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## **FORNTON GROUP LIMITED**

**豐臨集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1152)**

### **MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE COOPERATION WITH VALLEY LONGWALL MINING EQUIPMENT (TAI YUAN) COMPANY LIMITED**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board announces that after trading hours on 8 July 2013, Peak Matrix, a wholly-owned subsidiary of the Company, entered into a non-legally binding MOU with VLI (Taiyuan) in relation to the intended cooperation in the development of in-seam directional drilling systems leasing business.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

#### **INTRODUCTION**

The Board announces that after trading hours on 8 July 2013, Peak Matrix, a wholly-owned subsidiary of the Company, entered into a non-legally binding MOU with VLI (Taiyuan) in relation to the intended cooperation in the development of in-seam directional drilling systems leasing business, major terms of which are set out below.

#### **THE MOU**

Date: 8 July 2013 (after trading hours)

Parties: (i) Peak Matrix, a wholly-owned subsidiary of the Company; and  
(ii) VLI (Taiyuan), a company established in the PRC with limited liability.

VLI (Taiyuan) is a company established in the PRC, being an in-seam directional drilling systems manufacturer. VLI (Taiyuan) is a member of the VLI Group, which is principally engaged in the design, manufacture, supply of diesel vehicles, drilling rigs, conveyor systems in relation to coal mining and transportation, bulk materials handling and loading, and drilling applications in Australia. VLI Group is a member of Tai Yuan Heavy Machinery Group Co., Ltd. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of VLI (Taiyuan) and its ultimate beneficial owner(s) are third parties independent of the Company and its connected person (as defined in the Listing Rules).

### **Scope of the MOU**

The MOU is non-legally binding which sets out the understanding among the parties thereto on the intended cooperation in the development of in-seam directional drilling systems leasing business. Pursuant to the MOU:

- (i) Peak Matrix will purchase the in-seam directional drilling rig from VLI (Taiyuan) and then will lease back to VLI (Taiyuan);
- (ii) VLI (Taiyuan) will use the leased in-seam directional drilling rig from Peak Matrix to provide drilling services and other in-seam comprehensive services in the markets of the PRC, Asia and Eastern Europe;
- (iii) Peak Matrix undertakes to help to promote the products of VLI (Taiyuan) in the markets of the PRC, Asia and Eastern Europe;
- (iv) Peak Matrix intends to establish a company in Hong Kong and/or the PRC for its leasing business;
- (v) VLI (Taiyuan) undertakes that if the lease contract value is not adequate to cover the value of the leased in-seam directional drilling rig during the leasing period, VLI (Taiyuan) will consider to repurchase the in-seam directional drilling rig back from Peak Matrix at net value;
- (vi) Both parties intend that the contract amount for the first year of cooperation shall not be more than RMB 500 million; and
- (vii) Both parties intend to establish a joint venture for the business of coalbed methane comprehensive business.

### **Conditions precedent**

Completion of the Formal Agreement is subject to the following conditions being fulfilled:

- (i) Both parties having obtained all necessary consents, approvals and authorisations relating to entering into the Formal Agreement; and
- (ii) other conditions precedents mutually agreed by the parties thereto and to be included in the Formal Agreement.

## **FORMAL AGREEMENT**

Both parties will proceed with further negotiation for entering into of the Formal Agreement as soon as possible within 3 months from the date of the MOU.

The MOU does not constitute a legally-binding commitment of the parties to the MOU. As the MOU is not legally binding, the MOU may or may not proceed and the actual implementation of the terms of the MOU may be altered. Investors should exercise caution when dealing in the securities of the Company.

### **Reasons for the entering into the MOU**

The Company is principally engaged in the manufacturing of an extensive assortment of knitwear products ranging from classically styled wardrobe basics to high quality fashion apparel.

The MOU was entered into with the objective to expedite the development of the leasing business of the Company. The Directors consider that the entering into of the Formal Agreement, if materializes, represents a good opportunity for the Group to diversify its business and develop a new revenue stream. The Directors are of the view that the terms of the MOU are fair and reasonable and the entering into of the MOU is a furtherance of the principal business of the Group which is in the interests of the Group and the Shareholders as a whole.

### **LISTING RULES IMPLICATION**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

## DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of Directors
“Company”	Fornton Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 1152)
“Director(s)”	director(s) of the Company
“Formal Agreement”	the formal agreement which may or may not be entered into in relation to cooperation in the development of in-seam directional drilling systems leasing business
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 8 July 2013 entered into among Peak Matrix and VLI (Taiyuan) setting out preliminary understanding in relation to the cooperation in the development of in-seam directional drilling systems leasing business
“Peak Matrix”	Peak Matrix Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Company as at the date of this announcement
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan for the purposes of this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

- “VLI Group” the group of Valley Longwall International Pty Limited, which is principally engaged in the design, manufacture, supply of diesel vehicles, drilling rigs, conveyor systems in relation to coal mining and transportation, bulk materials handling and loading, and drilling applications in Australia, and is a member of 太原重型機械集團有限公司 (transliterated as Tai Yuan Heavy Machinery Group Co., Ltd<sup>#</sup>)
- “VLI (Taiyuan)” 威利朗沃礦業設備(太原)有限公司 (transliterated as Valley Longwall Mining Equipment (Tai Yuan) Company Limited<sup>#</sup>), a company established in the PRC with limited liability and is a member of the VLI Group
- “HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

<sup>#</sup> *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names*

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

Hong Kong, 8 July 2013

*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.*