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FORNTON GROUP LIMITED

豐臨集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

DISCLOSEABLE TRANSACTIONS IN RELATION TO PURCHASE AND RESALE OF COAL MINING RELATED EQUIPMENTS

THE SUPPLY CONTRACT AND SALES CONTRACT

On 24 December 2013 (after trading hours), Sino Top, an indirect wholly-owned subsidiary of the Company, entered into the Supply Contract with VLI pursuant to which VLI has agreed to supply and Sino Top has agreed to purchase the Equipments at a consideration of AU\$4,815,450.60 (equivalent to approximately HK\$33,331,104.42) for the purpose of reselling the Equipments to Shanxi Coking Coal.

On the same day, Sino Top entered into the Sales Contract with Shanxi Coking Coal pursuant to which Sino Top has agreed to supply and Shanxi Coking Coal has agreed to purchase the Equipments at a consideration of AU\$4,911,759.61 (equivalent to approximately HK\$33,997,726.49).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of each of the Supply Contract and the Sales Contract is greater than 5% and less than 25% as calculated under Rule 14.07 of the Listing Rules, the entering into of each of the Supply Contract and the Sales Contract constitutes a discloseable transaction for the Company and is subject to the announcement but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 8 July 2013 in relation to, amongst others, the signing of a memorandum of understanding on 8 July 2013 (the “MOU”) between Valley Longwall Mining Equipment (Tai Yuan) Company Limited (“VLI (Taiyuan)”), a subsidiary of VLI, and Peak Matrix Holdings Limited (“Peak Matrix”), a wholly-owned subsidiary of the Company and the holding company of Sino Top, in respect of the intended cooperation in the development of in-seam directional systems leasing business. Reference is also made to the announcement of the Company dated 1 November 2013 in relation to the entering into of a side letter (the “Side Letter”) between VLI (Taiyuan) and Peak Matrix on 1 November 2013 in respect of the extension of the expiry date of the MOU. Subsequent to the signing of the Side Letter, the parties have further discussed and considered the cooperation model. As a result, the parties entered into the Supply Contract which supersedes the MOU and the Side Letter.

THE SUPPLY CONTRACT

On 24 December 2013 (after trading hours), Sino Top, an indirect wholly-owned subsidiary of the Company, entered into the Supply Contract with VLI pursuant to which VLI has agreed to supply and Sino Top has agreed to purchase the Equipments at a consideration of AU\$4,815,450.60 (equivalent to approximately HK\$33,331,104.42) for the purpose of reselling the Equipments to Shanxi Coking Coal.

Date: 24 December 2013 (after trading hours)

Parties: (1) Sino Top, the purchaser

(2) VLI, the seller

Subject matter: Purchase of two sets of VLD 1000 Series Electro/Hydraulic Directional (Gas Drainage) Drilling Systems.

Payment: AU\$4,815,450.60 (equivalent to approximately HK\$33,331,104.42) shall be paid to the seller in the form of a documentary irrevocable Letter of Credit at sight to be opened by the Bank of China (or a bank approved by the seller's bank). The irrevocable Letter of Credit shall be established within ten days before date of loading and shall be valid for 12 months. The payment of the Purchase Price shall be made in the following ways:

- (i) the Purchase Price shall be paid by the above mentioned irrevocable Letter of Credit in three installments, the first installment shall be 80% and the second and third installments shall be 10% each; and
- (ii) each installment shall be made on presentation of the respective requisite documents in accordance with the Supply Contract.

Delivery: The Equipments shall be delivered within four weeks after the signing of the Supply Contract.

Basis of the Purchase Price

The Purchase Price was arrived at after arm's length negotiations between Sino Top and VLI on normal commercial terms and with reference to the current market value of similar equipments.

THE SALES CONTRACT

On 24 December 2013 (after trading hours), Sino Top also entered into the Sales Contract with Shanxi Coking Coal pursuant to which Sino Top has agreed to supply and Shanxi Coking Coal has agreed to purchase the Equipments from Sino Top at a consideration of AU\$4,911,759.61 (equivalent to approximately HK\$33,997,726.49).

Date: 24 December 2013 (after trading hours)

Parties: (1) Sino Top, the seller
(2) Shanxi Coking Coal, the purchaser

Subject matter: Sale of two sets of VLD 1000 Series Electro/Hydraulic Directional (Gas Drainage) Drilling Systems.

Payment: AU\$4,911,759.61 (equivalent to approximately HK\$33,997,726.49) shall be paid to the seller in the form of a documentary irrevocable 90 days long term Letter of Credit to be opened by the Bank of China (or a bank approved by the seller's bank). The irrevocable Letter of Credit shall be established within ten days before date of loading and shall be valid for 12 months. The payment of the Sales Price shall be made in the following ways:

- (i) the Sales Price shall be paid by the above mentioned irrevocable Letter of Credit in three installments, the first installment shall be 40% and the second and third installments shall be 50% and 10% respectively; and
- (ii) each installment shall be made on presentation of respective requisite documents in accordance with the Sales Contract.

