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## **FORNTON GROUP LIMITED**

**豐臨集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1152)**

### **COMPLETION OF PLACING OF NEW SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; CHANGE IN THE USE OF PROCEEDS; AND CHANGE OF SUBSTANTIAL SHAREHOLDER**

#### **COMPLETION OF THE SHARE PLACING AND THE CB PLACING**

The Board is pleased to announce that all conditions set out in the Placing Agreement have been fulfilled and the completion of the Share Placing and the CB Placing, on a best effort basis, took place on 9 May 2014.

#### **CHANGE IN THE USE OF PROCEEDS**

With reference to the announcement of the Company dated 29 April 2014, as the market response to the Share Placing and the CB Placing was not as good as expected, the net proceeds from the Share Placing and the CB Placing is less than the expected amount of net proceeds in the event that the Placing Shares and the Convertible Bonds are fully placed as described in the Circular. Following the completion of the Share Placing and the CB Placing, the aggregate gross proceeds and the Net Proceeds from the Share Placing and the CB Placing are HK\$420 million and approximately HK\$413.70 million respectively. Consequently, the Company has reconsidered the allocation of the use of the Net Proceeds.

#### **CHANGE OF SUBSTANTIAL SHAREHOLDER**

The Company was informed on 9 May 2014 that Ever Rosy Limited, one of the substantial Shareholders, has disposed of 208,000,000 Subdivided Shares, representing 25% of the issued share capital of the Company immediately before the issue of the Placing Shares, to Top Star.

Reference is made to the circular dated 17 February 2014 (the “Circular”), the announcements dated 5 March 2014, 13 March 2014, 14 April 2014, 22 April 2014, 29 April 2014 and 30 April 2014 (collectively, the “Announcements”) made by Fornton Group Limited (the “Company”) in relation to, amongst other things, the Placing Agreement in respect of the Share Placing and the CB Placing on a best effort basis and the Sale of Shares. Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as those defined in the Circular and the Announcements.

## **COMPLETION OF THE SHARE PLACING AND THE CB PLACING**

The Board is pleased to announce that all conditions set out in the Placing Agreement have been fulfilled and the completion of the Share Placing and the CB Placing, on a best effort basis, took place on 9 May 2014.

A total of 120,000,000 Placing Shares have been successfully placed by the Placing Agent and issued to one Share Placee, namely 山西焦煤機電(香港)有限公司 (Shanxi Coking Coal Electrical (Hong Kong) Co., Limited) (“Shanxi Coal”) at the Share Placing Price of HK\$1.00 per Placing Share. The Convertible Bonds in an aggregate principal amount of HK\$300,000,000 at the Conversion Price of HK\$1.00 per Conversion Share (subject to adjustments) have been placed by the Placing Agent and issued to two CB Placees, namely 遠見環球有限公司 (Vision Future Global Limited) (“Vision Future”) and 東方証券(香港)有限公司 (Orient Securities (Hong Kong) Ltd.) (“Orient Securities”).

Details of the Share Placee and the CB Placees are as follows:

- (a) 120,000,000 Placing Shares have been issued to Shanxi Coal, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of 山西焦煤集團有限責任公司 (Shanxi Coking Coal Group Co., Limited\*). Shanxi Coking Coal Group Co., Limited is a state-owned enterprise established in the PRC and under the direct supervision of 山西省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shanxi Provincial Government\*);
- (b) Convertible Bonds in the principal amount of HK\$200 million have been issued to Vision Future, a company incorporated in the British Virgin Islands with limited liability, which is indirectly owned as to 97.5% by 中國華融資產管理股份有限公司 (China Huarong Asset Management Co., Limited) and 2.5% by other Independent Third Parties. China Huarong Asset Management Co., Limited is a state-owned enterprise established in the PRC and under the direct supervision of 中華人民共和國財政部 (The Ministry of Finance of the People’s Republic of China\*); and
- (c) Convertible Bonds in the principal amount of HK\$100 million have been issued to Orient Securities, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of 東方証券股份有限公司 (Orient Securities Company Limited\*). Oriental Securities Company Limited is a comprehensive securities company with approval of 中國証券監督管理委員會 (China Securities Regulatory Commission\*).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanxi Coal, Vision Future and Orient Securities and each of their respective ultimate beneficial owners are Independent Third Parties.

