and no material impairment was made for HY2015 as compared to the impairment made in the amount of HK\$27,854,000 in for HY2014.

As noted from the above table, the Group's cash and cash equivalents were approximately HK\$204.0 million as at 31 December 2013, approximately HK\$108.1 million as at 31 December 2014 and approximately HK\$86.1 million as at 30 June 2015, representing a decrease of approximately 47.0% from 31 December 2013 to 31 December 2014 and decrease of approximately 20.3% from 31 December 2014 to the 30 June 2015, respectively. Furthermore, the Group's net asset value was approximately HK\$1,140.2 million as at 31 December 2013, approximately HK\$946.0 million as at 31 December 2014 and approximately HK\$811.5 million as at 30 June 2015, representing a decrease of approximately 17.0% from 31 December 2013 to 31 December 2014 and decrease of approximately 14.2% from 31 December 2014 to 30 June 2015 respectively. On the other hand, the Group's current liabilities were approximately HK\$593.4 million as at 31 December 2013, approximately HK\$678.8 million as at 31 December 2014 and approximately HK\$723.2 million as at 30 June 2015, representing an increase of approximately 14.4% from 31 December 2013 to 31 December 2014 and increase of approximately 6.5% from 31 December 2014 to 30 June 2015. The Group also had interest-bearing bank borrowings of approximately HK\$195.0 million as at 31 December 2013, 31 December 2014 and 30 June 2015.

It is further noted that the Company issued a profit warning announcement dated 27 December 2015 regarding possible provisions to be made for impairment on timber concessions and cutting rights and property, plant and equipment and goodwill in its Suriname division (the "Assets") for the financial year ending 31 December 2015, and the expected total impairment provisions of the Assets will be approximately HK\$416,017,000. Furthermore, the impairment provision, if made, will cause the Company to report a significant further loss for the financial year ending 31 December 2015 as compared to the corresponding period in year 2014.

Based on the above, we noted that the Group's financial position had been deteriorating since 31 December 2013.

Information on Newforest Limited

According to the Board Letter, Newforest Limited is a company incorporated in the Cayman Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, Newforest Limited is the controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules.

LETTER FROM TC CAPITAL

Financing alternatives available to the Group

Set out below is a summary of fund raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Description	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds (approximately)
15 July 2015	Placing of new shares under general mandate	HK\$144.8 million	To finance the redemption of the outstanding US\$17 million convertible notes (the “ Notes ”) and/or as general working capital of the Group	All of the net proceeds from the placing was used to settle part of the redemption amount of approximately US\$22.2 million (equivalent to approximately HK\$173.2 million) of the Notes

Save as disclosed above, the Company has not conducted any other equity fund raising exercises during the past 12 months immediately preceding the Latest Practicable Date.

We have enquired with and were informed by the Directors that the Group had considered various alternatives for the Group to raise funds, including but not limited to debt financing and other forms of equity financing such as pre-emptive issues.

In respect of debt financing, the Directors are of the view that:

- a. bank loan application may be subject to lengthy due diligence and negotiations with banks and debt financing at higher interest rate will inevitably incur additional finance costs to the Group, which may have adverse impacts on the financial performance of the Group; and
- b. financial institutions excluding the commercial bank will bear an unexpectedly high interest rate, which is also not favorable to the Group and the Shareholders as a whole.

In respect of pre-emptive issues (rights issue or open offer), the Directors are of the view that:

- a. higher cost (including underwriting commissions, documentation preparation costs and professional fees) will be incurred;
- b. the prevailing volatile capital market conditions will cause uncertainties in procuring favorable terms;

LETTER FROM TC CAPITAL

- c. the recent financial position and performance of the Group are unfavorable to pre-emptive issues and will post obstacles for the Group in identifying potential investors and;
- d. a relatively longer time frame will be required as compared to the Share Subscription.