Delivery: The Equipments shall be delivered within four weeks after the signing of the Sales Contract.

Basis of the Sales Price

The Sales Price was arrived at after arm's length negotiations between Sino Top and Shanxi Coking Coal on normal commercial terms and with reference to the current market value of similar equipments and the availability of such equipments in the market.

REASONS FOR THE TRANSACTIONS

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.

It is the intention of the Company to diversify into the business of financial leasing of coal mining related machineries and equipments (the "Financial Leasing Business") to diversify the 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. The Directors consider that the financial leasing industry in the PRC has a vast room for development and the diversification into the Financial Leasing Business will be in the interest of the Company and its shareholders as a whole.

In order to develop and maintain the relationship with its potential customers of the Financial Leasing Business, the Company started its trading business in coal mining related machineries and equipments as a stepping stone for the future development of the Financial Leasing Business in the PRC. Once the Company obtains a financial leasing license in the PRC, it will begin its Financial Leasing Business and shifts its focus to it as planned. The Directors expect that the Financial Leasing Business will provide a stable income source for the Group in the future.

As at the date of this announcement, the book value of the Equipments is AU\$4,815,450.60 (equivalent to approximately HK\$33,331,104.42). The Directors consider that the sale of the Equipments would provide a net gain of AU\$53,451.50 (equivalent to approximately HK\$369,975.25) to the Group as the Sales Price represents a premium of approximately AU\$96,309.01 (equivalent to approximately HK\$666,622.07) to the book value of the Equipments. The proceeds from the sale of the Equipments will be used as general working capital.

Having considered the abovementioned, the Directors are of the view that the Supply Contract and the Sales Contract were entered into by the relevant parties on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of each of the Supply Contract and the Sales Contract is greater than 5% and less than 25% as calculated under Rule 14.07 of the Listing Rules, the entering into of each of the Supply Contract and the Sales Contract constitutes a discloseable transaction for the Company and is subject to the announcement but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules

Information of the Company, Sino Top, VLI and Shanxi Coking Coal

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

Sino Top is an investment holding company.

VLI is principally engaged in the design, manufacture, supply of diesel vehicles, drilling digs, conveyor systems in relation to coal mining and transportation, bulk materials handling and loading and drilling applications in Australia.

Shanxi Coking Coal is principally engaged in the trading of equipments and facilities in relation to coal exploitation. Shanxi Coking Coal is a subsidiary of Shanxi Coking Coal Group Co. Ltd., which is a stated owned coal mining company in the PRC and is principally engaged in coal exploitation and processing.

On 20 November 2013, Sino Top has entered into an agreement with Top Wealth Enterprises Limited pursuant to which Top Wealth Enterprises Limited has agreed to transfer 8% equity interest in Shanxi Coking Coal Machinery Electric Co., Ltd. which is owned as to 55% by Shanxi Coking Coal Group Co., Ltd. (through its subsidiaries) and 45% by Top Wealth Enterprises Limited. As at the date of this announcement, such transaction is yet to be completed. For further details of such transaction, please refer to the announcement of the Company dated 20 November 2013.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, VLI and Shanxi Coking Coal and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company (as defined in the Listing Rules).

DEFINITIONS

“Board”	the board of Directors
“Company”	Fornton Group Limited (stock code: 1152), a company incorporated in Bermuda with limited liability and 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
“Director(s)”	director(s) of the Company
“Equipments”	two sets of VLD 1000 Series Electro/Hydraulic Directional (Gas Drainage) Drilling Systems, being equipments used for coal mining
“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
“PRC”	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Purchase Price”	AU\$4,815,450.60
“Sales Contract”	the sales contract dated 24 December 2013 entered into between Sino Top and Shanxi Coking Coal pursuant to which Sino Top has agreed to supply and Shanxi Coking Coal has agreed to purchase the Equipments
“Sales Price”	AU\$4,911,759.61
“Shanxi Coking Coal”	山西焦煤集團國際發展股份有限公司 (Shanxi Coking Coal Group International Development Co Ltd*), a company established in the PRC and the purchaser of the Equipments under the Sales Contract
“Sino Top”	Sino Top Capital Resources Limited, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Contract”	the supply contract dated 24 December 2013 entered into between Sino Top and VLI pursuant to which VLI has agreed to supply and Sino Top has agreed to purchase the Equipments for the purpose of reselling them to Shanxi Coking Coal
“VLI”	VLI Drilling Pty Ltd, a company incorporated in Australia with limited liability and the seller of the Equipments under the Supply Contract
“AU\$”	Australian dollars, the lawful currency of Australia

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“%” per cent.

For the purposes of illustration only, any amount denominated in AU\$ in this announcement and translated into HK\$ was translated at the rate of AU\$1.00 = HK\$6.9217. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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

Hong Kong, 24 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.

* *For identification purposes only*