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FORNTON GROUP LIMITED

豐臨集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors of Fornton Group Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013 as follows. The interim results have not been audited, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Turnover	4	101,295	106,804
Cost of sales		<u>(84,657)</u>	<u>(86,372)</u>
Gross profit		16,638	20,432
Other operating income	4	3,492	4,235
Selling and distribution expenses		(4,341)	(3,557)
Administrative and other expenses		(25,712)	(25,847)
Finance costs	6	<u>(189)</u>	<u>(265)</u>
Loss before taxation		(10,112)	(5,002)
Income tax credit	7	<u>1,276</u>	<u>434</u>
Loss for the period	8	(8,836)	(4,568)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		<u>531</u>	<u>130</u>
Total comprehensive expenses for the period		<u><u>(8,305)</u></u>	<u><u>(4,438)</u></u>
Loss per share (HK cents)			
Basic and diluted	10	<u><u>(2.1)</u></u>	<u><u>(1.1)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	<i>Notes</i>	30.6.2013 HK\$'000 (Unaudited)	31.12.2012 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	<i>11</i>	36,997	41,633
Deposit paid for acquisition of plant and equipment		1,944	2,276
Deferred tax assets		1,952	—
		40,893	43,909
Current assets			
Inventories		70,113	21,358
Trade and other receivables	<i>12</i>	48,672	50,327
Derivative financial instruments	<i>13</i>	300	550
Pledge bank deposits		3,000	3,000
Bank balances and cash		43,007	87,215
		165,092	162,450
Current liabilities			
Trade and other payables	<i>14</i>	51,107	38,731
Amounts due to directors	<i>15</i>	587	1,047
Bank borrowings		21,938	25,831
Obligation under finance leases — due within one year		237	231
Income tax payables		347	271
		74,216	66,111
Net current assets		90,876	96,339
Total assets less current liabilities		131,769	140,248
Non-current liabilities			
Obligations under finance leases — due after one year		833	953
Deferred tax liabilities		—	54
		833	1,007
		130,936	139,241
Capital and reserves			
Share capital		4,160	4,160
Reserves		126,776	135,081
		130,936	139,241

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL

Fornton Group Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit A, 32/F, Legend Tower, No. 7, Shing Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

The Company acts as an investment holding company and its subsidiaries are principally engaged in the sub-contracting of knitted garment and the manufacture and trading of knitwear.

The functional currency of the Company is United States dollars (“US\$”). The condensed consolidated interim financial statements is presented in Hong Kong dollars as the operation of the Group are mainly based in Hong Kong.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

The condensed consolidated interim financial statements incorporate the financial position of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain derivative financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs and HKASs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2013.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated interim financial statements and/or disclosures set out in these condensed consolidated interim financial statements.

The Group has not early adopted the following new or revised HKFRSs and HKASs that have been issued but are not yet effective.

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosure for non-financial assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Account ¹
HK (IFRIC) — Int 21	Levies ¹
HKFRS 9	Financial Instruments ²
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised standards, amendments or interpretations upon initial application. So far, these standards, amendments or interpretations are unlikely to have significant impact on the Group's results of operations and financial position.

4. TURNOVER AND OTHER OPERATING INCOME

Turnover represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts, sales returns and sales relaxed taxes.

Analysis of the Group's turnover for the period is as follows:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover		
Sales of knitted products	<u>101,295</u>	<u>106,804</u>
Other operating income		
Net investment income from derivative financial instruments	1,268	912
Bank interest income	200	30
Gain on disposal of prepaid lease payments	—	2,017
Gain on disposal of plant and equipment	14	—
Sales of scrapped materials	1,700	1,027
Sundry income	<u>310</u>	<u>249</u>
	<u>3,492</u>	<u>4,235</u>

5. SEGMENT INFORMATION

The Group is engaged in a single segment, the production and trading of knitwear. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group's resources and assessing performance.

Geographical information

The Group's operations are located in Hong Kong and the People Republic of China (the "PRC").

The Group's customers are mainly located in the United States of America (the "USA").

An analysis of the Group's revenue from external customers based on their geographical location of their headquarters is detailed below:

	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
USA	49,591	58,553
Europe	41,693	34,602
Canada	4,757	4,071
Asia	5,254	9,578
	<u>101,295</u>	<u>106,804</u>

Less than 1% of the Group's revenue from external customers is derived from Hong Kong (country of domicile) during the two periods ended 30 June 2013 and 2012.

