



GREENHEART GROUP LIMITED

綠心集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 94)

Executive Director:

Mr. Ding Wai Chuen (*Chief Executive Officer*)

Non-executive Directors:

Mr. Cheng Chi-Him, Conrad (*Chairman*)

Mr. Kenneth Lau

Mr. Lie Ken Jie Remy Anthony Ket Heng

Ms. Suen Chung Yan, Julia

Independent non-executive Directors:

Mr. Wong Man Chung, Francis

Mr. Cheung Pak To, Patrick

Mr. To Chun Wai

Registered office:

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Hamilton HM 12, Bermuda

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

32A, 32/F., Fortis Tower

Nos. 77-79 Gloucester Road

Wanchai, Hong Kong

7 July 2025

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY TWO (2) EXISTING SHARES AT
HK\$0.0363 PER RIGHTS SHARE;
AND
(2) PROPOSED CHANGE IN BOARD LOT SIZE**

INTRODUCTION

Reference is made to the Announcements in relation to, among other things, the Rights Issue, the Placing and the Change in Board Lot Size.

The purpose of this Prospectus is to provide you with further information on, among other things, the Rights Issue, including procedures for acceptance, transfer and splitting of provisional allotments of the Rights Shares and certain financial information and other information in respect of the Group.

PROPOSED RIGHTS ISSUE

The Company proposes to raise not more than HK\$33,668,088 before expenses by way of the Rights Issue to the Shareholders (on the basis that no Shares are issued or repurchased on or before the Record Date). The Rights Issue is not underwritten and involves the issue of up to 927,495,528 Rights Shares (on the basis that no Shares are issued or repurchased on or before the Record Date) at the Subscription Price of HK\$0.0363 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares in issue on the Record Date. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. If the Rights Issue is not fully subscribed, the number of Rights Shares that are not subscribed by the Qualifying Shareholders or renouncees or transferees of the Nil Paid Rights under the PALs (i.e. the Unsubscribed Rights Shares) will be placed to independent Placees on a best effort basis through the Placing. The Unsubscribed Rights Shares that are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders.

Issue statistics

Basis of the Rights Issue:	One (1) Rights Share for every two (2) existing Shares held on the Record Date
Subscription Price:	HK\$0.0363 per Rights Share
Number of the existing Shares in issue as at the Last Trading Day:	1,854,991,056 Shares
Number of Rights Shares to be issued under the Rights Issue:	Up to 927,495,528 Rights Shares (assuming no new Shares are issued or repurchased on or before the Record Date)
Maximum enlarged issued share capital upon completion of the Rights Issue:	2,782,486,584 Shares (assuming no Shares are issued (other than the Rights Shares) or repurchased on or before the completion of the Rights Issue)
Maximum proceeds to be raised under the Rights Issue before expenses:	Approximately HK\$33,668,087.67 (assuming no Shares are issued or repurchased on or before the Record Date)
Rights of excess application:	There will be no excess application arrangements in relation to the Rights Issue

As at the Latest Practicable Date, the Company has no other outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares.

Assuming no Shares are issued or repurchased on or before the Record Date, the maximum number of 927,495,528 Rights Shares to be issued pursuant to the terms of the Rights Issue represents 50.0% of the total number of the existing issued Shares as at the Latest Practicable Date and 33.3% of the total number of the issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

The Company has not conducted any rights issue, open offer and/or specific mandate placing within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of such rights issue, open offers and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, the number of Rights Shares that are not subscribed by the Qualifying Shareholders or renouncees or transferees of the Nil Paid Rights under the PALs (i.e. the Unsubscribed Rights Shares) will be placed to independent Placees on a best effort basis through the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Qualifying Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s), or by transferees of Nil Paid Rights will be made on the basis that the applications are to be scaled down by the Company to a level which (a) does not trigger a general offer obligation under the Takeovers Code on the part of the applicant or parties acting in concert with him/her/it, and/or (b) does not result in the non-compliance of the Public Float Requirement on the part of the Company. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Qualifying Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Qualifying Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