To analyze the prevailing capital market conditions, we have reviewed the movements in closing index of Hang Seng Index (“**HSI**”) for the period commencing 2 July 2015 up to and including the Latest Practicable Date (the “**HSI Review Period**”), being the approximate six months period before the date of the Subscription Agreement:

Historical closing index of HSI



Source: Bloomberg

During the HSI Review Period, we noted that the closing index of HSI had been on a declining trend. The closing index of HSI reached its peak at 26,282 points on 2 July 2015 and dropped to its lowest at 18,320 points on 12 February 2016, representing a decrease of approximately 30.29%.

To assess the average time required to complete a pre-emptive issue (rights issue or open offer), we have identified pre-emptive issues (rights issues or open offers) completed by companies listed on the Stock Exchange during the period from 1 November 2015 up to the date of the Subscription Agreement, being a period of approximately three months prior to and including the date of the Subscription Agreement (the “**Pre-emptive Comparables**”). To the best of our knowledge, we have found 26 transactions that met the said criteria, which represented an exhaustive list. We consider that the aforesaid sampling period is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to the

LETTER FROM TC CAPITAL

date of the Subscription Agreement; and (ii) we were able to identify sufficient samples for comparison within such period. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Pre-emptive Comparables. The table below illustrates the details of the Pre-emptive Comparables:

Company name	Stock code	Announcement date	Completion date	From announcement date to completion date (calendar days)
China Investment and Finance Group Limited	1226	9-Sep-15	19-Jan-16	132
China New Economy Fund Ltd.	80	23-Nov-15	14-Jan-16	52
Weath Glory Holdings Limited	8269	9-Nov-15	12-Jan-16	64
Deson Development International Holdings Limited	262	27-Nov-15	12-Jan-16	46
eForce Holdings Limited	943	16-Sep-15	11-Jan-16	117
Timeless Software Limited	8028	20-Nov-15	7-Jan-16	48
Neo Telemedia Limited	8167	11-Aug-15	29-Dec-15	140
SEEC Media Group Limited	205	19-Aug-15	28-Dec-15	131
Merry Garden Holdings Limited	1237	30-Oct-15	18-Dec-15	49
Lerado Group (Holding) Company Limited	1225	14-Aug-15	18-Dec-15	126
Ausnutria Dairy Corporation Ltd	1717	28-Oct-15	18-Dec-15	51
Megalologic Technology Holdings Limited	8242	1-Sep-15	16-Dec-15	106
PPS International (Holdings) Limited	8201	6-Nov-15	14-Dec-15	38
UDL Holdings Limited	620	2-Nov-15	11-Dec-15	39
Standard Chartered PLC	2888	3-Nov-15	11-Dec-15	38
Zhi Cheng Holdings Limited	8130	2-Oct-15	8-Dec-15	67
China Resources and Transportation Group Ltd.	269	29-Sep-15	8-Dec-15	70
GR Properties Limited	108	26-Oct-15	1-Dec-15	36
Ding He Mining Holdings Limited	705	21-Jul-15	18-Nov-15	120
HNA International Investment Holdings Limited	521	30-Aug-15	17-Nov-15	79
Greater China Holdings Limited	431	1-Oct-15	17-Nov-15	47
Group Sense (International) Limited	601	20-Aug-15	16-Nov-15	88
Fortune Sun (China) Holdings Limited	352	1-Sep-15	16-Nov-15	76
Easyknit Enterprises Holdings Limited	616	6-Aug-15	5-Nov-15	91
Kingwell Group Limited	1195	8-Sep-15	4-Nov-15	57
Flying Financial Service Holdings Limited	8030	7-Sep-15	2-Nov-15	56
Average				76

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

LETTER FROM TC CAPITAL

As depicted in the table above, we note that the days required for the Pre-emptive Comparables to complete their respective pre-emptive issues range from 36 days to 140 days with an average of 76 days (approximately 2.5 months).

Having considered the (i) time and cost associated with both debt financing and pre-emptive issues; (ii) deteriorating financial position and performance of the Group; and (iii) prevailing volatile capital market conditions, we concur with the Directors' view that the Share Subscription is an optimal financial alternative of the Group.

