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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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.

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**GREENHEART GROUP LIMITED****綠心集團有限公司***(Incorporated in Bermuda with limited liability)***(Stock Code: 94)****CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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



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A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 15 to 16 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 27 of this circular.

A notice convening the SGM to be held at Boardroom 3-4, M/F., Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 4 August 2023 at 11:00 a.m. is set out on pages 33 to 34 of this circular. A form of proxy for use at the SGM is also attached with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.greenheartgroup.com](http://www.greenheartgroup.com).

Whether or not you are able to attend at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.

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## DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Banking Day”	a day (excluding Saturday, Sunday and public holidays in Hong Kong) on which banks are open for business in Hong Kong
“Board”	the board of Directors of the Company
“close associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Company”	Greenheart Group Limited 綠心集團有限公司, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Drawdown Period”	the drawdown period as defined in the Facility Agreement (as amended and supplemented by the Supplemental Facility Agreement, the Second Supplemental Facility Agreement, the Third Supplemental Facility Agreement, the Fourth Supplemental Facility Agreement and the Fifth Supplemental Facility Agreement)
“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“Effective Date”	the date on which the Sixth Supplemental Facility Agreement becomes effective
“Event(s) of Default”	event(s) of default as set out in the Facility Agreement (as amended and supplemented by the Supplemental Facility Agreement, the Second Supplemental Facility Agreement, the Third Supplemental Facility Agreement, the Fourth Supplemental Facility Agreement, the Fifth Supplemental Facility Agreement and the Sixth Supplemental Facility Agreement)
“Facility”	the revolving loan facility granted by Silver Mount to Greenheart Resources pursuant to the Facility Agreement (as amended and supplemented by the Supplemental Facility Agreement, the Second Supplemental Facility Agreement, the Third Supplemental Facility Agreement, the Fourth Supplemental Facility Agreement, the Fifth Supplemental Facility Agreement and the Sixth Supplemental Facility Agreement)

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## DEFINITIONS

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“Facility Agreement”	the facility agreement dated 14 May 2008 entered into between Silver Mount and Greenheart Resources in respect of provision of a HK\$50 million loan facility
“Facility Limit”	the maximum total principal amount available during the Drawdown Period of the Facility
“Fifth Supplemental Facility Agreement”	the fifth supplemental facility agreement dated 15 June 2020 entered into between Silver Mount and Greenheart Resources in respect of the Facility for, inter alia, the increase of the Facility Limit to HK\$400 million, the extension of repayment date of the outstanding amount drawn under the Facility and the extension of the Drawdown Period
“Fourth Supplemental Facility Agreement”	the fourth supplemental facility agreement dated 26 January 2018 entered into between Silver Mount and Greenheart Resources in respect of the Facility for, inter alia, the increase of the Facility Limit to HK\$317 million, the extension of the repayment date of the outstanding amount drawn under the Facility and the extension of the Drawdown Period
“Greenheart Resources”	Greenheart Resources Holdings Limited, a company incorporated under the laws of the British Virgin Islands and currently a 60.39% indirect subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors, namely Mr. Wong Man Chung, Francis, Mr. Cheung Pak To, Patrick and Mr. To Chun Wai, formed for the purpose of advising the Independent Shareholders in respect of the continuing connected transactions
“Independent Financial Adviser” or “Quam”	Quam Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions

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## DEFINITIONS

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“Independent Shareholders”	independent Shareholders other than those who have interest in the relevant continuing connected transactions
“Latest Practicable Date”	18 July 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“Newforest”	Newforest Limited, an exempted company incorporated with limited liability in the Cayman Islands, the controlling shareholder of the Company
“Second Supplemental Facility Agreement”	the second supplemental facility agreement dated 4 November 2013 entered into between Silver Mount and Greenheart Resources in respect of the Facility for, inter alia, the extension of the Drawdown Period and the repayment date of the Facility and the change of the interest payment periods of the Facility from monthly payments in arrears to six-monthly payments in arrears
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Silver Mount”	Silver Mount Group Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sixth Supplemental Facility Agreement”	the sixth supplemental facility agreement dated 14 July 2023 entered into between Silver Mount and Greenheart Resources in respect of the Facility
“Special General Meeting” or “SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, approve, confirm and ratify the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Supplemental Facility Agreement”	the supplemental facility agreement dated 22 November 2010 entered into between Silver Mount and Greenheart Resources in respect of the Facility for, inter alia, the increase of the Facility Limit to HK\$215 million, the extension of the repayment date of the Facility and the extension of the Drawdown Period
“Third Supplemental Facility Agreement”	the third supplemental facility agreement dated 12 December 2016 entered into between Silver Mount and Greenheart Resources in respect of the Facility for, inter alia, the extension of the repayment date of the outstanding amount drawn under the Facility and the extension of the Drawdown Period
“%”	per cent

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## LETTER FROM THE BOARD

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### 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

***Non-executive Directors:***

Mr. Cheng Chi-Him, Conrad

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:***

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

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

32A, 32/F., Fortis Tower

Nos. 77-79 Gloucester Road

Wan Chai, Hong Kong

19 July 2023

*To the Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

#### INTRODUCTION

The Company refers to its announcements dated 1 June 2010, 22 November 2010, 4 November 2013, 12 December 2016, 26 January 2018 and 15 June 2020, and its circulars dated 30 November 2010, 6 November 2013, 6 January 2017, 15 February 2018 and 16 July 2020. Silver Mount, a wholly-owned subsidiary of the Company, granted to Greenheart Resources a revolving facility up to a maximum of HK\$400 million, which was approved by the Independent Shareholders at a special general meeting of the Company held on 4 August 2020. The Facility bears an interest at the rate of the prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong and Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount).

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, an amount of HK\$386.2 million has been drawn down and the outstanding principal balance and accrued interests under the Facility was of approximately HK\$386.2 million and HK\$105.3 million, respectively.

The Second Supplemental Facility Agreement provided that the interest payment date may be mutually agreed between Silver Mount and Greenheart Resources. Greenheart Resources has not repaid the accrued interests since 2017 because of the repayment date of accrued interests had been mutually agreed between Silver Mount and Greenheart Resources to postpone to no later than 4 August 2023, which is the date falling three years after the effective date of the Fifth Supplemental Facility Agreement.