Irrevocable Undertaking

As at the Latest Practicable Date, Newforest, being the controlling Shareholder, is beneficially interested in 1,122,005,927 Shares, representing approximately 60.49% of the issued share capital of the Company. On 10 June 2025, Newforest has given an Irrevocable Undertaking in favour of the Company where it irrevocably undertakes with the Company, among other things:

- (i) to procure that the Relevant Shares remain registered in its name at the close of business on the Record Date;
- (ii) to accept or procure the acceptance of the 561,002,963 Rights Shares (i.e. the Committed Shares) to be provisionally allotted to it under the Rights Issue in respect of Relevant Shares and lodge the relevant PAL(s) with the Registrar with full payment therefor pursuant to the Rights Issue and in accordance with the terms of the Prospectus Documents;
- (iii) not to sell, dispose of or transfer, or agree to sell, dispose of or transfer any of the Relevant Shares from the date of the Irrevocable Undertaking to the date of completion of the Rights Issue; and
- (iv) it shall do all such acts and things, obtain all consents and approvals (if any) necessary and execute all such documents as may be required to give effect to the undertakings set out in the Irrevocable Undertaking.

Save for the above, as at the Latest Practicable Date, the Board has not received any information or irrevocable undertaking from any other Shareholders of their intention to take up the Rights Shares.

Subscription Price

The Subscription Price of HK\$0.0363 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or when a transferee of Nil Paid Rights accepts the provisional allotment of the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 28.8% to the closing price of HK\$0.051 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 9.25% to the closing price of HK\$0.0400 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 4.97% to the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0382;
- (iv) a discount of approximately 6.92% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day of approximately HK\$0.0390;

- (v) a discount of approximately 6.44% to the theoretical ex-rights price of approximately HK\$0.0388 per Share based on the closing price of HK\$0.0400 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 88.80% to the audited consolidated net asset value attributable to the Shareholders as at 31 December 2024 as extracted from the annual report of the Company for the year ended 31 December 2024 of approximately HK\$0.324 per Share; and
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 3.00%, represented by the theoretical diluted price of approximately HK\$0.0388 per Share to the benchmarked price (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.0400 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.0382 per Share) of approximately HK\$0.0400 per Share (the “**Theoretical Dilution Effect**”).

Under the Rights Issue, each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholdings in the Company. Given the prospects of the forestry industry and the corresponding market reactions at the material time, the Share price has been trading at a notable discount to the consolidated net asset value per Share for a lengthy period of time. On this basis, the Share price has not fully reflected the consolidated net asset value per Share. Despite the discount of the Subscription Price to the current market price and the audited consolidated net asset value attributable to the Shareholders as at 31 December 2024, the Board considers that the discount of the Subscription Price to the current market price will encourage them to participate in the Rights Issue. Having considered the above factors, the Board is of the view that it is reasonable to benchmark the Subscription Price against the prevailing Share price at the material time and determined the Subscription Price with reference to approximately 5% discount to the average closing price per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day. The Subscription Price and the Rights Issue ratio were determined by the Board based on the prevailing market price of the Shares and the funding needs of the Group. The Board is of the view that the Rights Issue will provide the Group with sufficient funding to reduce the financial burden in the manner as set out under the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in this Prospectus. As such, the Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotments

Under the Rights Issue, the basis of the provisional allotment will be one (1) Right Share for every two (2) Shares held by the Shareholders as at the close of business on the Record Date at the Subscription Price. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required.

Procedures for acceptance and payment or transfer

A PAL will be sent to the Qualifying Shareholders in printed form which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:00 p.m. on Monday, 21 July 2025 (or, under bad weather conditions and/or extreme conditions, such later time or date as mentioned in the section headed "Effect of Bad Weather on the Latest Time for Acceptance of and Payment for the Rights Shares" in "EXPECTED TIMETABLE" in this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "TRICOR INVESTOR SERVICES LIMITED – A/C NO. 069" and crossed "Account Payee Only". It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by no later than 4:00 p.m. on Monday, 21 July 2025, whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company is not obliged to but may, at its sole absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Friday, 11 July 2025 to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the Registrar's address set out above after 9:00 a.m. on the second Business Day after the surrender of the original PAL. This process is commonly referred to as "splitting" of nil-paid rights. It should be noted that Hong Kong stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares.