Reasons for the Share Subscription

With reference to the Board Letter, the Board considers that the Share Subscription represents a good opportunity for the Group to alleviate some of its debt, improve its financial position and gearing ratio.

According to 2015 Interim Report, the Group recorded current liabilities of approximately HK\$723.2 million as at 30 June 2015, of which US\$40 million (approximately HK\$312 million) is the Shareholder Loan which will be due on 21 March 2016 and the cash and cash equivalents recorded approximately HK\$86.1 million as at 30 June 2015. In addition, as disclosed in the announcement of the Company dated 7 January 2016, the Company acquired a forest management service company in New Zealand for a consideration of not more than NZD1.5 million (equivalent to approximately HK\$7.5 million). As such, capitalization of the Shareholder Loan and the related interests enables the Group to (i) settle its existing material current liabilities; (ii) avoid immediate cash outflows and alleviate the financial pressure of the Group; (iii) maintain the working capital for existing business; and (iv) reserve the cash and cash equivalents for potential business opportunity. This also improves the Group's financial position by reducing the gearing level and broadening the capital base. Furthermore, the Subscription Price represents, and is without discount to, the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to the date of the Subscription Agreement. The Share Subscription also demonstrates the support and solid confidence given by Newforest Limited, which is the Company's controlling shareholder and an indirect subsidiary of Chow Tai Fook Enterprises Limited, regarding the prospect of the Group. If the Share Subscription is not approved by the Independent Shareholders or the Shareholder Loan is extended, the interest expense will continue to be incurred. Although the Share Subscription will dilute the existing Shareholders' interest in the Company, given the practical difficulties in the implementation of other fund raising exercise as set out in the sub-section headed "Financing alternatives available to the Group" under the section headed "I. Background and reasons for the Share Subscription" above, the Directors are of the view that the dilution is justifiable. In light of above, we concur with the Board's view that it is in the interest of the Company to capitalize the Shareholder Loan and the related interests.

The Directors consider that the terms and conditions of the Subscription Agreement were negotiated on an arm's length basis, entered into on normal commercial terms and the terms of the Subscription Agreement were fair and reasonable and the Share Subscription is in the interest of the Company and the Shareholders as a whole.

LETTER FROM TC CAPITAL

Having considered the Share Subscription (i) is solely for capitalization of the Shareholder Loan which will alleviate the financial pressure of the Group; (ii) demonstrates support and confidence of Newforest Limited (a controlling shareholder of the Company) in the prospect of the Group; (iii) leave existing available capital of the Group to satisfy the working capital for existing business and capital reservation for potential business opportunity in the future; and (iv) being an optimal financing alternative currently available to the Group due to reasons set out under the sub-section headed “Financing alternatives available to the Group” above, we concur with the Directors’ view that the Share Subscription is in the interest of the Company and the Shareholders as a whole.

II. Principal terms of the Subscription Agreement

The principal terms of the Subscription Agreement are set out below:

Date

20 January 2016

Parties

- (i) the Company; and
- (ii) Newforest Limited

Capitalization Shares

Pursuant to the Subscription Agreement, Newforest Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Capitalization Shares.

The Subscription Price

The Subscription Price of HK\$0.611 represents:

- a. a discount of approximately 4.53% to the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- b. a discount of approximately 1.45% to the closing price of HK\$0.620 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- c. a discount of approximately 2.08% to the average closing price of HK\$0.624 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- d. a discount of approximately 3.78% to the average closing price of HK\$0.635 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement; and