The repayment date of the Facility, which was approved by the Independent Shareholders at a special general meeting of the Company held on 4 August 2020, is on or before 4 August 2023.

As at the Latest Practicable Date, Greenheart Resources has not committed any default under the Facility.

Greenheart Resources utilized the drawn down amount of HK\$386.2 million as follows: (i) HK\$190.2 million as capital expenditures in setting up and upgrading processing sawmill facilities; (ii) HK\$22.5 million as repayment of trade deposit; and (iii) HK\$173.5 million as working capital for operating activities including payroll, fuel, manufacturing and other operation overheads.

Reference is also made to the announcement of the Company made on 14 July 2023 in relation to the Sixth Supplemental Facility Agreement. The transactions to be effected by the Sixth Supplemental Facility Agreement constitute continuing connected transactions of the Company.

The purpose of this circular is to provide you with, among other things, (i) information in relation to the Sixth Supplemental Facility Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

### **PARTICULARS OF THE SIXTH SUPPLEMENTAL FACILITY AGREEMENT**

On 14 July 2023, Silver Mount entered into the Sixth Supplemental Facility Agreement with Greenheart Resources pursuant to which the parties conditionally agreed to:

- (a) extend the repayment date of the outstanding amount drawn under the Facility to 4 August 2026; and
- (b) extend the Drawdown Period to the earlier of (i) 4 August 2026; and (ii) the date on which the Facility is terminated upon the occurrence of an Event of Default under the provisions of the Facility Agreement (as amended by the Supplemental Facility Agreement, the Second Supplemental Facility Agreement, the Third Supplemental Facility Agreement, the Fourth Supplemental Facility Agreement, the Fifth Supplemental Facility Agreement and the Sixth Supplemental Facility Agreement).

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

The Sixth Supplemental Facility Agreement will become effective on the Effective Date upon the Company having convened the SGM at which the resolution shall have been duly passed by the Independent Shareholders to approve, confirm and ratify the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

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## LETTER FROM THE BOARD

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### PARTICULARS OF THE FACILITY

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

- (i) Facility Limit: A revolving facility up to a maximum of HK\$400 million at any time during the drawdown period.
- (ii) Drawdown period: The period commencing on the date of the Facility Agreement and ending on but excluding the earlier of (i) 4 August 2026; and (ii) the date on which the Facility is terminated upon the occurrence of an Event of Default under the provisions of the Facility Agreement (as amended by the Supplemental Facility Agreement, the Second Supplemental Facility Agreement, the Third Supplemental Facility Agreement, the Fourth Supplemental Facility Agreement, the Fifth Supplemental Facility Agreement and the Sixth Supplemental Facility Agreement).
- (iii) Interest: Prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong and Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount), i.e. 5.75% as at the Latest Practicable Date.  
  
Interest is calculated on the basis of the actual number of days elapsed on a 365-day year and is paid six-monthly in arrears, or such other interest payment date as may be mutually agreed between Silver Mount and Greenheart Resources.
- (iv) Repayment: Greenheart Resources may repay the whole or any part of the amount drawn under the Facility on or before 4 August 2026.
- (v) Prepayment: Greenheart Resources may on any Banking Day prepay the whole or any part of the amount drawn under the Facility together with interest accrued thereon by giving Silver Mount not less than two Banking Days' prior notice specifying the date of prepayment.
- (vi) Security: None.
- (vii) Conditions: Greenheart Resources may draw under the Facility provided that:
  - (a) it gives Silver Mount a notice of drawing in the manner set out in the Facility Agreement;
  - (b) no Event of Default or prospective Event of Default has occurred and all representations and warranties given by Greenheart Resources under the Facility Agreement are true and correct as at the date of each drawing; and

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## LETTER FROM THE BOARD

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- (c) the amount of such drawing shall, when aggregated with the principal amount of then outstanding, not exceed the Facility Limit.

(viii) Events of Default:

Events of Default include but are not limited to:

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

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## LETTER FROM THE BOARD

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### PROPOSED ANNUAL CAPS

As mentioned above, an amount of HK\$386.2 million has been drawn down by Greenheart Resources. As approved by the Independent Shareholders at the special general meeting of the Company held on 4 August 2020, the annual cap for the financial year ending 31 December 2023 is HK\$540 million in respect of the outstanding amount under the Facility.

While the Facility Limit and thus the maximum principal amount advanced under the Facility remain unchanged under the Sixth Supplemental Facility Agreement, the accumulated outstanding interest accrued on the principal amount may increase over time. The Board takes into accounts that the actual Facility amount of HK\$491 million, being the drawn down principal amount of HK\$386.2 million and the accumulated interest of HK\$105.3 million; and assuming that (i) the remaining Facility amount up to HK\$400 million will be drawn down in full for each of the three years ending 31 December 2026; and (ii) an anticipated Hong Kong prime rate increase by 100 basis point from the current 5.75% to 6.75%, which is based on historical trend of prime rate increased for Hong Kong dollars from 5.00% as at 4 August 2020, the effective date under the Fifth Supplemental Facility Agreement, to 5.75% as at the Latest Practicable Date, the outstanding principal amount together with accrued interest thereof would be reached approximately of HK\$588 million in the next maturity date on 4 August 2026. In this regard, the Board considers that the maximum principal amount advanced under the Facility plus the outstanding interest accrued thereon from time to time are not expected to exceed HK\$590 million for each of the financial years ending 31 December 2024, 2025 and 2026 (the “**Proposed Annual Caps**”). The Proposed Annual Caps were determined based on the Facility Limit and the current principal loan amount advanced under the Facility and the interest rate of the Facility.

### REASONS FOR AND BENEFITS OF THE SIXTH SUPPLEMENTAL FACILITY AGREEMENT

As disclosed in the announcements of the Company dated 1 June 2010, 22 November 2010, 4 November 2013, 12 December 2016, 26 January 2018 and 15 June 2020, and the circulars dated 30 November 2010, 6 November 2013, 6 January 2017, 15 February 2018 and 16 July 2020, the Facility is used to facilitate the business development of Greenheart Resources.