If the Qualifying Shareholders wish to transfer all of their nil-paid Rights Shares under the PAL(s) (or a split PAL(s), as the case may be) to another person, they must complete and sign Form B in the PAL(s) and hand the PAL(s) to the person(s) to or through whom they are transferring their nil-paid rights. The transferee must then complete and sign Form C in the PAL(s) and lodge the PAL(s) intact together with a remittance for the full amount payable on acceptance with the Registrar so as to be received by no later than 4:00 p.m. on Monday, 21 July 2025 to effect the transfer. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of rights to subscribe for the Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable securities or other laws or regulations of any jurisdiction.

The PAL contains the full information regarding the procedures to be followed for Qualifying Shareholders who wish to: (i) accept their provisional allotment in full; (ii) accept only part of their provisional allotment; or (iii) renounce/transfer all or part of their provisional allotment to other party/parties. Qualifying Shareholders are advised to study the procedures set out in the PAL carefully. If any of the conditions of the Rights Issue as set out in the section headed “Letter from the Board – Conditions of the Rights Issue” in this Prospectus is not fulfilled at or before 4:00 p.m. on Monday, 4 August 2025, the Rights Issue will not proceed. Under such circumstances, the monies received in respect of application for the Rights Shares will be returned to the relevant applicants or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or about Tuesday, 12 August 2025.

Cheques and banker’s cashier orders

All cheques or banker’s cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and lodgment of a PAL together with a cheque or banker’s cashier order in payment for the Rights Shares applied for will constitute a warranty by the applicant that the cheque or banker’s cashier order will be honoured on first presentation. Without prejudice to its other rights in respect thereof, the Company reserves the right and is in its absolute discretion to reject any PAL in respect of which the cheque or banker’s cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights and all such assured entitlements thereunder will be deemed to have been declined and will be cancelled.

Beneficial owners' instructions to their intermediary

For beneficial owners whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, if they wish to subscribe for the Rights Shares provisionally allotted to them, or sell their nil-paid Rights Shares or “split” their nil-paid rights by accepting part of their provisional allotment and selling/transferring the remaining part, they should contact their intermediary and provide their intermediary with instructions or make arrangements with their intermediary in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for the Rights Shares which have been provisionally allotted to them in respect of the Shares in which they are beneficially interested. Such instructions and the relevant arrangements should be given or made in advance of the relevant dates stated in the “EXPECTED TIMETABLE” in this Prospectus and otherwise in accordance with the requirements of their intermediary in order to allow their intermediary sufficient time to ensure that their instructions are given effect. The procedures for acceptance, transfer and/or “splitting” in these cases shall be in accordance with the General Rules of HKSCC, the HKSCC Operational Procedures and any other applicable requirements of HKSCC.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid with a record date falling after the date of allotment and issue of the Rights Shares in their fully-paid form.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date and not being a Non-Qualifying Shareholder. In order to be registered as members of the Company on the Record Date, all transfers of Shares must be lodged with the Registrar by not later than 4:30 p.m. on Thursday, 19 June 2025. It is expected that the last day of dealings in the Shares on a cum-rights basis is Tuesday, 17 June 2025 and the Shares will be dealt with on an ex-rights basis from Wednesday, 18 June 2025.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the Provisional Allotment Letter and lodging the same with a cheque or banker's cashier order for the Rights Shares being applied for with the Registrar on or before 4:00 p.m. on the Latest Acceptance Date.