LETTER FROM TC CAPITAL

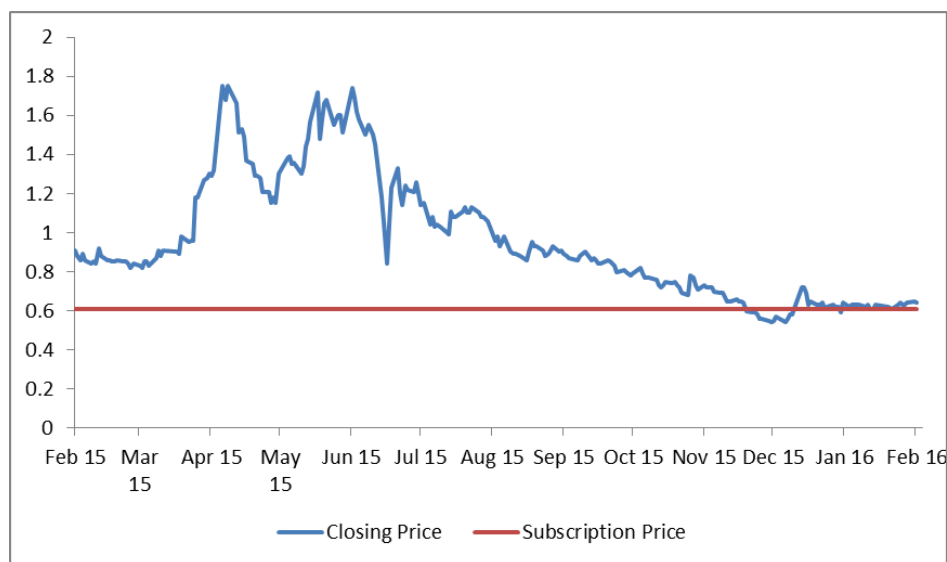
- e. a discount of approximately 27.52% to the unaudited consolidated net asset value attributable to Shareholders of approximately HK\$0.843 per Share based on the unaudited consolidated net asset value attributable to Shareholders of approximately HK\$811,525,000 as at 30 June 2015 and 962,477,947 Shares in issue as at the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiations between the Company and Newforest Limited taking into account the prevailing market price of the Shares.

To further assess the fairness and reasonableness of the Subscription Price, we set out the following analyses for illustrative purpose:

Review on historical price of the Shares

We have reviewed the movements in closing price of the Shares for the period commencing 23 February 2015 up to and including the Latest Practicable Date (the "**Review Period**"), being the approximate one year period before the date of the Subscription Agreement to illustrate the recent trading performance of the Shares. The highest and lowest closing price and the average daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period are set out below:



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.75 per Share recorded on 28 April 2015 and 30 April 2015 and HK\$0.54 per Share recorded on 22 December 2015 and 28 December 2015 respectively. As illustrated in the above diagram, the Subscription Price of HK\$0.611 is within the range of the highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Review Period, and represented a discount of approximately 65.09% to the highest closing price of HK\$1.75 and a premium of approximately 13.15% over the lowest closing price of HK\$0.54 respectively. The closing price of the Shares showed a general declining trend since July 2015. According to the Directors, they were not aware of any specific events of the Company during the Review Period that caused the said decrease in the Share prices.

LETTER FROM TC CAPITAL

Review on trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded in each month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as follows:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date <i>(Note 1)</i> %	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date <i>(Note 2)</i> %
2015				
February	5	8,345,478	1.80%	0.87%
March	22	1,509,503	0.33%	0.16%
April	19	11,604,314	2.50%	1.21%
May	19	5,805,471	1.25%	0.60%
June	22	5,961,753	1.28%	0.62%
July	22	4,077,305	0.88%	0.42%
August	21	3,355,061	0.72%	0.35%
September	20	1,312,750	0.28%	0.14%
October	20	1,803,576	0.39%	0.19%
November	21	1,420,300	0.31%	0.15%
December	22	772,247	0.17%	0.08%
2016				
January	20	3,167,705	0.68%	0.33%
February (up to and including the Latest Practicable Date)	14	616,288	0.13%	0.06%
Maximum			2.50%	1.21%
Minimum			0.13%	0.06%
Mean			0.82%	0.40%

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

1. Based on 464,128,228 Shares held by the public as at the Latest Practicable Date.
2. Based on 962,477,947 Shares in issue as at the Latest Practicable Date.

