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If you have sold or transferred all your shares in **Fornton Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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FORNTON GROUP LIMITED

豐臨集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

PROPOSED AMENDMENTS OF THE TERMS AND CONDITIONS OF CONVERTIBLE BONDS AND NOTICE OF SGM

Unless the context requires otherwise, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A notice convening the SGM to be held at 11:00 a.m. on Friday, 31 October 2014 at Suites 1208–10, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong is set out on pages 11 to 13 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company’s branch share registrar in Hong Kong, Union Registrars Limited at 18/F., Fook Lee Commercial Centre Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the SGM or at any adjournment thereof (as the case may be) should you so wish.

15 October 2014

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
NOTICE OF SGM	11

DEFINITIONS

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

“Amendment of Terms”	proposed amendment of certain terms and conditions of the Convertible Bonds pursuant to the Deeds of Amendment
“Board”	the board of Directors
“Bondholders”	holders of the Convertible Bonds
“Company”	Fornton Group Limited (Stock Code: 1152), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Price”	the price at which each Conversion Share shall be issued upon conversion, which shall be HK\$1.00 per Conversion Share (subject to adjustments in accordance with the terms and conditions of the Convertible Bonds)
“Conversion Shares”	new Share(s) falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	The 3-year 5% per annum coupon rate unsecured non-redeemable convertible bonds in an aggregate principal amount of up to HK\$900,000,000 issued by the Company on 9 May 2014
“Deeds of Amendment”	the two supplemental deeds both dated 25 September 2014 entered into between the Company and the Bondholders in relation to the Amendment of Terms
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	13 October 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the third anniversary of the date of issue of the Convertible Bonds (both dates inclusive)
“Orient Finance”	Orient Finance Holdings (Hong Kong) Limited, a limited liability company incorporated in Hong Kong
“SGM”	the special general meeting of the Company to be held and convened at Suites 1208–10, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 31 October 2014 for the Shareholders to consider and approve, if thought fit, the Amendment of Terms
“Shares”	ordinary shares of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vision Future”	Vision Future Global Limited, a limited liability company incorporated in the British Virgin Islands

LETTER FROM THE BOARD

FORNTON GROUP LIMITED

豐臨集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

Executive Directors:

Mr. Yu Xueming (*Chairman*)
Mr. Yu Chuanfu (*Chief Executive Director*)
Mr. Sit Yau Chiu
Mr. Zheng Qiang
Mr. Han Hanting

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-Executive Director:

Mr. Chan Yee, Herman

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

Suites 1208–10
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

Independent Non-executive Directors:

Mr. Wang Wei Hung, Andrew
Mr. Sin Ka Man

15 October 2014

To the Shareholders

Dear Sir or Madam,

**PROPOSED AMENDMENTS OF
THE TERMS AND CONDITIONS OF CONVERTIBLE BONDS
AND
NOTICE OF SGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 25 September 2014 in respect of the Proposed Amendments of the Terms and Conditions of Convertible Bonds (the “**Announcement**”), pursuant to which the parties to the Deeds of Amendment agreed to amend certain terms and conditions of the Convertible Bonds.

As at the Latest Practicable Date, the aggregate outstanding amount of the Convertible Bonds amounts to HK\$300,000,000.

The purpose of this circular is to provide you with further details of the Amendment of Terms in respect of the resolution to be proposed at the SGM and to give you a notice of the SGM.

LETTER FROM THE BOARD

THE CONVERTIBLE BONDS

References are made to the announcements dated 22 October 2013, 5 February 2014, 13 March 2014, 14 April 2014, 22 April 2014, 9 May 2014 and 13 May 2014 and circular dated 17 February 2014 of the Company in relation to, amongst other things, the placing of Convertible Bonds.

On 9 May 2014, the placing of the Convertible Bonds in the aggregate principal amount of HK\$300,000,000 with the conversion rights to convert them into Shares of the Company at the initial conversion price of HK\$1 per Conversion Share was completed.