The Qualifying Shareholders who take up their provisional allotment in full will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will send the Prospectus to the Non-Qualifying Shareholders (other than such Non-Qualifying Shareholder in the United States) for their information only, but will not send the Provisional Allotment Letter to them. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

According to the register of members of the Company as at the close of business on the Record Date, there were 10 Overseas Shareholders whose registered addresses were located in Australia, the British Virgin Islands, Cayman Islands, Canada, Macau, Malaysia, Singapore, the United Kingdom and the United States holding 1,122,009,968 Shares in aggregate, representing approximately 60.49% of the issued share capital of the Company as at the Record Date.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. Having considered the advice of its legal advisers as to the laws of the aforementioned jurisdictions, the Directors have formed the view that it is necessary or expedient to exclude the Overseas Shareholders whose registered address(es) are located in Canada and the United States due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in such jurisdictions and the additional steps the Company and/or the Overseas Shareholders in such jurisdictions need to take to comply with the local legal requirements and/or other requirements to be satisfied in order to comply with the relevant local legal or regulatory requirements in such jurisdictions. As at the close of business on the Record Date, there were one Shareholder from Canada holding 275 Shares and one Shareholder from the United States holding 1,100 Shares that were identified as Non-Qualifying Shareholders, who held an aggregate of 1,375 Shares, representing approximately 0.000074% of the total issued Shares as at the Record Date.

Based on the advice of the legal advisers in Australia, the British Virgin Islands, Cayman Islands, Macau, Malaysia, Singapore and the United Kingdom, the Board is of the view that local legal restrictions and requirements of the relevant regulatory body or stock exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the aforementioned jurisdictions. Accordingly, the Board has resolved to proceed with the Rights Issue to the Overseas Shareholders having registered addresses in Australia, the British Virgin Islands, Cayman Islands, Macau, Malaysia, Singapore and the United Kingdom and such Overseas Shareholders are considered as Qualifying Shareholders.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) would not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, to be sold as soon as practicable after dealings in the Nil Paid Rights commence. The proceeds of such sale, less expenses and stamp duty, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders to their shareholdings held on the Record Date in Hong Kong Dollars. The Company will retain individual amounts of HK\$100 or less, which shall not be so distributed but shall be retained for the benefit of the Company.

Any unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent under the Placing Arrangement together with the Unsubscribed Rights Shares. The proceeds of the sale as described above in the case of being sold by the Placing Agent, less the Subscription Price and expenses, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders to their shareholdings held on the Record Date in Hong Kong Dollars together with the No Action Shareholders on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK\$100 for its own benefit. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

For the Nil Paid Rights that were sold as described above and the buyer of such Nil Paid Rights who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Non-Qualifying Shareholders should exercise caution when dealing in the Shares.

Fractional entitlements

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Procedures in respect of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Placing Shares by offering the Placing Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue.

The Company therefore appointed the Placing Agent to place the Placing Shares after the latest time for acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent placees on a best effort basis. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 4:00 p.m., on Monday, 4 August 2025, acquirers for all (or as many as possible) of those Placing Shares. Any Placing Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Placing Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- A. where the Nil Paid Rights are, at the time they lapse, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter (unless that person is covered by (C) below);
- B. where the Nil Paid Rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those Nil Paid Rights in CCASS (unless that person is covered by (C) below); and
- C. where the Rights Issue is available to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

For Net Gain (if any) to Non-Qualifying Shareholders, please refer to the section headed “Non-Qualifying Shareholders” above.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in “A” to “C” of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

Placing Arrangement for the Placing Shares

On 10 June 2025 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure independent placee(s), on a best effort basis, to subscribe for the Placing Shares. Details of the Placing Arrangement are as follows:

Date: 10 June 2025

Placing Agent: VMS Securities Limited, a licensed corporation carrying out Type 1 (dealing in securities) regulated activities under the SFO.