As at the Latest Practicable Date, Newforest directly holds 1,122,005,927 Shares, representing approximately 60.49% of the existing issued share capital of the Company, and is therefore a substantial Shareholder and a connected person of the Company. It holds approximately 39.61% of the issued share capital of Greenheart Resources. Greenheart Resources is therefore a connected person of the Company under Rule 14A.07(5) and Rule 14A.16 of the Listing Rules.

As at the date of the Latest Practicable Date, Greenheart Resources and its subsidiaries hold and operate approximately 152,000 hectares of tropical hardwood concessions and a tropical hardwood processing plant in west Suriname. Their principal business activities include log harvesting, timber processing and sale of logs and timber products.

As disclosed in the Company’s 2022 annual report, the demand for tropical wood products from Europe had increased after the COVID-19 pandemic. However, extreme and persistent heavy rain in Suriname caused unprecedented country-wide flooding, damaging all major roads and exacerbating logistical disruptions. The flooding seriously affected the Group’s harvesting and product delivery capabilities in Suriname due to the long distance between the Group’s concessions to the port. As a result, the sales volume of logs and lumber was reduced and the ability of the Group’s Suriname operation to meet market demand was restricted despite the strong recovery for tropical hardwood products, the revenue generated from the Group’s Suriname division in 2022 decreased 14.2%, reflecting the decrease in volume sold compared to the year ended 31 December 2021.

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## LETTER FROM THE BOARD

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Furthermore, the Group's Suriname operation is facing increasing uncertainty associated with the renewal of concession licences by the Suriname government. Thus, the Company had to accelerate the amortisation of timber concession licences and cutting rights which are subject to renewal to reflect the shorter expected useful lives of these concessions and cutting rights.

Despite the above difficulties, the Group's Suriname segment reduced its negative adjusted EBITDA by 28.9% to HK\$8,913,000 for the year ended 31 December 2022, reflecting the Suriname division is working towards the turnaround process to become a sustainable business.

The Group's Suriname segment are gradually overcoming the above challenges by improving operational efficiency, reducing costs through outsourcing, and generating additional revenue through subcontracting the right to operate in our forest concession areas. With these measures, Greenheart Resources is expected to begin generating positive cashflow which can start repaying the outstanding interest and Facility. The Company remains cautiously optimistic on the global demand of tropical hardwood and the Group's Suriname segment in the future. In order to develop the Suriname operation into a sustainable business, Greenheart Resources continues to need financing as working capital to maintain and turnaround its daily operation.

Greenheart Resources has considered other financing options including bank financing. Taking into account various factors such as collateral and financial covenants required by banks to repay the loans already drawn from the Facility or to support its future development, the Directors are of the view that the extension of the repayment date under the Facility remain to be the best option to continue supporting Greenheart Resources.

In the event that the Sixth Supplemental Facility Agreement is not approved by the Independent Shareholders at the SGM, the Company will reassess the feasibility of other financing options such as bank financing. In the event that approval by Independent Shareholders is not obtained and Greenheart Resources is unable to pursue other financing options and unable to repay the loan drawn and accrued interest by the repayment date, it would constitute an event of default under the Fifth Supplemental Facility Agreement, in which case Silver Mount shall be entitled to declare that the loan drawn under the Facility, together with all interests and other moneys due under the Facility, becomes immediately due and payable. Under such circumstances, Greenheart Resources may have to liquidate its assets to repay the loan, and it may have an adverse effect on the liquidity and financial conditions of Greenheart Resources as well as the Group's operation in Suriname.

The Board also considered the net loss and net operating cash outflow position of the Company for the year ended 31 December 2022. In order to support its future development and strengthen cash flow management, the Company should minimize cash outflow by reducing financing costs payable to financial institutions. This objective also supports the entering into of the Sixth Supplemental Facility Agreement which allows Greenheart Resources to continue its borrowing from Silver Mount which is a wholly-owned subsidiary of the Company, thus avoiding paying interests to financial institutions.

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## LETTER FROM THE BOARD

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Based on the above, the Directors (including the independent non-executive Directors whose view is set out in the section headed “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” of this circular) consider that the entering into of the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder are on normal commercial terms, and the terms of the Sixth Supplemental Facility Agreement were determined after arm’s length negotiation and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To protect the interests of the Company and the Shareholders, the Group has adopted the following capital risk control measures:

1. It closely monitors relevant financial indicators including gearing ratio, asset-liability ratio and liquidity ratio to manage the financial risks.
2. The funds drawn under the Facility are restricted to be used for Greenheart Resources’ business operation.
3. Greenheart Resources shall ensure the safety of funds and manage risks concerning its assets and liabilities. It must notify the Board immediately, and shall actively take mitigation measures upon occurrence of any material event or circumstances which might have adverse impact to Greenheart Resources.
4. Greenheart Resources and the other members of the Group maintain healthy relationships and appropriate communication channels with stakeholders including the relevant local governmental authorities, the local communities, customers, logistics companies and suppliers.
5. The Group regularly reviews and assesses the internal control procedures, including the circumstances which may give rise to transactions under Chapters 14 and 14A of the Listing Rules. Internal control reporting is made to the Board for review and approval.
6. The Group also monitors, collects and evaluates information of the continuing connected transactions of the Company, including but not limited to transaction amounts, on a monthly basis to ensure the relevant transactions are conducted in compliance with the Listing Rules and the relevant annual caps for continuing connected transactions.
7. The independent non-executive Directors review the continuing connected transactions of the Company to ensure that connected transactions are on normal commercial terms or better terms to the Company, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.
8. The auditors of the Company will also conduct an annual review on the annual caps of the continuing connected transactions of the Group.

The Board considers that the above capital risk control measures adopted by the Group in respect of the continuing connected transactions of the Group are appropriate and that the Company will duly monitor the relevant procedures and measures for such continuing connected transactions to provide sufficient assurance to the Shareholders.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PARTIES

#### The Company

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise log harvesting, timber processing, marketing, sales and trading of logs and timber products, provision of forest management services and managing harvest right of concession.