The Group's information about its non-current assets based on geographical location of the assets is detailed below:

	Non-current assets	
	30.6.2013	31.12.2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Hong Kong	4,987	5,187
The PRC	35,906	38,722
	<u>40,893</u>	<u>43,909</u>

Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the period are as follows:

	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	58,528	67,770
Customer B	11,170	N/A*
Customer C	N/A*	11,588

* *The revenue generated by Customer B and Customer C does not contribute over 10% of the total revenue of the Group in the respective period.*

6. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
— bank borrowings wholly repayable:		
— within five years	141	228
— trust receipt loans	—	22
— obligations under finance leases	48	15
	<u>189</u>	<u>265</u>

7. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong Profits Tax	76	343
— PRC Enterprise Income Tax (“EIT”)	527	166
	<u>603</u>	<u>509</u>
Deferred taxation	<u>(1,879)</u>	<u>(943)</u>
	<u>(1,276)</u>	<u>(434)</u>

- (i) Hong Kong Profits Tax was calculated at 16.5% of the Group’s estimated profits for the two periods ended 30 June 2013 and 2012.
- (ii) Dongguan Fung Ching Knitting Limited* (“Fung Ching”) (東莞豐正針織有限公司), being an indirect wholly-owned subsidiary of the Company, is a wholly-owned foreign investment enterprise and is entitled to tax concessions whereby the profit for the first two financial years beginning on 1 January 2008 is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the PRC government.

Fung Ching is exempted from EIT from 1 January 2008 to 31 December 2009 and the applicable rate from 1 January 2010 to 31 December 2012 is 12.5%.

- (iii) HK\$1,879,000 of deferred tax assets had been recognised for the six months ended 30 June 2013 in respect of unused tax loss for the period.

* *The English name is for identification purpose only.*

8. LOSS FOR THE PERIOD

Six months ended 30 June	
2013	2012
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Loss for the period has been arrived at after charging:

Amortisation of prepaid lease payment	—	55
Depreciation of plant and equipment	6,361	6,248
Loss on change in fair value of derivative financial instruments	250	200
Net exchange loss	314	390
Operating lease rental paid in respect of rented — office premises	1,784	1,789
Processing fees (<i>Note</i>)	21,149	20,818
Sub-contracting fee (included in cost of sales)	<u>19,211</u>	<u>19,846</u>

Note:

The Processing Fees include the following components in accordance with the processing agreement:

Six months ended 30 June	
2013	2012
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Salaries and allowances	<u>8,438</u>	<u>7,429</u>
Factory's lease	892	889
Labour cost — direct and indirect	10,333	10,974
Utilities	<u>1,485</u>	<u>1,526</u>
	<u>12,710</u>	<u>13,389</u>
	<u>21,148</u>	<u>20,818</u>

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company are based on the following data:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted earnings per share	<u>(8,836)</u>	<u>(4,568)</u>
Number of share ('000)		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>416,000</u>	<u>416,000</u>

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during two periods ended 30 June 2013 and 2012.

11. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group incurred approximately HK\$1,168,000 (six months ended 30 June 2012: HK\$885,000) on the acquisition of plant and equipment.

12. TRADE AND OTHER RECEIVABLES

	30.6.2013	31.12.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	40,497	44,026
Other receivables	4,446	3,980
Prepayment	2,756	2,321
Value added tax receivables	<u>973</u>	<u>—</u>
	<u>48,672</u>	<u>50,327</u>

- (a) An aged analysis of trade receivables, net of impairment loss recognised, presented based on the invoice date at the end of the reporting period as follows:

	30.6.2013	31.12.2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 45 days	40,180	40,717
46 to 90 days	29	2,721
91 to 365 days	—	48
Over 365 days	288	540
	40,497	44,026

13. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2013, the Group entered into four non-deliverable structured forward contracts (the “Forward Contracts”) (As at 31 December 2012: two) denominated in US\$ and Renminbi with a bank.

The net fair value of the derivative financial instruments as at 30 June 2013 is approximately HK\$300,000 (As at 31 December 2012: HK\$550,000). The loss arising from the change in fair value of derivative financial instruments of approximately HK\$250,000 (six months ended 30 June 2012: HK\$200,000) was recognised in profit or loss during the six months ended 30 June 2013.