As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Fees and expenses: The Company shall pay to the Placing Agent:

- (a) a fixed fee of HK\$150,000, which shall be payable to the Placing Agent regardless of whether completion under the Placing Agreement occurs and is non-refundable under any circumstances, including but not limited to the Placing Agent’s failure to procure Placees for all or any of the Placing Shares; and

	<p>(b) if completion occurs in accordance with the Placing Agreement, a commission equal to 2% of the amount which is equal to the Placing Price multiplied by the Placing Shares that have been successfully placed by the Placing Agent on behalf of the Company pursuant to its obligations in the Placing Agreement.</p>
Placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe):	<p>The placing price of each of the Placing Shares (as the case maybe) shall not be less than the Subscription Price.</p> <p>The final price determination depends on the demand and market conditions of the Placing Shares during the process of placement.</p>
Placees:	<p>The Placing Shares are expected to be placed to placees, being any individuals, corporate, institutional investors or other investors, who and whose ultimate beneficial owners, shall be Independent Third Parties. If any of the placees subscribes for 10% or more of the Shares under the Placing, he/she/it will become a substantial Shareholder after completion of the Placing.</p>
Ranking of the Placing Shares:	<p>The Placing Shares (when placed, allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the existing Shares in issue as at the date of the Announcements.</p>
Conditions precedent:	<p>The Placing is conditional upon the following conditions precedent being fulfilled (or being waived by the Placing Agent in accordance with the Placing Agreement) on or before 5:00 p.m. (Hong Kong time) on the Long Stop Date:</p> <p>(a) the compliance with the requirements of the Stock Exchange and the Listing Rules, including but not limited to the obtaining of the Admission;</p> <p>(b) the filing and registration of the prospectus and provisional allotment letter in relation to the Rights Issue (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong;</p> <p>(c) the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Placing Agreement to the Completion Date, save for any temporary suspension not exceeding three consecutive trading days (as defined under the Listing Rules), or such longer period as the Placing Agent may accept in writing, and no indication being received by the Company on or before the Latest Placing Date from the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to as a result of the Rights Issue, the Placing or in connection with the terms of the Placing Agreement;</p>

- (d) the Company having complied with and performed all its undertakings and obligations under the Placing Agreement, and the warranties stated in the Placing Agreement remaining true and accurate in all respects, and not misleading in any material respect, as given on the completion date of the Placing Agreement, being the second Business Day after the Latest Placing Date (or such other date and place as the Placing Agent and the Company may agree in writing); and
- (e) the Placing Agreement not having been terminated in accordance with the provisions thereof.

Termination:

The Placing Agent may terminate by notice in writing to the Company at any time up to 4:00 p.m. on the Latest Placing Date if, at or prior to such time:

- (a) there is any change in local, national, international, financial, exchange control, political, economic conditions or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
- (b) the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever after the signing of the Placing Agreement; or
- (c) the occurrence of any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) in Hong Kong and the PRC; or
- (d) the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or
- (e) there is any material breach of the warranties or undertakings given by the Company in the Placing Agreement; or

- (f) there is any adverse change (whether or not forming part of a series of changes) as determined by the Placing Agent in its reasonable opinion after the signing of the Placing Agreement in (i) the business or in the financial or trading position of the Company, or (ii) any aspects of the Rights Issue (including but not limited to its structure, timing or any prior understanding between the parties insofar as the Placing arrangement therein is concerned); or
- (g) there is any suspension of dealings in the Shares on the Stock Exchange for more than five consecutive trading days (other than as a result of or in connection with the Placing or suspension for clearance of announcement(s) by the Stock Exchange and/or the SFC); or
- (h) any material litigation, dispute, legal action or claim being threatened or instigated against any member of the Group; or
- (i) any event, or series of event, of force majeure (being an event beyond the control of the parties and which is unforeseeable or unavoidable), including but without limiting the generality hereof, any act of God (such as flood, earthquake, hurricane, volcanic eruption etc.), war, riot, public disorder, civil commotion, fire, explosion, epidemic, terrorism, strike or lock-out in or affecting Hong Kong or the PRC;

which, individually or in the aggregate, in the reasonable opinion of the Placing Agent:

- (i) has or will or may have a material adverse effect on the business or financial position of the Group taken as a whole; or
- (ii) has or will or may have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
- (iii) has or will or is likely to have the effect of making any part of the Placing Agreement (including underwriting) inadvisable, incapable or impractical of performance in accordance with its terms or preventing or pursuant to the underwriting of the Rights Issue,

the Placing Agent shall be entitled by notice in writing to the Company, served prior to the Latest Placing Date, to terminate the Placing Agreement without consent from the Company.