#### Greenheart Resources

Greenheart Resources is owned as to approximately 60.39% by the Company (which is held via Silver Mount) and 39.61% by Newforest. Greenheart Resources and its subsidiaries hold forest concessions for the exploitation of timber on a parcel of land in west Suriname. Their principal business activities include log harvesting, timber processing and sale of logs and timber products.

#### Silver Mount

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

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Newforest (the ultimate parent of which is Chow Tai Fook Capital Limited), directly holds approximately 60.49% of the existing issued share capital of the Company, and is therefore a substantial Shareholder and a connected person of the Company. It holds approximately 39.61% of the issued share capital of Greenheart Resources. Greenheart Resources is therefore a connected person of the Company under Rule 14A.07(5) and Rule 14A.16 of the Listing Rules. The transactions to be effected by the Sixth Supplemental Facility Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

In view of the shareholding interest of Newforest in Greenheart Resources, Newforest and its associates will abstain from voting at the SGM to be convened to consider the resolution approving the abovementioned continuing connected transactions.

### DIRECTORS' INTERESTS IN THE SIXTH SUPPLEMENTAL FACILITY AGREEMENT

None of the Directors has a material interest in the transactions contemplated under the Sixth Supplemental Facility Agreement and thus no Director is required to abstain from voting on the board resolution(s) approving the abovementioned continuing connected transactions.

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## LETTER FROM THE BOARD

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### SPECIAL GENERAL MEETING

The SGM will be held by the Company at Boardroom 3-4, M/F., Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong, on Friday, 4 August 2023 at 11:00 a.m. at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve, confirm and ratify the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). A notice of the SGM is set out on pages 33 to 34 of this circular.

Newforest and its associates will abstain from voting at the SGM with respect to the resolution approving the continuing connected transactions. As at the Latest Practicable Date, to the best of the Director's knowledge, Newforest and its associates hold 1,122,005,927 Shares, representing approximately 60.49% of the existing issued share capital of the Company.

For the purpose of the SGM, the Board has established the Independent Board Committee to consider and advise the Independent Shareholders with respect to the Sixth Supplemental Facility Agreement. The Company has also appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the continuing connected transactions.

Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you 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 except where the chairman of the SGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands. An announcement will be made by the Company on the poll results of the SGM as soon as possible after the meeting.

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## LETTER FROM THE BOARD

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### 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) consider that the transactions under the Sixth Supplemental Facility Agreement are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Directors therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**Greenheart Group Limited**  
**Ding Wai Chuen**  
*Executive Director and Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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 Sixth Supplemental Facility Agreement and the transactions contemplated thereunder.*



## GREENHEART GROUP LIMITED

綠心集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 94)**

19 July 2023

*To the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 19 July 2023 issued by the Company (the “**Circular**”) to the Shareholders of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

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

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 14 of the Circular, which contains, inter alia, information on the Sixth Supplemental Facility Agreement, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Sixth Supplemental Facility Agreement as set out on pages 17 to 27 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we consider that the transactions to be contemplated under the Sixth Supplemental Facility Agreement and its proposed annual caps are conducted on normal commercial terms and in the ordinary and usual course of business of the Company, the terms and the transactions under the Sixth Supplemental Facility Agreement are on normal commercial terms and are determined after arm's length negotiation, and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Sixth Supplemental Facility Agreement.

Yours faithfully,

For and on behalf of  
the Independent Board Committee

**Greenheart Group Limited**

**Wong Man Chung, Francis**

**Cheung Pak To, Patrick**

**To Chun Wai**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Quam, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.*



19 July 2023

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 19 July 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 14 July 2023, Silver Mount, a wholly-owned subsidiary of the Company, entered into the Sixth Supplemental Facility Agreement with Greenheart Resources, an indirect non wholly-owned subsidiary of the Company, pursuant to which the parties conditionally agreed to, among others, (i) extend the repayment date of the outstanding amount drawn under the Facility to 4 August 2026; and (ii) extend the Drawdown Period.

Greenheart Resources is a connected person of the Company under Rule 14A.07(5) and Rule 14A.16 of the Listing Rules by virtue of the fact that Newforest (the ultimate parent of which is Chow Tai Fook Capital Limited), which directly holds approximately 60.49% of the existing issued share capital of the Company, is a substantial Shareholder and a connected person of the Company and Newforest directly holds approximately 39.61% of the total issued share capital of Greenheart Resources. The Company, through Silver Mount, is interested in approximately 60.39% of the total issued share capital of Greenheart Resources. Accordingly, the provision of the Facility by Silver Mount to Greenheart Resources (the “**Transactions**”) under the Facility Agreement (as amended and supplemented by the Supplemental Facility Agreement, the Second Supplemental Facility Agreement, the Third Supplemental Facility Agreement, the Fourth Supplemental Facility Agreement, the Fifth Supplemental Facility Agreement and the Sixth Supplemental Facility Agreement) (collectively, the “**Revised Agreement**”) constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the Letter from the Board, as certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Annual Caps pursuant to the Sixth Supplemental Facility Agreement are more than 5%, the Transactions are subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The SGM will be convened and held for the purpose to consider and, if thought fit, to approve the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). Newforest and its associates will abstain from voting at the SGM with respect to the resolution for approving the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder. Save as disclosed above, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the Transactions and hence, no other Shareholders would be required to abstain from voting on the relevant resolution to be proposed at the SGM.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Man Chung, Francis, Mr. Cheung Pak To, Patrick and Mr. To Chun Wai has been established to advise the Independent Shareholders in respect of the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder. We have been appointed as an independent financial adviser to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Quam did not have any relationships with or interests in the Company, Newforest, or any of their respective ultimate beneficial owners which could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us other than the current appointment in relation to the Transactions. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Company or Newforest. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on, among other things, (i) the information and facts contained or referred to in the Circular; (ii) the information and facts provided by the Company and the Directors; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (iv) our review of the relevant public information.