14. TRADE AND OTHER PAYABLES

	30.6.2013	31.12.2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	32,907	19,686
Receipt in advance	897	1,414
Other payables	17,303	17,582
Value added tax payables	—	49
	51,107	38,731

An aged analysis of trade payable presented based on the invoice date at the end of the reporting period is as follows:

	30.6.2013	31.12.2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 90 days	32,616	18,966
91 to 365 days	250	637
Over 365 days	41	83
	<u>32,907</u>	<u>19,686</u>

The average credit period on purchase of goods is 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

15. AMOUNTS DUE TO DIRECTORS

The amounts due are unsecured, non-interest bearing and repayable on demand.

16. RELATED PARTY TRANSACTIONS

In addition to the balances detailed in the condensed consolidated interim financial statements and note 15, the Group entered into the following significant transactions with related parties during the period:

(a) Compensation of key management personnel

The remuneration of key management personnel during the two periods ended 30 June 2013 and 2012 are as follows:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,987	2,508
Post-employment benefits	44	31
	<u>3,031</u>	<u>2,539</u>

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

(b) Other related parties transactions

Name of company	Nature of transaction	Six month ended 30 June	
		2013	2012
		HK\$000	HK\$000
		(Unaudited)	(Unaudited)
Long Rise Investment Development Limited ("Long Rise")	Rental charged therefrom	<u>850</u>	<u>850</u>

The above transactions were at terms determined and agreed by the Company and Long Rise, a company with a common director to the Company.

On 30 March 2011, the Group entered into a tenancy agreement with Long Rise in respect of the leasing of this property as the Group's headquarter, at an annual rental of HK\$1,800,000.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2013 (2012: nil).

FINANCIAL PERFORMANCE AND BUSINESS REVIEW

During the six months ended 30 June 2013, the Group recorded a turnover of approximately HK\$101,295,000, showing a decrease of 5.2% from approximately HK\$106,804,000 for the corresponding period in last year. Gross profit of the Group decreased by 18.6% from approximately HK\$20,432,000 for the six months ended 30 June 2012 to approximately HK\$16,638,000 for the six months ended 30 June 2013. The Group recorded a loss of approximately HK\$8,836,000 for the six months ended 30 June 2013 as compared with a loss of approximately HK\$4,568,000 for the corresponding period in last year. The loss of the Group for the six months ended 30 June 2013 was primarily attributable to the decreases in turnover and gross profit margin of the Group as a result of the worsening of the market conditions and business environment, the severe competition of the textile industry in Europe and the USA and the ongoing upward adjustment in labour cost and general inflation in the PRC.

The business environment was still challenging during the period under review, economic and consumption sentiment in Europe and USA acted as our key factors of business performance. Although some positive signals on US recovery were reported recently, the consumption sentiment in USA is still general weak. The Eurocrisis dampened the market sentiment in Europe as well. These unfavour factors affected our customers' sentiment to place order and gave a strong pressure on our product price which in turn resulted in decrease in the Group's turnover by approximately HK\$5,509,000 and the gross profit ratio decrease from approximately 19.13% for the six months ended 30 June 2012 to approximately 16.43% for the six months ended 30 June 2013.

OUTLOOK

The global economic recovery was slow and unpredictable, the prospect of the textile industry will be still in a tough times for a while. To compensate the effect of decrease in turnover and decrease in gross profit ratio, the Group will adopt a more cost-conscious and conservative approach on operations. On the other hand, the Group will improve our productivity efficiency and product quality through production facilities enhancement continuously to maintain our competitive position in this difficult market condition.

To diversify a business risk on single segment of manufacturing and trading of high quality fashion apparels, the management of the Group is seeking new revenue stream proactively. Memorandum of undertaking in respect of the cooperation with Valley Longwill Mining Equipment (Tai Yuan) Company Limited for developing of in-seam directional drilling systems leasing business and a Letter of Intent in respect of the cooperation with Shanxi Coking Coal Group International Development (Hong Kong) Co., Ltd for developing iron ore, nonferrous metal ores, coal and other resources products and related equipment and facilities trading business were entered in 9 July 2013 and 12 July 2013

respectively. The management is of the view that the entering into of the Letter of Intent and Memorandum of undertaking are furtherance of the business of the Group which is in the interests of the Group and the Shareholders as a whole.