The engagement between the Company and the Placing Agent for the placing of the Placing Shares was determined after arm's length negotiations between the Placing Agent and the Company. The Directors consider the fee charged by the Placing Agent is no less favourable to the Company than the commission in recent placing transactions. For information purposes, the placing commission charged by placing agents for the placement of shares announced in the 12 months period ended 30 June 2025, with a gross fund raise between HK\$5 million up to HK\$100 million, for companies listed on the Stock Exchange, ranged from approximately 1.0% to 5.0% of the respective maximum gross fund raised for variable fees and between HK\$100,000 and HK\$300,000 for fixed fees regardless of number of share(s) placed under the subject placement, under the subject placement of shares by not less than 10 listed companies (the **"Placing Commission Range"**). On this basis, the terms of the Placing Arrangement for the Placing Shares, including the placing commission in the form of variable and fixed placing fee, which represents approximately 2.4% of the maximum gross fund raised under the Rights Issue or approximately 3.1% of the maximum gross fund raised under the Placing, excluding the gross fund raise from the acceptance of the 561,002,963 Rights Shares pursuant to the Irrevocable Undertaking, both of which are within the Placing Commission Range from the identified market precedents, are therefore on normal commercial terms. The Directors believe the placing fee, including the fixed fee portion which shall be paid by the Company regardless of whether Share(s) will be placed under the Placing Arrangement, being in line with the respective placing fee range, to be ordinary in the marketing of securities, and is considered to be fair and reasonable.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Placing Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders and the Non-Qualifying Shareholders, the Company considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Odd lot arrangement

Upon the Change in Board Lot Size, each board lot of the Company will increase from 2,000 Shares to 80,000 Shares. To facilitate the trading of odd lots of Shares, the Company has appointed Sun Securities Limited to stand in the market to match the purchase and sale of odd lots of the Shares at the relevant market price, on a best effort basis. Holders of Shares in odd lots who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up to a full board lot may contact Ms. Li Ximei at (852) 2922-9168 during the period from 9:00 a.m. on Wednesday, 9 July 2025 to 4:00 p.m. on Tuesday, 29 July 2025, both days inclusive. Holders of Shares in odd lots should note that the matching services mentioned above are on a "best effort" basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being an adequate amount of odd lots of Shares available for matching. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its/their own professional advisers.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil Paid Rights are expected to be traded in new board lot size as the Shares, i.e., 80,000 shares in one board lot. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange.

Stamp duty and other applicable fees

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

Share certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on Tuesday, 12 August 2025 to those persons who have validly accepted and, where applicable, applied for, and paid for the Rights Shares, at their own risks. Those entitled, except HKSCC Nominees Limited, and in the case of joint Qualifying Shareholders, the first-named Qualifying Shareholder, will receive one share certificate for all the Rights Shares in fully-paid form, allotted and issued thereto.

Refund cheques if the Rights Issue does not proceed are expected to be posted on Tuesday, 12 August 2025 by ordinary post to the applicants' registered addresses, at their own risk.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the Nil Paid Rights or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the Nil Paid Rights on their behalf. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the Stock Exchange having authorised the registration of, and the Companies Registry in Hong Kong having registered, respectively, one copy of each of the Prospectus Documents duly certified in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (and other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Listing Rules;
- (ii) the Shares remaining listed and traded on the Stock Exchange at all times from the date hereof to the Completion Date, save for any temporary suspension not exceeding three consecutive trading days (as defined under the Listing Rules), or such longer period as the Placing Agent may accept in writing, and no indication being received by the Company on or before the Latest Placing Date from the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to as a result of the Rights Issue, the Placing or in connection with the terms of the Placing Agreement;
- (iii) the despatch of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For Information Only” to the Non-Qualifying Shareholders (other than such Non-Qualifying Shareholder in the United States) for information purpose only;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares; and
- (v) the Placing Agreement not having been terminated in accordance with the provisions thereof.