LETTER FROM TC CAPITAL

The above table illustrates that the average daily trading volume of the Shares in each month had been thin during the Review Period. The average daily trading volume of the Shares to the total number of issued Shares held by the public as at the Latest Practicable Date was below 1% for 9 out of 13 months during the Review Period. Furthermore, the average daily trading volume of the Shares to the total number of issued Shares as at the Latest Practicable Date was below 1% for 12 out of 13 months during the Review Period.

The relative low liquidity of the Shares may imply that potential investors may seek for a deeper discount on the issue price when the Company issues new Shares as compared to those listed companies with high trading liquidity.

Comparison with subscription of new shares under specific mandate

For the purpose of our analysis, we have identified transactions regarding subscription of new shares under specific mandate conducted by companies listed on the Stock Exchange with fixed terms announced during the period from 1 November 2015 up to the date of the Subscription Agreement, being a period of approximately three months prior to and including the date of the Subscription Agreement (the “**Comparables**”). To the best of our knowledge, we have found 23 transactions that met the said criteria, which represented an exhaustive list. We consider that the aforesaid sampling period is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to the date of the Subscription Agreement; and (ii) we were able to identify sufficient samples for comparison within such period. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables. The table below illustrates the details of the Comparables:

LETTER FROM TC CAPITAL

Date of announcement	Company name	Stock code	Number of subscription shares to number of total issued shares approximately %	Premium/ (discount) of subscription price over/(to) the closing share price on the last day of trading immediately prior to the date of announcement approximately %	Premium/ (discount) of subscription price over/(to) the average closing share price for the last five trading days prior to the date of announcement approximately %
2-Nov-15	Redco Properties Group Limited	1622	10.99	(16.10)	(16.10)
5-Nov-15	Harmonic Strait Financial Holdings Limited	33	13.57	(28.57)	(28.06)
6-Nov-15	Bloomage BioTechnology Corporation Limited	963	2.90	(20.63)	(14.29)
6-Nov-15	Kuangchi Science Limited	439	10.51	(29.70)	(25.20)
11-Nov-15	Hong Kong Resources Holdings Company Limited	2882	0.91	(14.58)	(14.82)
11-Nov-15	Shenzhen Mingwah Aohan High Technology Corporation Limited	8301	53.85	76.19	68.18
17-Nov-15	Richly Field China Development Limited	313	10.94	0.00	0.81
24-Nov-15	Petro-king Oilfield Services Limited	2178	7.57	14.50	11.00
4-Dec-15	Yuhua Energy Holdings Limited	2728	82.73	0.00	(2.15)
8-Dec-15	Heng Xin China Holdings Limited	8046	33.08	(30.72)	(31.87)
9-Dec-15	China Best Group Holdings Limited	370	37.99	(26.23)	(16.28)
11-Dec-15	TCL Multimedia Technology Holdings Limited	1070	25.16	31.31	46.07
13-Dec-15	Co-Prosperity Holdings Limited	707	9.82	(25.00)	(29.58)
14-Dec-15	Optics Valley Union Holding Company Limited	798	37.30	(15.80)	(13.00)
15-Dec-15	Husoke Resources Holdings Limited	704	154.59	(62.96)	(63.41)
16-Dec-15	Vision Fame International Holding Limited	1315	300.00	(95.71)	(95.71)
16-Dec-15	FDG Electric Vehicles Limited	729	5.18	0.00	(3.93)
22-Dec-15	Shifang Holding Limited	1831	19.86	(60.40)	(62.96)
5-Jan-16	Kong Sun Holdings Limited	295	52.89	6.45	3.45
5-Jan-16	Addchance Holdings Limited	3344	284.81	(60.84)	(66.86)
6-Jan-16	Blue Sky Power Holdings Limited	6828	35.34	(11.76)	(11.76)
6-Jan-16	Asian Capital Holdings Limited	8295	112.15	(21.58)	(19.46)
11-Jan-16	Comtec Solar Systems Group Limited	712	48.35	(20.48)	(10.81)
Maximum			76.19	68.18	
Minimum			(95.71)	(95.71)	
Average			(17.94)	(17.25)	
The Company		94	54.47	(1.45)	(2.08)