The principal terms of the Convertible Bonds (before entering into the Deeds of Amendment) are summarized as follows:

Issuer	The Company
Aggregate outstanding principal amount	As at the date of this circular, in respect of Orient Finance, the aggregate outstanding amount is HK\$100,000,000; and in respect of Vision Future, the aggregate outstanding amount is HK\$200,000,000.
Maturity Date	The Convertible Bonds will fall due on the third anniversary of the date of issue of the Convertible Bonds (both dates inclusive).
Interest rate	The Convertible Bonds bear interest at a rate of 5% per annum.
Conversion Price	HK\$1.00, being the initial conversion price per Conversion Share, subject to adjustments.

LETTER FROM THE BOARD

Conversion rights	<p>The holders of the Convertible Bonds shall have the right to convert the whole or any part (in integral multiples of HK\$1,000,000 thereof) of the outstanding principal amount of the Convertible Bonds into Conversion Shares at any time on or before the Maturity Date provided that 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 (i) 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); (ii) 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 (iii) 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.</p>
Ranking	<p>The Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with the other Shares then in issue as at the date of issue of such Conversion Shares.</p>
Transferability	<p>The Convertible Bonds are transferable except that the Convertible Bonds may not be transferred to any connected person of the Company or a party acting in concert (has the meaning ascribed to it under the Takeovers Code) with any person or Shareholder to the effect that any transfer of the Convertible Bonds to such transferee(s) and/or the exercise by such transferee(s) of any conversion right attaching to the Convertible Bond(s) subject to such transfer will trigger the mandatory offer obligation under Rule 26.1 of the Takeovers Code, unless such transfer has complied with the requirements of the Listing Rules.</p>
Early redemption	<p>The Convertible Bonds are not redeemable by the Company before the Maturity Date of the Convertible Bonds.</p>
Voting rights	<p>The holders of the Convertible Bonds are not entitled to attend or vote at any general meetings of the Shareholders.</p>

LETTER FROM THE BOARD

Listing application

No application will be made for the listing of and permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

THE DEEDS OF AMENDMENT

On 25 September 2014 (after trading hours), the Company and the Bondholders entered into the Deeds of Amendment, the terms of which were arrived at arm's length negotiation between the Company and the Bondholders.

Pursuant to the Deeds of Amendment and the Amendment of Terms, the Convertible Bonds will be changed from non-redeemable to redeemable. Apart from the Amendment of Terms, all other terms of the Convertible Bonds will remain unchanged.

CONDITIONS TO THE AMENDMENT OF TERMS

Completion of the Amendment of Terms is conditional upon the satisfaction of the following conditions:

1. The Company having convened a special general meeting of which an ordinary resolution shall be duly passed by the Shareholders to approve the Deed of Amendment and the transaction contemplated thereunder;
2. The approval of the Deed of Amendment and the Amendment of Terms set out therein by a special resolution passed at a meeting of the Bondholders duly convened and held and carried a majority consisting of not less than three-fourth of the votes cast;
3. The Stock Exchange having approved the Amendment of Terms pursuant to the Listing Rules and the Listing Committee granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and the approval not having been subsequently revoked or cancelled;
4. All necessary consents and approvals required to be obtained on the part of the Company in respect of the Amendment of Terms having been obtained.

In the event that the conditions set out in the Deed of Amendment are not satisfied by 25 December 2014 or any other date as agreed by the parties thereto, the Deed of Amendment will terminate and will have no further effect on any parties thereto. As at the Latest Practicable Date, condition referred to in item 2 above has been fulfilled.

LETTER FROM THE BOARD

REASONS FOR THE PROPOSED AMENDMENT

The Amendment of Terms allows the Company the flexibility to redeem the Convertible Bonds and reduces the Company's liabilities and shall improve the financial position of the Group.