We have assumed that all the information provided, representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed (i) the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report"); (ii) Greenheart Resources' management accounts for the year ended 31 December 2022 and audited consolidated financial statements for each of the two years ended 31 December 2021; and (iii) the Revised Agreement. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, financial forecast or future prospects of the Group, including Greenheart Resources and its subsidiaries.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

#### 1. Background of the Sixth Supplemental Facility Agreement

The principal activities of the Group comprise log harvesting, timber processing, marketing, sales and trading of logs and timber products, provision of forest management services and managing harvest right of concession. The Group holds all its plantation assets in New Zealand, forest concessions and sawmills in Suriname.

Greenheart Resources and its subsidiaries hold forest concessions for the exploitation of timber on certain parcels of land in west Suriname. Their principal business activities include log harvesting, timber processing and sales of logs and timber products. Greenheart Resources, through its wholly-owned subsidiaries, holds and operates forest concessions for the exploitation of timber over a total of approximately 152,000 hectares in west Suriname, excluding those expired in which Greenheart Resources has submitted application for renewal. While Greenheart Resources is currently undergoing the process of renewal for four tropical hardwood concessions of approximately 33,000 hectares in total which were expired on 8 September 2021 in west Suriname, the revised concession license of its largest concession in west Suriname (and also in Suriname) in respect of a land area covering a total of approximately 127,000 hectares, which originally expired on 9 June 2017, was successfully renewed for a period of 20 years from 17 April 2019 to 16 April 2039. In addition, Greenheart Resources also renewed its expired tropical hardwood concession of approximately 25,000 hectares in west Suriname for a period of 10 years from 26 August 2022 to 25 August 2032.

To facilitate the business development of Greenheart Resources and its subsidiaries, Silver Mount has provided the unsecured revolving Facility to Greenheart Resources, which bears interest at prime rate for Hong Kong dollars from time to time as quoted by the Hongkong and Shanghai Banking Corporation Limited, details of which are set out in the paragraph below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 14 May 2008, Greenheart Resources and Silver Mount entered into the Facility Agreement in relation to the provision of the loan facility of HK\$50 million by Silver Mount to Greenheart Resources for a term of three years. In order to further develop the timber business operated under Greenheart Resources, Silver Mount entered into the Supplemental Facility Agreement subsequently on 22 November 2010, with Greenheart Resources pursuant to which both parties agreed to increase the Facility Limit to HK\$215 million and extended the drawdown period and repayment date of the Facility to 22 November 2013. Subsequently, the Second Supplemental Facility Agreement and the Third Supplemental Facility Agreement were entered on 4 November 2013 and 12 December 2016 respectively between the two parties to extend the drawdown period and the respective repayment date of the Facility to 22 November 2016 and to 22 November 2019, respectively. On 26 January 2018, the Facility Limit was increased to HK\$371 million and the drawdown period and repayment date were extended to 30 November 2020 pursuant to the Fourth Supplemental Facility Agreement. On 4 August 2020, the Facility Limit was increased to HK\$400 million and also the drawdown period and the repayment date of the Facility were extended to 4 August 2023 pursuant to the Fifth Supplemental Facility Agreement.

Up to the Latest Practicable Date, an aggregate amount of approximately HK\$386.2 million had been drawn down by Greenheart Resources. The outstanding principal and accrued interest under the Facility (together, the “**Loan**”) were approximately HK\$386.2 million and HK\$105.3 million, respectively and Greenheart Resources had not triggered any Event of Default. The Second Supplemental Facility Agreement provided that the interest payment date may be mutually agreed between Silver Mount and Greenheart Resources. Greenheart Resources has not repaid the accrued interests since 2017 because of the repayment date of accrued interests had been mutually agreed between Silver Mount and Greenheart Resources to postpone to no later than 4 August 2023.

Greenheart Resources has utilised the drawn down amount of HK\$386.2 million as follow: (i) approximately HK\$190.2 million as capital expenditures in setting up and upgrading processing sawmill facilities; (ii) approximately HK\$22.5 million as repayment of a trade deposit; and (iii) approximately HK\$173.5 million as working capital for operating activities including payroll, fuel, manufacturing and other operation overheads.

### **2. Reasons for and benefits of entering into the Sixth Supplemental Facility Agreement**

As at 31 December 2020, 31 December 2021, 31 December 2022, Greenheart Resources had consolidated net liabilities. During the year ended 31 December 2020, 31 December 2021 and 31 December 2022, Greenheart Resources recorded consolidated net losses.

As disclosed in the 2022 Annual Report, despite the fact that there was increasing demand for tropical wood products in Europe after the COVID-19 pandemic, the operations in Suriname include those of west Suriname where the Group primarily operates in has experienced extensive disruptions by the extreme and persistent heavy rain in Suriname. In particular, the extreme weather and unprecedented country-wide flooding had damaged all major roads and exacerbated logistical disruptions, which seriously affected the Group’s harvesting and product delivery capabilities in Suriname, particularly in west Suriname due to the longest distance to the port

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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among other concessions. As a result, the sales volume of logs and lumber was reduced and the ability of the Group's Suriname operation to meet market demand was restricted despite the strong recovery for tropical hardwood products. The revenue generated from the Group's Suriname division in 2022 decreased by 14.2%, reflecting the decrease in volume sold compared to the year ended 31 December 2021. Despite the difficulties, the Group's Suriname division reduced its negative adjusted EBITDA by 28.9% to HK\$8,913,000 for the year ended 31 December 2022.

In addition, the operations in Suriname including those of west Suriname where Greenheart Resources primarily operates in was facing increasing uncertainty associated with the renewal of the Group's concession licences. Accordingly, the Group had reviewed and accelerated the amortisation of its concession licences and cutting rights in order to reflect the shorter expected useful lives of those concessions and cutting rights.