### **CHANGE IN THE USE OF PROCEEDS**

With reference to the announcement of the Company dated 29 April 2014, as the market response to the Share Placing and the CB Placing was not as good as expected, the net proceeds from the Share Placing and the CB Placing is less than the expected amount of net proceeds in the event that the Placing Shares and the Convertible Bonds are fully placed as described in the Circular. Following the completion of the Share Placing and the CB Placing, the aggregate gross proceeds and the net proceeds from the Share Placing and the CB Placing after deducting the placing commission are HK\$420 million and approximately HK\$413.70 million (the "Net Proceeds") respectively. Consequently, the Company has reconsidered the allocation of the use of the Net Proceeds.

As stated in the Circular, in the event that the Placing Shares and the Convertible Bonds are not fully placed and the net proceeds from the Share Placing and the CB Placing are sufficient for the contribution of the Capital Injection Amount and the payment of the registered capital of the WFOE of US\$35 million but the balance of the net proceeds is small, the Company would scale down the size of the development of the Finance Leasing Business according to the amount of such balance and use the registered capital of US\$35 million and the balance of the net proceeds to start the Finance Leasing Business and implement its development plan.

The details of the original allocation of the use of the net proceeds and the re-allocation of the use of the Net Proceeds following the completion of the Share Placing and the CB Placing are set out as follows:

**Original allocation of the use of the net proceeds of HK\$1,140 million**

- (i) Approximately HK\$187.35 million of the net proceeds were intended to be used for the contribution of the Capital Injection Amount for the development of the Primary Business pursuant to the Transfer Agreement.
- (ii) Approximately HK\$890.65 million of the net proceeds were intended to be allocated to obtain a finance leasing business license and develop the Finance Leasing Business in the PRC.
- (iii) Approximately HK\$62 million of the net proceeds were intended to be used to enhance the financial flexibility for the general working capital of the daily operations of the existing knitting business for the Group in the financial year 2014. Such net proceeds are intended to be used (i) as to approximately HK\$55 million for general working capital of the Group; and (ii) as to approximately HK\$7 million for the estimated expenses in relation to the professional fees incurred for the Share Subdivision, the Change of Board Lot Size, the Placing Agreement, the Transfer Agreement, the Supply Contract, the Sales Contract, the VLI LOI and the Jan 2014 LOI.

**Re-allocation of the use of the Net Proceeds of HK\$413.70 million**

- (i) On 29 April 2014, Sino Top and Top Wealth entered into the Termination Agreement, pursuant to which, the parties have mutually agreed to terminate the Transfer Agreement and the transactions contemplated thereunder with effect from 29 April 2014 and each party thereto is released and discharged from its obligations and liabilities, including but not limited to the Capital Injection Amount, by virtue of or in relation to the Transfer Agreement. Accordingly, no proceeds from the Net Proceeds will be used for the contribution of the Capital Injection Amount.
- (ii) Approximately HK\$351.70 million of the Net Proceeds will be allocated to obtain a finance leasing business license and develop the Finance Leasing Business in the PRC.
- (iii) Approximately HK\$62 million of the Net Proceeds will be used to enhance the financial flexibility for the general working capital of the daily operations of the existing knitting business for the Group in the financial year 2014. Such net proceeds are intended to be used (i) as to approximately HK\$55 million for general working capital of the Group; and (ii) as to approximately HK\$7 million for the estimated expenses in relation to the professional fees incurred for the Share Subdivision, the Change of Board Lot Size, the Placing Agreement, the Transfer Agreement, the Supply Contract, the Sales Contract, the VLI LOI and the Jan 2014 LOI.

Set out below is the summary of the expected breakdown of the reallocation of the use of the Net Proceeds of approximately HK\$413.70 million for the year 2014.