The Amendment of Terms was arrived at after arm's length negotiation between the Company and the Bondholders. In view of the above, the Board considers that the terms and conditions of the Deeds of Amendment are fair and reasonable, and the Amendment of Terms is in the interests of the Company and the Shareholders as a whole.

APPLICATION OF LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made of the listing of, and permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds at a conversion price of HK\$1.00 per Share is as follows:

	As at		Immediately upon	
	the Latest Practicable Date		full conversion of	
	<i>No. of</i>	<i>Approximate</i>	the Convertible Bonds	
	<i>Shares</i>	<i>%</i>	(at the conversion price of	
			HK\$1.00 per Share)	
	<i>No. of</i>	<i>Approximate</i>	<i>No. of</i>	<i>Approximate</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Shareholders				
Billion Mission Limited (<i>Note 1</i>)	208,000,000	21.85	208,000,000	16.61
Top Star Group Holdings Ltd. (<i>Note 2</i>)	208,000,000	21.85	208,000,000	16.61
Integrated Asset Management (Asia) Limited (<i>Note 3</i>)	177,000,000	18.59	177,000,000	14.14
Shanxi Coking Coal Electrical (Hong Kong) Co., Limited (<i>Note 4</i>)	120,000,000	12.61	120,000,000	9.58
Bondholders (<i>Note 7</i>)				
— Vision Future (<i>Note 5</i>)	—	—	200,000,000	15.97
— Orient Finance (<i>Note 6</i>)	—	—	100,000,000	7.99
Other Public Shareholders (<i>Note 7</i>)	<u>239,000,000</u>	<u>25.10</u>	<u>239,000,000</u>	<u>19.10</u>
Total	<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>

LETTER FROM THE BOARD

Notes:

1. Mr. Zheng Qiang, being the executive Director of the Company, is the beneficial owner of the entire issued share capital of Billion Mission Limited.
2. Mr. Sit Yau Chiu, being the executive Director of the Company, is the ultimate beneficial owner of the entire issued share capital of Top Star Group Holdings Ltd.
3. Mr. Yam Tak Cheung is the beneficial owner of the entire issued share capital of Integrated Asset Management (Asia) Limited.
4. Shanxi Coking Coal Electrical (Hong Kong) Co., Limited is a wholly-owned subsidiary of 山西焦煤集團有限公司 (Shanxi Coking Coal Group Co., Limited*).
5. Vision Future is indirectly owned as to 97.50% by 中國華融資產管理股份有限公司 (China Huarong Asset Management Co., Limited*), which is a third party independent from the Company and its connected persons and their respective associates.
6. Orient Finance is an indirect wholly-owned subsidiary of 東方證券股份有限公司 (Orient Securities Company Limited*), which is a third party independent from the Company and its connected persons and their respective associates.
7. Upon full conversion of the Convertible Bonds, the public shareholders will hold 339,000,000 shares in the Company, representing approximately 27.09% of the enlarged issued share capital of the Company.

FUND RAISING ACTIVITIES IN THE PRIOR 12 MONTHS PERIOD

Date of announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
9 May 2014	Placing of 120,000,000 new Shares at HK\$1.00 per Share and Convertible Bonds in the aggregate principal amount of HK\$300 million	HK\$413.7 million	To fund possible acquisitions, diversify the trading business and the leasing business and on general working capital	Approximately HK\$272 million has been applied as the registered capital of a wholly-owned subsidiary of the Company, which is principally engaged in the development of the finance leasing business in the PRC

Note: The remaining amount of approximately HK\$141.7 million has not been utilized and is currently deposited with bank account maintained by the Group.

LETTER FROM THE BOARD

GENERAL

The Company acts as an investment holding company and its subsidiaries are principally engaged in the following major segments: textiles and finance leasing.

The Deeds of Amendment and Amendment of Terms contemplated thereunder are subject to the approval of the Shareholders at the SGM.