As stated in the 2022 Annual Report, Suriname's operation was gradually overcoming the challenges resulting from extreme weather and the pandemic, which caused supply chain disruptions for the past two years. The Group's Suriname division has maintained stable revenue while improving operational efficiency and reducing costs through outsourcing, and generating additional revenue through subcontracting the right to operate in the forest concession areas. With these measures, Greenheart Resources is expected to begin generating positive cashflow which allows it to commence repaying the Loan. In Suriname, the Group has expanded its processing capacity in the city of Paramaribo to refine rough sawn lumber into dressed lumber with higher saleable value. The Group has had all the necessary processing facilities in place since the fourth quarter of 2022, and the Company expects steady production to continue in 2023, providing a reliable contribution of revenue under the Group's overall recovery strategy. The Group will continuously enhance its harvesting operations to ensure a steady supply to the market and maximise the sawmill capacity to take advantage of the growing demand for hardwood products as consumer trend shifts towards home improvements. As stated in the Letter from the Board, the Company remains cautiously optimistic on the global demand of tropical hardwood and the Group's Suriname segment in the future. In addition, in order to develop the Suriname operation into a sustainable business, Greenheart Resources continues to need financing as working capital to maintain and turnaround its daily operation.

Greenheart Resources has considered other financing options including external bank financing. In particular, we were given to understand that the Group has approached several banks in Hong Kong, but as these banks do not have operation in Suriname, they did not respond to the request for financing proposals. While the Group has also tried to obtain quotations from a few banks in Suriname, those banks that responded required a significant cash deposit or assets as security or collateral for the loan and may charge arrangement fees or commitment fees for providing the loans. There are also significant expenses to be incurred, including but not limited to notary fee and stamp duty in respect of the loans. As such, Greenheart Resources is of the view that those options are not as commercially desirable as compared to the entering into of the Sixth Supplemental Facility Agreement, having considered various factors such as the collateral and financial covenants required by banks to repay the Loans, the expenses involved such as arrangement fees, commitment fees, notary fee and stamp duty. The Directors are of the view that the extension of the repayment date under the Facility remains to be the best option to continue supporting Greenheart Resources. The Sixth Supplemental Facility Agreement and the transactions contemplated thereunder require the Independent Shareholders' approval at the SGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Notwithstanding the above, in the event that the Sixth Supplemental Facility Agreement is not approved by the Independent Shareholders at the SGM, Greenheart Resources will reassess the feasibility of other financing options such as bank financing and if Greenheart Resources is unable to pursue other financing options and unable to repay the Loan by the repayment date, it would constitute an Event of Default. In which case Silver Mount shall be entitled to declare that the Loan, together with other monies due under the Facility, becomes immediately due and payable. Under such circumstances, Greenheart Resources may have to liquidate its assets to repay the Loan and other monies due under the Facility, and it may have an adverse effect on the liquidity and financial conditions of Greenheart Resources as well as the Group's operation in Suriname.

The Board also considered the net loss and net operating cash outflow position of the Company for the year ended 31 December 2022. In order to support its future development and strengthen cash flow management, the Company should minimise cash outflow by reducing financing costs payable to financial institutions. This objective also supports the entering into of the Sixth Supplemental Facility Agreement which allows Greenheart Resources to continue its borrowing from Silver Mount, which is a wholly-owned subsidiary of the Company, and accrued interest, thus minimise cash outflow of paying interest to financial institutions.

Greenheart Resources and Silver Mount have entered into the Sixth Supplemental Facility Agreement, in order to maintain, on broadly the same terms, the present Loan with the extended drawdown date and repayment period which should allow Greenheart Resources to continue its operation. Having considered (i) Suriname's operation was gradually overcoming the challenges resulting from extreme weather and the pandemic; (ii) Suriname's operation has been improving operational efficiency and reducing costs through outsourcing, and generating additional revenue through subcontracting the right to operate in its forest concession areas and Greenheart Resources is expected to begin generating positive cashflow; (iii) the Group has expanded its processing capacity to refine rough sawn lumber into dressed lumber with higher saleable value; (iv) Greenheart Resources and its subsidiaries do not have sufficient internal financial resources to repay the Loan; (v) Greenheart Resources had consolidated net liabilities as at 31 December 2022; and (vi) it is not commercially desirable for Greenheart Resources to refinance the Loan by other financing options, we consider that the entering into the Sixth Supplemental Facility Agreement is in the interests of the Company and the Shareholders as a whole.

It is normal for a holding company or its subsidiaries of a listed group or private group to provide financial support to other subsidiaries in the same group, whether wholly owned or non wholly-owned, if the management believes those subsidiaries are worth supporting and will eventually bring benefits to the group. It is also commercially desirable for a holding company or any of its subsidiaries that has surplus funds to lend funds to other subsidiaries for better fund management. Intra-group financings are conducted in the ordinary and usual course of business of a group. The fact that a non wholly-owned subsidiary that has a minority shareholder which is technically a connected person under Chapter 14A of the Listing Rules does not detract such commercial value and/or benefits of the arrangement to the group. The provision of the Facility by Silver Mount (a wholly-owned subsidiary of the Company) to Greenheart Resources (an indirect non wholly-owned subsidiary of the Company) under the Revised Agreement is an intra-group financing arrangement. Based on the aforesaid, we consider that the extension of loans to Greenheart Resources under the Revised Agreement are conducted in the ordinary and usual course of business of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Principal terms of the Sixth Supplemental Facility Agreement

Pursuant to the Sixth Supplemental Facility Agreement, Silver Mount and Greenheart Resources agreed to:

- (a) extend the repayment date of the outstanding amount drawn from the Facility to 4 August 2026; and
- (b) extend the Drawdown Period to the earlier of (i) 4 August 2026; and (ii) the date on which the Facility is terminated upon the occurrence of an Event of Default under the provisions of the Revised Agreement.

Apart from the above, other terms of the Facility remain unchanged from the original terms. The Sixth Supplemental Facility Agreement will become effective on the Effective Date upon the Company having convened the SGM at which the resolution shall have been duly passed by the Independent Shareholders to approve, confirm and ratify the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps (as defined below)).

### 4. Principal terms of the Revised Agreement

Particulars of the Revised Agreement after the Sixth Supplemental Facility Agreement becomes effective are set out below:

- (c) Facility Limit: A revolving facility up to a maximum of HK\$400 million at any time during the drawdown period.
- (d) Drawdown period: The period commencing on the date of the Facility Agreement and ending on but excluding the earlier of (i) 4 August 2026; and (ii) the date on which the Facility is terminated under the provisions of the Revised Agreement.
- (e) Interest: Prime rate for Hong Kong dollars per annum from time to time as quoted by The Hongkong and Shanghai Banking Corporation Limited (or such other bank as may be designated by Silver Mount), i.e. 5.75% as at the Latest Practicable Date.

