

GARRON INTERNATIONAL LTD

TARGET'S QUESTION:
IS THE CHAIRMAN, COMING TO THE COMPANY'S RESCUE ?

TARGET'S ANSWER:
NOT BLOODY LIKELY !

About 59 percent of the net proceeds from the Open Offer of Shares in the Enlarged Issued and Fully Paid-Up Share Capital of [Garron International Ltd \(\)](#) (Code: 1226, Main Board, The Stock Exchange of Hongkong Ltd) will go right into the pocket of the Chairman, Dr Poon Ho Man ().

This piece of intelligence is readily available on scanning the official announcement of Garron International Ltd, dated Thursday, February 5, 2009.

Management of Garron International Ltd is, today, proposing to shareholders to increase the Issued and Fully Paid-Up Share Capital of this investment company from \$HK20 million, divided into 100 million shares, to \$HK1 billion, divided into 5 billion shares by creating an addition 4.90 billion shares.

In addition, Management is proposing to launch an Open Offer of Shares in the proportion of 2 Offer Shares for every one Share held, excluding any shareholder whose '*address on the register of members of the Company is in a place outside Hong Kong ...*'.

The Subscription Price is 23.80 cents per Offer Share.

The Open Offer is underwritten by the Chairman, Dr Poon Ho Man, who is a Substantial Shareholder of the company, legally owning about 18.32 percent of the existing Issued and Fully Paid-Up Share Capital.

Lastly, upon completion of the Open Offer, the Chairman, Dr Poon Ho Man, will sell to Garron International Ltd, 8 percent of the Issued and Fully Paid-Up Share Capital of Friedmann Pacific Industrial Investments Holdings Ltd (), a company, domiciled in The British Virgin Islands and wholly owned by Dr Poon Ho Man.

The cost of the acquisition of that 8 percent in the Issued and Fully Paid-Up Share Capital of Friedmann Pacific Industrial Investments Holdings Ltd is \$HK20 million.

On the basis that the Open Offer will net Garron International Ltd, a minimum of about \$HK33.63 million, Dr Poon Ho Man will be paid \$HK20 million, representing about 59 percent of the net proceeds from this cash-raising exercise.

Therefore, if existing shareholders of Garron International Ltd do not take up their entitlements in respect of the Open Offer of Shares, Dr Poon Ho Man could be exposed to an amount of not more than \$HK13.63 million with regard to his financial obligations as the Sole Underwriter of this Open Offer.

This is assuming, however, that The Securities and Futures Commission agrees to the application of Dr Poon Ho Man to a Whitewash Waiver, obviating the requirements of Dr Poon Ho Man to make a General

Offer for all of the shares of Garron International Ltd, those not owned by the Chairman, in the event that he is stuck with the entire commitment in respect of the Open Offer, a situation that would require such a General Offer to be launched in accordance with the Rule 26 of The Hongkong Code of Takeovers and Mergers.

If the application for a Whitewash Waiver is denied, Dr Poon Ho Man will own nearly 30 percent of the Enlarged Issued and Fully Paid-Up Share Capital of Garron International Ltd, an increase of about 11.68 percent – for which his outlay would have been about \$HK13.63 million.

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