As at the Latest Practicable Date, to the best of the information, knowledge and belief of the Directors and having made all reasonable enquiries, no Bondholder holds any shares in the Company and no Shareholder has a material interest in the Deeds of Amendment. Therefore, no Shareholder is required to abstain from voting at the SGM.

LISTING RULE IMPLICATION

According to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the Amendment of Terms pursuant to the requirements under the Listing Rules.

SGM

The SGM will be held at 11:00 a.m. on Friday, 31 October 2014 at Suites 1208–10, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong for the Shareholders to consider and, if thought fit, approve the proposed amendments of the terms and conditions of Convertible Bonds. The notice of the SGM is set out on pages 11 to 13 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you propose to attend the SGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). 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 (as the case may be), should you so wish.

RECOMMENDATION

The Board considers that the Amendment of Terms is fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of the resolution as set out in the notice of SGM.

LETTER FROM THE BOARD

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 Group. 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
On behalf of the Board
Fornton Group Limited
Yu Xueming
Chairman

* *For identification purpose only.*

NOTICE OF SGM

FORNTON GROUP LIMITED

豐臨集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

NOTICE IS HEREBY GIVEN that a special general meeting (“**SGM**”) of Fornton Group Limited (the “**Company**”) will be held at 11:00 a.m. on Friday, 31 October 2014 at Suites 1208–10, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the deeds of amendment both dated 25 September 2014 (“**Deeds of Amendment**”) entered into between the Company and the holders of the 3-year 5% per annum coupon rate unsecured non-redeemable convertible bonds in an aggregate principal amount of up to HK\$900,000,000 (the “**Convertible Bonds**”) issued by the Company on 9 May 2014 (a copy of the Deeds of Amendment having been produced to the SGM and marked “**A**” and initialled by the chairman of the SGM for the purpose of identification) in relation to the proposed amendment of certain terms and conditions of the Convertible Bonds which in substance relates to the Convertible Bonds being changed from non-redeemable to redeemable and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) consenting to the alteration to the terms and conditions of the Convertible Bonds and that the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares that may be issued after approval of the alternation to the terms and conditions of the Convertible Bonds, the allotment and issue of the Conversion Shares to the holders of the Convertible Bonds upon the conversion and/or redemption of the Convertible Bonds be and are hereby approved;
- (c) subject to the Company having obtained the necessary consent, approval, authorization, permission, or confirmation from any third party to which the Company and its subsidiaries have entered into any agreement or arrangement, if required, the directors (each a “**Director**” and collectively the “**Directors**”) of the Company be and are hereby authorised to exercise all the powers of the Company and take all steps as might in their opinion be desirable, necessary or expedient to give effect to or in connection with the Deeds of Amendment including without limitation to:
 - a. the execution, amendment, ratification, delivery, submission and/or implementation of any further documents or agreements in relation to the Deeds of Amendment; and

NOTICE OF SGM

- b. the taking of all necessary actions to implement the transactions contemplated under the Deeds of Amendment.”

On behalf of the Board
Fornton Group Limited
Yu Xueming
Chairman

Hong Kong, 15 October 2014

Notes:

1. In order to determine the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 29 October 2014 to Friday, 31 October 2014 (both days inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the special general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 28 October 2014.
2. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he/she or they represent as such member could exercise.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority shall be delivered to the Company's branch share registrar, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any shares of the Company, any one of such joint holder may vote either in person or by proxy in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
7. As at the date hereof, the executive Directors of the Company are Mr. Yu Xueming (Chairman), Mr. Yu Chuanfu (Chief Executive Officer), Mr. Sit Yau Chiu, Mr. Zheng Qiang and Mr. Han Hanting, the non-executive Director is Mr. Chan Yee, Herman and the independent non-executive Directors are Mr. Sin Ka Man and Mr. Wang Wei Hung, Andrew.
8. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the SGM, the meeting will be postponed. The Company will post an announcement on the website of the Company at <http://www.fornton.com> and on the website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled meeting.