Interest is calculated on the basis of the actual number of days elapsed on a 365-day year and is paid six-monthly in arrears, or such other interest payment date as may be mutually agreed between Silver Mount and Greenheart Resources.

- (f) Repayment: Greenheart Resources may repay the whole or any part of the amount drawn under the Facility on or before 4 August 2026.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (g) Prepayment: Greenheart Resources may on any Banking Day prepay the whole or any part of the amount drawn under the Facility together with interest accrued thereon by giving Silver Mount not less than two Banking Days' prior notice specifying the date of prepayment.
- (h) Security: None.
- (i) Conditions: Greenheart Resources may draw under the Facility provided that:
- (a) it gives Silver Mount a notice of drawing in the manner set out in the Facility Agreement;
  - (b) no Event of Default or prospective Event of Default has occurred and all representations and warranties given by Greenheart Resources under the Facility Agreement are true and correct as at the date of each drawing; and
  - (c) the amount of such drawing shall, when aggregated with the principal amount of then outstanding, not exceed the Facility Limit.
- (j) Events of Default: Events of Default include but are not limited to:
- (a) failure of Greenheart Resources to pay any sum payable under the Revised Agreement when due;
  - (b) failure of Greenheart Resources to perform or comply with any of its obligations or undertakings under the Revised Agreement;
  - (c) any representation, warranty or statement made by Greenheart Resources under the Revised Agreement being or proving to have been untrue, inaccurate, incorrect or misleading in any material respect;
  - (d) failure of Greenheart Resources to pay any other indebtedness when due by reason of a default or an event of default;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (e) any litigation, arbitration or administrative proceedings before any court, arbitration or other relevant authority being current, pending or threatened against Greenheart Resources or any of its subsidiaries which Silver Mount considers will have or is likely to have a material adverse effect on Greenheart Resources and its subsidiaries; and
- (f) any material adverse change in the financial condition and/or business of Greenheart Resources.

### 5. Assessment of terms of the Sixth Supplemental Facility Agreement

The terms to be revised under the Sixth Supplemental Facility Agreement include extension of the repayment date and the Drawdown Period. It is not uncommon for commercial loan agreements to revise such terms. Other terms of the Facility including interest rate remains unchanged. The loan facility provided under the Revised Agreement is unsecured in nature.

For the current outstanding unsecured borrowings of Greenheart Resources, they are either loans from the immediate holding company of Greenheart Resources, being Silver Mount, or the controlling Shareholder, being Newforest. The loans bear interest rate at Hong Kong prime rate, which is the same interest rate charged under the Revised Agreement.

Based on the aforesaid, we consider that the terms of the Sixth Supplemental Facility Agreement are on normal commercial terms and are fair and reasonable.

### 6. The Proposed Annual Caps

The existing annual cap of HK\$540 million for the financial year ending 31 December 2023 was approved by the Independent Shareholders at a special general meeting of the Company held on 4 August 2020. Despite the fact that the Facility Limit will remain unchanged under the Sixth Supplemental Facility Agreement, the accumulated outstanding interest accrued on the principal amount would increase over time and there may be additional drawdown of loans up to the Facility Limit.

Up to the Latest Practicable Date, the principal of HK\$386.2 million in aggregate had been drawn down and outstanding by Greenheart Resources pursuant to the Facility. The Facility Limit is HK\$400 million. Assuming that (i) the remaining Facility amount of up to HK\$400 million will be drawn down in full for each of the three years ending 31 December 2026; and (ii) a Hong Kong dollar prime rate will raise by 100 basis point from the current rate of 5.75% per annum to 6.75% per annum, the outstanding principal amount together with accrued interest thereof would reach approximately HK\$588 million in the next maturity date on 4 August 2026. The Proposed Annual Cap for each of the financial years ending 31 December 2024, 2025 and 2026 is HK\$590 million (the “**Proposed Annual Caps**”). The Proposed Annual Caps have been determined after taking into consideration of the Facility Limit, the current outstanding balance of the Loan and the interest rate of the Facility.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the Management the basis and assumptions underlying the projections of the Proposed Annual Caps. The Company has determined the Proposed Annual Caps based on the estimated outstanding balance of the Loan for each of the three years ending 31 December 2026 as well as the projected Hong Kong prime rate of 6.75% which is based on the current prime rate for Hong Kong dollars of 5.75% as quoted by The Hongkong and Shanghai Banking Corporation Limited and an additional rate of 1.00% to cater for any increase in the prime rate for Hong Kong dollars up to the maturity date of the Sixth Supplemental Facility Agreement. Based on the website of The Hongkong and Shanghai Banking Corporation Limited, the prime rate for Hong Kong dollars gradually increased from 5.00% per annum as at 18 July 2022, being one year prior to the Latest Practicable Date, to 5.75% per annum as at the Latest Practicable Date. This represents an increment of 75 basis point in one year. Though the historical prime rates may not be a good indicator of the future trend of the prime rate for Hong Kong dollars, it is possible that the prime rate may be increased in the coming years. Given that the Proposed Annual Caps cover three years, we consider that a buffer to cater for any possible increments in the prime rate for Hong Kong dollars is reasonable. Taking into consideration of the Facility Limit, the current outstanding balance of the Loan, the current prime rate for Hong Kong dollars and the possible increments in such prime rate, we are of the view that the Proposed Annual Caps are fair and reasonable.

### **7. Annual review of the Transactions**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transactions are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the Transactions every year and confirm in the annual reports that the Transactions have been entered into:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) on normal commercial terms or better; and
  - (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the Transactions for each financial year of the Company and that the Company's auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Transactions:
  - (a) have not been approved by the Board;
  - (b) are not, in all material respects, in accordance with the pricing policies of the Group (if applicable);

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (c) are not entered into, in all material respects, in accordance with the relevant agreements governing the Transactions; and
- (d) have exceeded the Proposed Annual Caps;
- (iii) the Company shall allow, and shall procure the relevant counterparties to the Transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (ii); and
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) respectively.