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

LETTER FROM TC CAPITAL

As shown in the table above, we note the trend that the Comparables issued shares ranges from a discount of approximately 95.71% to a premium of approximately 76.19% (the “**LTD Market Range**”), with an average of discount of approximately 17.94% (the “**LTD Average**”), as compared to the closing prices of their respective last trading days prior to the date of the announcements in relation to the relevant share subscription. It is noted that the discount of approximately 1.45% of the Subscription Price to the closing price as quoted on the Stock Exchange on the date of the Subscription Agreement falls within the LTD Market Range and below the LTD Average. The Comparables issued shares ranges from a discount of approximately 95.71% to a premium of approximately 68.18% (the “**5LTD Market Range**”), with an average of discount of approximately 17.25% (the “**5LTD Average**”), as compared to the closing prices of their respective average closing price for the last 5 trading days prior to the date of the announcements in relation to the relevant share subscription. The discount of approximately 2.08% of the Subscription Price to the average closing price for the last five trading days immediately prior to the date of the Subscription Agreement falls within the 5LTD Range and below 5LTD Average. We further noted that the issue prices of the majority Comparables (18 out of 23) were set at discounts to their share prices on the last trading days prior to the announcements in relation to the relevant share subscription.

Having taken into account (i) the financial performance of the Group as detailed under the sub-section headed “Information on the Group” above; (ii) the closing price of the Shares showed a general declining trend; (iii) the average trading volume of the Shares during the Review Period had been thin; (iv) the Subscription Price is within the range of the highest and lowest closing prices of the Shares during the Review Period; (v) the discount of the Subscription Price to the closing price on the date of the Subscription Agreement is within the LTD Market Range and below the LTD average; and (vi) the Subscription Price represents the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to the date of the Subscription Agreement and the Subscription Price is considered by recent volatile capital market, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM TC CAPITAL

III. Dilution effect of the Share Subscription on the existing shareholding structure

The following table illustrates the shareholding structure of the Company (i) as at the date of the Latest Practicable Date; and (ii) immediately upon the Completion:

	(i) As at the Latest Practicable Date		(ii) Immediately after the Completion <i>(Note 2)</i> <i>(assuming there is no change in the shareholding structure of the Company from the Latest Practicable Date to the Completion Date other than the issue of the Capitalization Shares)</i>	
	<i>Number of Shares</i>	<i>Approximately %</i>	<i>Number of Share</i>	<i>Approximately %</i>
Newforest Limited	496,313,830	51.57	1,020,529,189	68.64
Simon Murray <i>(Note 1)</i>	2,035,889	0.21	2,035,889	0.14
Other public Shareholders	464,128,228	48.22	464,128,228	31.22
	<u>962,477,947</u>	<u>100.00</u>	<u>1,486,693,306</u>	<u>100.00</u>

Notes:

- (1) *Simon Murray is a Director.*
- (2) *Assuming the Completion takes place on the Long Stop Date i.e. 31 March 2016 (being the latest date that the Completion may take place) and the Maximum Number of Capitalization Shares are allotted and issued to Newforest Limited on the Completion Date.*

As depicted by the table above, upon the Completion, the shareholding interests of the existing public Shareholders would be diluted by approximately 17%. Nevertheless, in view of (i) the benefits of entering into the Subscription Agreement as discussed under the sub-section headed “Reasons for the Share Subscription” above; (ii) the Share Subscription being the optimal financing alternative available to the Group as discussed under the sub-section headed “Financing alternatives available to the Group” above; and (iii) the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned as discussed above, we are of the view that the aforesaid level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

IV. Financial effects of the Share Subscription

a. Effect of net asset value

As stated in 2015 Interim Report, the net asset value of the Group as at 30 June 2015 was approximately HK\$811.5 million. Upon the Completion, current liabilities of the Group will decrease by approximately HK\$312 million. Accordingly, it is expected that the Share Subscription will have a positive impact on the Group’s net asset value.