	Finance Leasing Business		Existing Business		Total
	Purchase of Coal Mining Machineries and Equipment (HK\$'M) (Notes 1 & 2)	Working Capital (HK\$'M) (Note 3)	Working Capital (HK\$'M) (Note 4)	Professional Fees (HK\$'M) (Note 5)	
<b>2014</b>					
2nd Quarter	16.99	12.78	18.33	7.00	55.10
3rd Quarter	84.93	3.87	18.33	—	107.13
4th Quarter	<u>229.26</u>	<u>3.87</u>	<u>18.33</u>	<u>—</u>	<u>251.46</u>
	<u>331.18</u>	<u>20.52</u>	<u>55.00</u>	<u>7.00</u>	<u>413.70</u>

Notes:

1. The Company will firstly apply approximately US\$35 million (equivalent to approximately HK\$272.30 million) to the payment of the registered capital of the WFOE in the PRC in the second quarter of 2014 and thereafter, the registered capital is intended to be utilised for the Finance Leasing Business. The expected expenses for coal mining related machineries and equipment in 2014 (excluding the usage of the abovementioned US\$35 million for payment of the registered capital but including the expected utilisation of such US\$35 million in the second to fourth quarters in 2014 in the Finance Leasing Business) are set out as follows:
  - (i) approximately HK\$16.99 million for purchasing a set of mining equipment from VLI Taiyuan under the VLI LOI in the second quarter of 2014.
  - (ii) approximately HK\$84.93 million for purchasing five sets of mining equipment from VLI Taiyuan under the VLI LOI in the third quarter of 2014.
  - (iii) approximately HK\$67.93 million for purchasing four sets of mining equipment from VLI Taiyuan under the VLI LOI and approximately RMB126.78 million (equivalent to approximately HK\$161.33 million) for purchasing the Jinhui Kaichuan Equipment under the Jan 2014 LOI in the fourth quarter of 2014.
2. As the balance of the Net Proceeds is not sufficient for the funding requirement for purchasing the Shanxi Jinda Equipment, Shanxi Fuxin Equipment and Shanxi Zhengbang Equipment under the Jan 2014 LOI as disclosed in the Circular, the Company will further consider the fund raising methods and will publish announcement(s) in this regard in compliance with the necessary disclosure requirements under the Listing Rules as and when required.
3. It is expected the general working capital in the second quarter of 2014 will be approximately HK\$12.78 million which comprises the commencement cost and general working capital of the Finance Leasing Business in Shanxi, the PRC that include, among others, the rental expenses, interior decoration expenses, computers and equipment set up expenses, salary and administrative expenses, travelling and hotel expenses and sundries expenses. It is also expected the general operating working capital will be approximately HK\$3.87 million for each of the third and fourth quarter in 2014.

4. It is the intention of the Company to allocate approximately HK\$18.33 million to the existing business of the Company to enhance the financial flexibility in each of the second, third and fourth quarters of 2014.
5. The estimated aggregate expenses in relation to the professional fees incurred for the Share Subdivision, the Change of Board Lot Size, the Placing Agreement, the Transfer Agreement, the Supply Contract, the Sales Contract, the VLI LOI and the Jan 2014 LOI amounted to approximately HK\$7.00 million.

## **CHANGE OF SUBSTANTIAL SHAREHOLDER**

The following information is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

The Company was informed on 9 May 2014 that Ever Rosy Limited, one of the substantial Shareholders, has disposed of 208,000,000 Subdivided Shares (the “Disposal”), representing 25% of the issued share capital of the Company immediately before the issue of the Placing Shares, to Top Star Group Holdings Limited (“Top Star”), a company incorporated in the British Virgin Islands with limited liability. Top Star is wholly owned by Top One International Holdings Limited, which is in turn wholly owned by Mr. Sit Yau Chiu (“Mr. Sit”). To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquires, Top Star and its ultimate beneficial owner, Mr. Sit, are independent of the Company and its connected persons (as defined in the Listing Rules).