In light of the reporting requirements in relation to the Transactions, in particular, the restriction of the value of the Transactions by way of the Proposed Annual Caps and the ongoing review by the independent non-executive Directors and auditors of the Company of the Transactions as well as certain capital risk control measures have been adopted as stated in the Letter from the Board, we are of the view that appropriate measures will be in place to monitor the conduct of the Transactions and assist to safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Sixth Supplemental Facility Agreement are on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (ii) the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Sixth Supplemental Facility Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders vote in favour of the relevant resolution.

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**  
**Noelle Hung**  
*Managing Director*

*Ms. Noelle Hung is a Managing Director of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out, among others, Type 6 (advising on corporate finance) regulated activity and has over 20 years of experience in corporate finance.*

**1. RESPONSIBILITY STATEMENT**

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

**2. MATERIAL ADVERSE CHANGE**

As disclosed in the Group's 2022 annual report, the demand for tropical wood products from Europe had increased after the COVID-19 pandemic. However, extreme and persistent heavy rain in Suriname caused unprecedented country-wide flooding, damaging all major roads and exacerbating logistical disruptions. The flooding seriously affected the Group's harvesting and product delivery capabilities in Suriname due to the long distance between the Group's concessions to the port. As a result, the ability of the Suriname operation to meet market demand was restricted despite the strong recovery for tropical hardwood products.

Furthermore, the Group's Suriname operation is facing increasing uncertainty associated with the renewal of concession licences by the Suriname government. Thus, the Company had to accelerate the amortisation of concession licences in order to reflect the shorter expected economic useful lives of these concessions.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

**3. DIRECTORS' INTERESTS 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.

**4. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY**

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.

## 5. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had, or deemed to have, interests 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:

### Long Positions in Shares and underlying Shares:

Name of Shareholders	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of issued share capital of the Company %
Newforest Limited	Beneficial owner (Notes 1 & 2)	1,122,005,927	–	60.49
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation (Note 1)	1,122,005,927	–	60.49
Cheng Yu Tung Family (Holdings II) Limited	Interest of controlled corporation (Note 1)	1,122,005,927	–	60.49
Chow Tai Fook Capital Limited	Interest of controlled corporation (Note 1)	1,122,005,927	–	60.49
Chow Tai Fook (Holding) Limited	Interest of controlled corporation (Note 1)	1,122,005,927	–	60.49
Chow Tai Fook Nominee Limited	Interest of controlled corporation (Note 1)	1,122,005,927	–	60.49
Sharpfield Holdings Limited	Interest of controlled corporation (Notes 1 & 2)	1,122,005,927	–	60.49
Gallant Elite International Limited	Interest of controlled corporation (Notes 1 & 3)	1,122,005,927	–	60.49
China Forestry Group Corporation	Interest of controlled Corporation (Note 4)	110,000,000	–	5.93
Hong Kong Genghis Khan Group Limited	Beneficial owner (Note 5)	110,000,000	–	5.93
Ge Jian	Interest of controlled Corporation (Note 5)	110,000,000	–	5.93

## 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 81.03% by 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, 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. 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.
3. Mr. Lie Ken Jie Remy Anthony Ket Heng is a director of Gallant Elite International Limited.
4. 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.
5. 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.

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.

## **6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, 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 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 2022, being the date to which the latest published audited accounts of the Group were made up.

## **7. 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).

**8. 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:

<b>Name</b>	<b>Qualification</b>
Quam Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Quam 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, Quam 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 2022, being the date to which the latest published audited financial statements of the Group were made up.

Quam 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.

**9. GENERAL**

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 32A, 32/F., Fortis Tower, Nos.77-79 Gloucester Road, Wan Chai, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited which is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.greenheartgroup.com](http://www.greenheartgroup.com)) for display for a period of not less than 14 days before the date of the SGM and on the date of the SGM:

- (1) the letter from the Board, the text of which is set out on pages 5 to 14 of this circular;
- (2) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 17 to 27 of this circular;
- (3) the written consent from Quam referred to in the section headed “EXPERT’S QUALIFICATION AND CONSENT” of this appendix;
- (4) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;
- (5) the Facility Agreement;
- (6) the Supplemental Facility Agreement;
- (7) the Second Supplemental Facility Agreement;
- (8) the Third Supplemental Facility Agreement;
- (9) the Fourth Supplemental Facility Agreement;
- (10) the Fifth Supplemental Facility Agreement;
- (11) the Sixth Supplemental Facility Agreement; and
- (12) this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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### GREENHEART GROUP LIMITED

### 綠心集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 94)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (“SGM”) of Greenheart Group Limited (the “Company”) will be held at Boardroom 3-4, M/F., Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 4 August 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolution as an ordinary resolution of the Company. Terms defined in the circular of the Company dated 19 July 2023 bear the same meanings herein unless the context otherwise requires.

#### ORDINARY RESOLUTION

1. “**THAT:**

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

By Order of the Board  
**Greenheart Group Limited**  
**Fung Ka Man**  
*Company Secretary*

Hong Kong, 19 July 2023

*Registered office:*  
Canon’s Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Head office and principal place  
of business in Hong Kong:*  
32A, 32/F., Fortis Tower  
Nos. 77-79 Gloucester Road  
Wanchai, Hong Kong

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## NOTICE OF SPECIAL GENERAL MEETING

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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/her/its 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 Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting thereof (as the case may be).
3. Completion and return of the form of proxy will not preclude members from attending and voting at the SGM or any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the meeting, either in person or by proxy, in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. All the resolution(s) proposed to be approved at the SGM will be taken by poll except where the chairman of the SGM, 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. An announcement will be made by the Company on the poll results of the SGM as soon as possible after the meeting.

*As at the date hereof, the Board comprises one executive Director, namely Mr. Ding Wai Chuen, four non-executive Directors, namely Messrs. Cheng Chi-Him, Conrad, Kenneth Lau, Lie Ken Jie Remy Anthony Ket Heng and Ms. Suen Chung Yan, Julia and three independent non-executive Directors, namely Messrs. Wong Man Chung, Francis, Cheung Pak To, Patrick and To Chun Wai.*