All of the conditions are incapable of being waived. If the conditions above are not satisfied on or before the Long Stop Date, the Rights Issue shall be terminated.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders; (iii) immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders except for Newforest pursuant to the Irrevocable Undertaking and all the Placing Shares have been placed by the Placing Agent; and (iv) immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders except for Newforest pursuant to the Irrevocable Undertaking and none of the Placing Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders except for Newforest pursuant to the Irrevocable Undertaking and all the Placing Shares have been placed by the Placing Agent		Immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders except for Newforest pursuant to the Irrevocable Undertaking and none of the Placing Shares have been placed by the Placing Agent	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Controlling shareholder								
Newforest (Note 1)	1,122,005,927	60.49	1,683,008,890	60.49	1,683,008,890	60.49	1,683,008,890	69.66
Public shareholders								
China Forestry Group Corporation (Note 2)	110,000,000	5.93	165,000,000	5.93	110,000,000	3.95	110,000,000	4.55
Hong Kong Genghis Khan Group Limited (Note 3)	110,000,000	5.93	165,000,000	5.93	110,000,000	3.95	110,000,000	4.55
Other existing public shareholders	512,985,129	27.65	769,477,694	27.65	512,985,129	18.44	512,985,129	21.23
Placees	—	—	—	—	366,492,565	13.17	—	—
Total	1,854,991,056	100.00	2,782,486,584	100.00	2,782,486,584	100.00	2,415,994,019	100.00

Notes:

1. Newforest Limited is directly and beneficially owned as to 40% by Gallant Elite International Limited and as to 60% by Sharpfield Holdings Limited. Both Gallant Elite International Limited and Sharpfield Holdings Limited are wholly-owned subsidiaries of Chow Tai Fook Nominee Limited. Chow Tai Fook Nominee Limited is owned as to 99.90% by Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is owned as to approximately 81.03% by Chow Tai Fook Capital Limited. Chow Tai Fook Capital Limited is owned as to approximately 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, respectively. As such, 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. Mr. Cheng Chi-Him, Conrad and Mr. Lie Ken Jie Remy Anthony Ket Heng are directors of each of Newforest Limited and Sharpfield Holdings Limited. Mr. Lie Ken Jie Remy Anthony Ket Heng is a director of Gallant Elite International Limited.
2. The 110,000,000 Shares are held by China Forestry International Resource Company Limited which is wholly owned by China Forestry Group Corporation. By virtue of the SFO, China Forestry Group Corporation is deemed to be interested in the 110,000,000 Shares.
3. The 110,000,000 Shares are held by Hong Kong Genghis Khan Group Limited which is wholly-owned by Mr. Ge Jian. By virtue of the SFO, Mr. Ge Jian is deemed to be interested in the 110,000,000 Shares.

FUND RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted any other equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in log harvesting, timber processing, marketing, sales and trading of logs and timber products, provision of forest management services and managing harvest right of concession.

As set out in the 2024 Annual Report, the Group recorded (i) bank balances and cash of approximately HK\$19.5 million as at 31 December 2024; (ii) gearing ratio of approximately 72.9% as at 31 December 2024, as calculated on the basis of outstanding borrowings as a percentage of equity attributable to owners of the Company; and (iii) net cash used in operating activities of approximately HK\$22.1 million for the year ended 31 December 2024. On this basis, the Group needs to maintain a sufficient level of cash reserve for its day-to-day operations as well as replenish its working capital.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$33.7 million and the relevant expenses would be approximately HK\$1.9 million. The net subscription price per Rights Share is expected to be approximately HK\$0.0343. Accordingly, the maximum net proceeds (after deducting the estimated expenses) of the Rights Issue are estimated to be approximately HK\$31.8 million.