## Effects on Shareholding Structure of the Company

The shareholding structure of the Company (i) immediately before the issue of the Placing Shares and full conversion of the Convertible Bonds; (ii) immediate after the issue of the Placing Shares but before full conversion of the Convertible Bonds; and (iii) immediately after the issue of the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds are set out as below:

Name of Shareholder	Immediately before the issue of the Placing Shares and full conversion of the Convertible Bonds		Immediately after the issue of the Placing Shares but before full conversion of the Convertible Bonds		Immediately after the issue of the Placing Shares and the Conversion Shares upon full conversion of the Convertible Bonds (Note 5)	
	Bonds		Convertible Bonds		Bonds	
	No. of Subdivided Shares	Approximate %	No. of Subdivided Shares	Approximate %	No. of Subdivided Shares	Approximate %
Integrated Asset Management (Asia) Limited (Note 1)	177,000,000	21.27	177,000,000	18.59	177,000,000	14.14
Billion Mission Limited (Note 2)	208,000,000	25.00	208,000,000	21.85	208,000,000	16.61
Ever Rosy Limited (Note 3)	208,000,000	25.00	0	0.00	0	0.00
Top Star (Note 4)	0	0.00	208,000,000	21.85	208,000,000	16.61
Shanxi Coal	0	0.00	120,000,000	12.61	120,000,000	9.58
Future Vision	0	0.00	0	0.00	200,000,000	15.97
Orient Securities	0	0.00	0	0.00	100,000,000	7.99
Other public Shareholders	<u>239,000,000</u>	<u>28.73</u>	<u>239,000,000</u>	<u>25.10</u>	<u>239,000,000</u>	<u>19.10</u>
<b>Total</b>	<u><u>832,000,000</u></u>	<u><u>100.00</u></u>	<u><u>952,000,000</u></u>	<u><u>100.00</u></u>	<u><u>1,252,000,000</u></u>	<u><u>100.00</u></u>

### Notes:

- Mr. Yam Tak Cheung, being the chairman and an executive director of the Company, is the beneficial owner of the entire issued share capital of Integrated Asset Management (Asia) Limited.
- Billion Mission Limited is wholly owned by Mr. Zheng Qiang.
- Ms. Wong Kan Kan, Kandy is the beneficial owner of the entire issued share capital of Ever Rosy Limited and is the spouse of Mr. Yam Tak Cheung.
- The Company was informed on 9 May 2014 that Ever Rosy Limited has disposed of its entire interest in the Company, being 208,000,000 Subdivided Shares to Top Star. The table is prepared on the basis that Ever Rosy Limited has ceased to be a Shareholder on 9 May 2014. For details, please refer to the section headed "Change of substantial Shareholder" in this announcement.

5. No holders of the Convertible Bonds shall exercise any conversion rights in the event that the issuance of the Conversion Shares pursuant to the exercise of any conversion right by the holders of the Convertible Bonds will result in (a) any mandatory offer obligation under Rule 26.1 of the Takeovers Code being triggered by the holders of the Convertible Bonds and/or the parties acting in concert with it (within the meaning of the Takeovers Code); (b) the Company in breach of any provision of the Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public; and (c) the Conversion Shares being issued to a connected person or such conversion will otherwise be treated as a connected transaction under the Listing Rules except where such issuance of Conversion Shares has complied with the requirements of the Listing Rules.

The 120,000,000 Placing Shares represent approximately 12.61% of the issued share capital of the Company immediately after the completion of the Share Placing and approximately 9.58% of the issued share capital of the Company immediately after the completion of the Share Placing and the issue of the Convertible Shares upon full conversion of the Convertible Bonds. Following the completion of the Share Placing and the CB Placing but before full conversion of the Convertible Bonds, Shanxi Coal will become a substantial Shareholder. Following the completion of the Share Placing and the CB Placing and upon full conversion of the Convertible Bonds, Future Vision will become a substantial Shareholder.

Save as disclosed, no CB Placee will become substantial Shareholder as a result of the Share Placing and the CB Placing.

By order of the Board  
**Fornton Group Limited**  
**Yam Tak Cheung**  
*Chairman*

Hong Kong, 9 May 2014

*As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Yam Tak Cheung (Chairman), Ms. Wong Kan Kan Kandy, Mr. Wong Tat Wai Derek, Mr. Zheng Qiang and Mr. Han Hanting, one non-executive Director, namely, Mr. Chan Yee, Herman and three independent non-executive Directors, namely, Mr. Wang Wei Hung Andrew, Mr. Cheng Dickson and Mr. Sin Ka Man.*

\* *For identification purpose only*