LETTER FROM TC CAPITAL

b. Effect on working capital

As stated in 2015 Interim Report, the Group had net current liabilities of approximately HK\$474.5 million as at 30 June 2015. Upon the Completion, the current liabilities of the Group will decrease by approximately HK\$312 million. Accordingly, the working capital position of the Group is expected to improve upon the Completion.

c. Effect on gearing ratio

As stated in 2015 Interim Report, the Group's gearing ratio (based on outstanding borrowings as a percentage of equity attributable to equity holders of the Company) as at 30 June 2015 was 84.4%. Upon the Completion, the amount of outstanding borrowings will decrease by HK\$312 million and therefore, the gearing ratio is expected to decrease to 43.1%. Accordingly, the Group's gearing ratio is expected to improve upon the Completion.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) the Share Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited

Edward Wu
Managing Director

Note: Mr. Edward Wu of TC Capital Asia Limited is a responsible officer licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities having over 15 years of experience in investment banking and corporate finance.

RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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.

MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, except for (i) the matters as disclosed in the profit warning announcement dated 27 December 2015 regarding a possible provisions for impairment on the timber concessions and cutting rights, property, plant and equipment and goodwill in relation to the Group's Suriname division of HK\$416,017,000 for the year ended 31 December 2015; and (ii) further loss attributable to the equity holders of the Company of HK\$107,583,000 as disclosed in the interim report for the six months ended 30 June 2015, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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 corporation (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 Positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of Shares and underlying shares interested	Approximate percentage of the total issued share capital of the Company
Cheng Chi Him, Conrad	Beneficial owner	2,000,000 <i>(Note 1)</i>	0.21
Lim Hoe Pin	Beneficial owner	3,000,000 <i>(Note 1)</i>	0.31
Simon Murray	Beneficial owner	2,035,889	0.21
Nguyen Van Tu, Peter	Beneficial owner	1,000,000 <i>(Note 1)</i>	0.10
Tang Shun Lam, Steven	Beneficial owner	1,000,000 <i>(Note 1)</i>	0.10
Tsang On Yip, Patrick	Beneficial owner	2,000,000 <i>(Note 1)</i>	0.21
Wong Man Chung, Francis	Beneficial owner	1,000,000 <i>(Note 1)</i>	0.10
Wu Wai Leung, Danny	Interest of controlled corporation and beneficial owner	1,024,229,189 <i>(Note 2)</i>	106.42

Notes:

1. It represents number of share options granted by the Company.
2. Newforest Limited is directly and beneficially owned as to 40% by Gateway Asia Resources Limited (a direct wholly-owned company of Wu Wai Leung, Danny). As such, Wu Wai Leung, Danny is deemed to be interested in the Shares in which Newforest Limited is interested by virtue of Part XV of the SFO. The number includes 3,700,000 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 Directors 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.

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 positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange 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 Positions in Shares and underlying shares

Name of Shareholder	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company
Newforest Limited	Beneficial owner (Notes 1, 3, 4&5)	1,020,529,189	–	106.03
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation (Note 1)	1,020,529,189	–	106.03
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation (Note 1)	1,020,529,189	–	106.03
Wu Wai Leung, Danny	Interest of controlled corporation (Notes 1&3)	1,020,529,189	3,700,000 (Note 2)	106.42
Chow Tai Fook (Holding) Limited	Interest of controlled corporation (Notes 1&5)	1,020,529,189	–	106.03
Chow Tai Fook Capital Limited	Interest of controlled corporation (Note 1)	1,020,529,189	–	106.03
Chow Tai Fook Enterprises Limited	Interest of controlled corporation (Notes 1&5)	1,020,529,189	–	106.03
Gateway Asia Resources Limited	Interest of controlled corporation (Notes 1&3)	1,020,529,189	–	106.03
Sharpfield Holdings Limited	Interest of controlled corporation (Notes 1, 4&5)	1,020,529,189	–	106.03

Notes:

1. Newforest Limited 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). 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 Limited is interested by virtue of Part XV of the SFO.
2. It represents 3,700,000 share options granted by the Company.
3. Wu Wai Leung, Danny is a director of Newforest Limited and Gateway Asia Resources Limited.
4. Cheng Chi-Him, Conrad is a director of Newforest Limited and Sharpfield Holdings Limited.
5. Tsang On-Yip, Patrick is a director of Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited, Newforest Limited and Sharpfield Holdings Limited.

