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FORNTON GROUP LIMITED

豐臨集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF EXISTING LEASE AGREEMENT

The Board of Directors of the Company hereby announces that Fornton Knitting as tenant, and Long Rise as landlord, have entered into the New Lease Agreement on 4 December 2013 to renew the Existing Lease Agreement pursuant to which Fornton Knitting agreed to lease the Premises from Long Rise as the headquarter of the Group for a term of three years commencing from 1 December 2013 and ending on 30 November 2016 (both days inclusive).

As at the date of this announcement, Long Rise is held by Madam Wong, Mr. Wong and their father. Madam Wong is an executive Director and a Controlling Shareholder of the Company and Mr. Wong is an executive Director of the Company and hence a Connected Person of the Company. Accordingly, the transaction contemplated under the New Lease Agreement constitutes a continuing connected transaction under the Listing Rules. As one of the applicable percentage ratios (other than the profits ratio) is, on an annual basis, more than 0.1% but less than 5%, the transaction contemplated under the New Lease Agreement is subject to the reporting, annual review and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE NEW LEASE AGREEMENT

Reference is made to the Prospectus in respect of the Existing Lease Agreement entered into between Fornton Knitting as tenant and Long Rise as landlord on 30 March 2010 in respect of the Premises for a term of three years commenced from 1 December 2010 at an annual rental of HK\$1,800,000 (exclusive of rates, government rent and management fee). As the Existing Lease Agreement expired on 30 November 2013, the New Lease Agreement was entered into on 4 December 2013 to renew the Existing Lease Agreement for a term of three years commencing from 1 December 2013 and ending on 30 November 2016 (both days inclusive).

Details of the New Lease Agreement are as follows:

Date: 4 December 2013

Landlord: Long Rise

Tenant: Fornton Knitting

Premises: Unit A, 32nd Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Hong Kong with a total gross area of 8,887 ft²

Lease term: three years commencing from 1 December 2013 and ending on 30 November 2016 (both days inclusive)

Rent: HK\$2,700,000 per annum (exclusive of rates, government rent and management fee), which shall be payable by monthly installment.

Historical transaction values

For each of the two financial years ended 31 December 2012 and the financial year ending 31 December 2013, the aggregate values and annual caps for the transaction under the Existing Lease Agreement are as follows:

Year Ended 31 December 2011		Year Ended 31 December 2012		Year Ending 31 December 2013	
Existing cap HK\$	Actual value HK\$	Existing cap HK\$	Actual value HK\$	Existing cap HK\$	Actual value HK\$
1,800,000	1,700,000	1,800,000	1,700,000	1,800,000	1,700,000

Proposed annual caps

The proposed annual caps for the transaction under the New Lease Agreement for the three years ending 31 December 2016 are as follows:

Subject to the compliance of all applicable laws and the Listing Rules, the New Lease Agreement is renewable at the option of the Company by giving three months' notice to Long Rise prior to the expiry of the New Lease Agreement. In the case of the renewal of the term of the New Lease Agreement, the Company shall comply with Rules 14A.34, 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39, 14A.40 and other rules under Chapter 14A of the Listing Rules, if applicable.

Year Ending 31 December 2014	Year Ending 31 December 2015	Year Ending 31 December 2016
Proposed cap HK\$ 2,700,000	Proposed cap HK\$ 2,700,000	Proposed cap HK\$ 2,700,000

REASONS FOR ENTERING INTO THE NEW LEASE AGREEMENT

Since 1 December 2010, Long Rise has been leasing the Premises to the Fornton Knitting as the headquarter of the Group. The purpose of entering into the New Lease Agreement is to renew the Existing Lease Agreement for the Premises at similar terms.

The rent was agreed after arm's length negotiation between the parties by making reference to the market rate for similar premises in the vicinity. The Directors (including the independent non-executive Directors) confirm that the Continuing Connected Transaction was entered into on normal commercial terms and its terms and the proposed annual caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Mr. Yam, an executive Director and a Controlling Shareholder, is the spouse of Madam Wong and is the brother-in-law of Mr. Wong. Accordingly, Mr. Yam, Madam Wong and Mr. Wong are considered to have a material interest in the New Lease Agreement and have abstained from voting on the relevant resolutions of the Board approving the New Lease Agreement.

GENERAL

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

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Long Rise is held by Madam Wong, Mr. Wong and their father. Madam Wong is an executive Director and a Controlling Shareholder of the Company and Mr. Wong is an executive Director of the Company and hence a Connected Person of the Company. Accordingly,

the transaction contemplated under the New Lease Agreement constitutes a continuing connected transaction under the Listing Rules. As one of the percentage ratios (other than the profits ratio), on an annual basis, is more than 0.1% but less than 5%, the transaction contemplated under the New Lease Agreement is subject to the reporting, announcement and annual review requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of directors of the Company;
“Company”	Fornton Group Limited, a company incorporated in the Bermuda, the shares of which are listed on the main board of the Stock Exchange;
“Connected Person”	has the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transaction”	the transaction contemplated under the New Lease Agreement;
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Lease Agreement”	the lease agreement dated 30 March 2010 entered into between Fornton Knitting as tenant and Long Rise as landlord in respect of the lease of the Premises, details of which have been disclosed in the Prospectus;
“Fornton Knitting”	Fornton Knitting Company Limited (formerly known as Max Eagle Industrial Limited, a company incorporated under the Companies Ordinance on 1 February 1994 with limited liability and an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Long Rise”	Long Rise Investment Development Limited, a company incorporated under the Companies Ordinance on 6 August 2009 with limited liability and is held by Madam Wong, Mr. Wong and their father, and thus a connected person of the Company;
“Madam Wong”	Ms. Wong Kan Kan Kandy, an executive Director and the spouse of Mr. Yam and sister of Mr. Wong;
“Mr. Wong”	Mr. Wong Tat Wai, an executive Director and the brother of Madam Wong and brother-in-law of Mr. Yam;
“Mr. Yam”	Mr. Yam Tak Cheung, an executive Director and the spouse of Madam Wong and brother-in-law of Mr. Wong;
“New Lease Agreement”	the lease agreement dated 4 December 2013 entered into between Fornton Knitting as tenant and Long Rise as landlord in respect of the lease of the Premises;
“Premises”	Unit A, 32nd Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Hong Kong with a total gross area of 8,887 ft ² ;
“Prospectus”	the prospectus of the Company dated 28 October 2011;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 4 December 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.