FINANCIAL POSITION AND CAPITAL STRUCTURE

As at 30 June 2013, the Group recorded total assets of approximately HK\$205,985,000 which were financed by equity of approximately HK\$130,936,000 and liabilities of approximately HK\$75,049,000. The gearing ratio of total borrowing as a percentage of total capital and reserves attributable to Shareholders was 18.0% as at 30 June 2013 and 20.2% as at 31 December 2012. The Group had cash and bank balances of approximately HK\$43,007,000. Deposit amounting to HK\$3,000,000 has been pledged to secure bank overdrafts, short-term bank loans and unused banking facilities. The current ratio (current assets divided by current liabilities) of the Group reduced from 2.46 times as at 31 December 2012 to 2.22 times as at 30 June 2013. The Group's operation was mainly financed by funds generated from its operation and borrowings. As at 30 June 2013, the borrowings were mainly denominated in Hong Kong dollars ("HK\$"), while the cash and cash equivalents held by the Group were mainly denominated in HK\$, Renminbi ("RMB") and United States dollars ("US\$"). Save for the amounts due to Directors and related company, which are non-interest bearing, all of the Group's borrowings are on a floating rate basis.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE AND INTEREST RATE RISK

The Group continued to manage and monitor its interest rate and currency exchange risks exposure to ensure appropriate measures are implemented on timely and effective manner. The major interest-bearing bank borrowings of the Group carry interest at floating market rates of Hong Kong Interbank Offer Rate ("HIBOR") and London Interbank Offer Rate ("LIBOR") plus 1.1% to 1.125% per annum respectively.

The Group's sales and purchases are principally transacted in US\$. With production plants and office located in the PRC and Hong Kong, operating expenses of the Group are primarily denominated in HK\$, RMB or US\$. As the HK\$ is pegged to the US\$, the Group does not expect to be exposed to any currency risks in the near term. Moreover, the Group has a foreign currency hedging policy to monitor the foreign exchange exposure and has entered into several structured forward contracts during the period under review to manage the currency exposure. It will also consider further hedging significant foreign currency exposure should the need arise.

CREDIT POLICY

Consistent with prevailing industry practice, the Group's business was transacted on an open account basis granted to its customers with long-term business relationship. The credit ratings of customers are periodically reviewed and their respective credit limits adjusted, if and when necessary. The Group generally allows an average credit period of 0–45 days to customers.

CAPITAL EXPENDITURE

During the six months ended 30 June 2013, the Group invested approximately HK\$1,168,000 (six months ended 30 June 2012: approximately HK\$885,000) on acquisition of plant and equipment.

CHARGES ON ASSETS

As at 30 June 2013, deposit amounting to HK\$3,000,000 has been pledged to secure bank overdrafts, short-term bank loans and unused banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2013, the Group has workforce of approximately 1,200 persons including five executive directors, one non-executive director and three independent non-executive directors in Hong Kong and the PRC. Remuneration policies of the Group and the current market condition with salaries and wages being reviewed on an annual basis. The Group also provided discretionary bonus, medical insurance, training programs, social security and provident fund to the staff of the Group. Pursuant to the written resolution of the shareholders of the Company on 11 October 2011, the Company has adopted a share option scheme (the "Scheme") for the purpose of motivating eligible participants. For the six months ended 30 June 2013, no share options were granted by the Company since the adoption of the Scheme.

SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 11 October 2011, the Company has adopted a share option scheme for the purpose of motivating eligible participants to optimise their performance and efficiency for the benefit of the Group. The Board of directors shall be entitled at any time on a business day within 10 years commencing on the effective date of the Scheme to offer the grant of option to any eligible participants.

Eligible participants of the Scheme include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

Any grant of options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates representing in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK\$5,000,000 in such person in any 12-months period up to and including the date of each grant must be approved by the independent non-executive directors, but excluding any independent non-executive director who is a proposed grantee and any further grant of options must be approved by the shareholders of the Company.

No share options are granted since the adoption of the Scheme and during the interim period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the six months ended 30 June 2013 with the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Listing Rules.

The Company has adopted a code of conduct (the "Code of Conduct") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 June 2013.

To enhance the corporate governance of the Group as a whole, all relevant employees who are likely to be in possession of unpublished price sensitive information in relation to the Group or securities of the Company are subject to full compliance with written guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company during the period under review.

AUDIT COMMITTEE

The Board has established an audit committee (the "Committee") on 11 October 2011 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Committee are to oversee the relationship between the Company and its external auditor in relation to the matters coming within the scope of the Group's audit and review the Group's financial reporting process, adequacy and effectiveness of the Group's internal control system and risk management system.

The Committee comprises the three independent non executive Directors in compliance with the Listing Rules.

The Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 and discussed with the senior management the internal control and financial reporting matters as well as the accounting principles and practices adopted by the Group in relation to the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.forn-ton.com under “Results Announcement”. The interim report for the six months ended 30 June 2013 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board
Forn-ton Group Limited
Yam Tak Cheung
Chairman

Hong Kong, 28 August 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.