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 any 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 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 members of the Group, or held any options in respect of such capital.

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, other than Wu Wai Leung, Danny, who, through his wholly-owned company, Gateway Asia Resources Limited, is interested in 40% of Newforest Limited with which the Company entered into the Subscription Agreement, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up.

DIRECTORS' SERVICE CONTRACTS

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

EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion and advice which are included in this circular:

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

As at the Latest Practicable Date, TC Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, TC Capital did not have any interest, directly or indirectly, in the promotion of, or in any assets which had been within the two years immediately preceding the issue of this circular acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, TC Capital did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up.

TC Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its opinion or report and the references to its name and/or its opinion or report in the form and context in which they are included.

GENERAL

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Suites 1706-10, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suites 1706-10, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong during normal business hours (public holdings excluded) from the date of this circular up to and including the date of the SGM.

- (a) the Subscription Agreement;
- (b) the memorandum and articles of association of the Company;
- (c) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (d) the letter of advice from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from TC Capital" of this circular;
- (e) the letter of consent referred to under the paragraph headed "Expert's Qualification and Consent" in this Appendix; and
- (f) a copy of this circular.

NOTICE OF THE SGM



GREENHEART GROUP LIMITED

綠心集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Greenheart Group Limited (the “**Company**”) will be held at Basement 2, Function Room, The Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Wednesday, 16 March 2016 at 11:00 a.m. to consider and, if thought fit, pass the following resolution, with or without amendment(s), as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

“THAT

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 20 January 2016 (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification) entered into between the Company as issuer and Newforest Limited (the “**Subscriber**”) as subscriber in relation to the subscription of a maximum of 524,215,359 new shares of the Company (the “**Capitalization Shares**”) by the Subscriber at the subscription price of HK\$0.611 per Capitalization Share by way of capitalization of the loan in the outstanding principal amount of US\$40,000,000 (equivalent to HK\$312,000,000) owed by Mega Harvest International Limited, a wholly owned subsidiary of the Company, to the Subscriber (the “**Shareholder Loan**”) and the interest accrued thereon up to the date of completion of the Subscription Agreement, and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Capitalization Shares), be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfilment or waiver of the conditions precedent set out in the Subscription Agreement, the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate to allot and issue up to a maximum of 524,215,359 Capitalization Shares credited as fully paid pursuant to the terms and conditions of the Subscription Agreement; and

NOTICE OF THE SGM

- (c) any one Director be and is hereby authorised to do all such further acts and things and sign and execute such further documents, including under seal where applicable as he/she considers necessary, desirable or expedient in connection with or to give effect to the terms of the Subscription Agreement, the allotment and issue of the Capitalization Shares and/or any other transactions contemplated under the Subscription Agreement.”

By order of the Board
Greenheart Group Limited
Wu Wai Leung, Danny
Chief Executive Officer and Executive Director

Hong Kong, 25 February 2016

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of

Business in Hong Kong:
Suites 1706 – 10, 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 adjourned meeting.
3. Completion and return of the form of proxy will not preclude members from attending and voting at the special general meeting or any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the meeting, either in person or by proxy, in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The resolution is 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.
6. All the ordinary resolution(s) proposed to be approved at the special general meeting will be taken by poll and an announcement will be made by the Company on the poll results of the special general meeting as soon as possible after the conclusion of the meeting.

As at the date hereof, the Board comprises two executive Directors, namely Messrs. Wu Wai Leung, Danny and Lim Hoe Pin, three non-executive Directors, namely Messrs. Cheng Chi-Him, Conrad, Tsang On-Yip, Patrick and Simon Murray, and three independent non-executive Directors, namely Messrs. Nguyen Van Tu, Peter, Tang Shun Lam, Steven and Wong Man Chung, Francis.