The Company intends to apply (i) approximately HK\$23.5 million (representing approximately 74%) of the net proceeds from the Rights Issue to the Group's New Zealand division to support ongoing operations, particularly in relation to the realisation of existing cutting rights. The Group's owned plantation forests assets in New Zealand have already been fully harvested, and the next harvestable cycle is not expected to commence until after 2028; and (ii) approximately HK\$8.3 million (representing approximately 26%) of the net proceeds from the Rights Issue will be allocated to fund the Group's corporate-level overhead expenses, including compliance, regulatory, and administrative costs necessary to maintain the Company's status as a listed entity.

In the event that there is an undersubscription of the Rights Issue, the use of proceeds raised from the Rights Issue will be allocated on a pro-rata basis for the purpose as disclosed above, i.e., (i) approximately 74% of the net proceeds from the Rights Issue will be used for the Group's New Zealand operations; and (ii) approximately 26% of the net proceeds from the Rights Issue will be used for corporate-level overhead expenses.

Rights Issue as the preferred fundraising activity of the Group

The Board has considered various fundraising alternatives and is of the view that the Rights Issue is an efficient way in terms of time and costs for the Group's fundraising purpose. The Board considers it is prudent to finance the Group's long-term growth in the form of equity as such will not increase the Group's finance costs. The Board has considered other fundraising alternatives before deciding on the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, given the high gearing ratio of the Group, debt financing may not be attainable on favourable terms in a timely manner. As for equity fundraising, such as placing of new Shares, it is relatively smaller in scale as compared to fundraising through rights issue and it would lead to immediate dilution in the shareholding interests of the existing Shareholders without offering them the opportunity to participate in the enlarged share capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue and offer Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro-rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

Having considered the above, the Board considers that the terms of the Rights Issue are fair and reasonable and raising funds through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 June 2025 to Thursday, 26 June 2025 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL PAID RIGHTS

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon certain conditions including, among others, the Listing Committee granting the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms). Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors of the Company should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Wednesday, 18 June 2025. Any Shareholder or other person dealing in the Shares and/or Nil Paid Rights up to the date on which all conditions to which the Rights Issue is subject are fulfilled, will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating any dealings in the Shares and/or Nil Paid Rights, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded on the Stock Exchange in the board lot size of 2,000 Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 2,000 Shares to 80,000 Shares with effect from 9:00 a.m. on Wednesday, 9 July 2025.

REASONS FOR AND BENEFITS OF THE CHANGE IN BOARD LOT SIZE

The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated in September 2024 has stated that, among others, taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

As at the Last Trading Day, based on the closing price per Share of HK\$0.0400, the market value of each existing board lot of 2,000 Shares is HK\$80, which is below the HK\$2,000 threshold. With a view to enable the Company to comply with the trading requirements under the Listing Rules, namely, the expected value per board lot should be greater than HK\$2,000, each board lot shall increase from 2,000 Shares to 80,000 Shares. Upon the Change in Board Lot Size becoming effective, and based on the closing price per Share of HK\$0.0400 as at the Last Trading Day, the market value of each board lot of 80,000 Shares is calculated to be HK\$3,200.

The Change in Board Lot Size is expected to decrease the overall transaction and handling costs of trading in the Shares as a percentage of the market value of each board lot, since most of the financial institutions or securities brokerage firms will impose a minimum charge for securities trading transactions. The Company considers that the Change in Board Lot Size will maintain the trading amount for each board lot at a reasonable level and attract more investors and broaden the Shareholder base of the Company. In view of the above, the Company considers the proposed Change in Board Lot Size to be justifiable after taken into consideration of the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect on the financial position of the Group nor result in any material adverse changes in the relative rights of the Shareholders.

LISTING RULES IMPLICATIONS

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of Last Trading Day and the Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to Shareholders' approval under the Listing Rules.

The Rights Issue does not result in a Theoretical Dilution Effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

FURTHER INFORMATION

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

By Order of the Board
Greenheart Group Limited



Ding Wai Chuen
Executive Director and Chief Executive Officer