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FORNTON GROUP LIMITED

豐臨集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

LETTER OF INTENT IN RELATION TO THE PROPOSED COOPERATION IN THE DEVELOPMENT OF FINANCE LEASING BUSINESS IN THE PRC

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

The Board announces that on 30 December 2013 (after trading hours), Sino Top, an indirect wholly-owned subsidiary of the Company, entered into the legally binding Letter of Intent with VLI Taiyuan in relation to the proposed cooperation in the development of the finance leasing business in the PRC.

Further announcement will be made by the Company in relation to the Proposed Transactions as and when appropriate to comply with the disclosure and where applicable, the approval requirements under the Listing Rules.

Shareholders of the Company and/or investors should note that the Proposed Transactions may or may not materialize, as no definitive supply agreements and finance leasing agreements have been executed between and among the parties. Accordingly, shareholders of the Company and/or investors are advised to exercise caution when dealing in the shares of the Company.

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THE LETTER OF INTENT

The Board announces that on 30 December 2013 (after trading hours), Sino Top entered into the Letter of Intent with VLI Taiyuan in relation to the proposed cooperation in the development of the finance leasing business in the PRC.

Date: 30 December 2013 (after trading hours)

Parties: (1) Sino Top
(2) VLI Taiyuan

Major terms of the Letter of Intent: VLI Taiyuan is a member of the VLI Group, which is principally engaged in the design, manufacturing, supply of diesel vehicles, drilling digs, conveyor systems in relation to coal mining exploitation and transportation, bulk materials handling and loading and drilling applications in Australia. Sino Top is currently in the application process of setting-up the WOFE.

In order to jointly develop the mining related equipments finance leasing business in the PRC, it is agreed between the parties that:

1. VLI Taiyuan will manufacture the Equipment for Sino Top;
2. Sino Top will purchase the Equipment from VLI Taiyuan through the WOFE for the development of its finance leasing business in the PRC. Upon the establishment of the WOFE, Sino Top will procure the WOFE to purchase ten sets of Equipment with an aggregate value of approximately HK\$170,000,000 from VLI Taiyuan. VLI Taiyuan will assist the WOFE to develop its finance leasing business in the PRC, and to increase its market share of the finance leasing business in the PRC;
3. Sino Top will lease back the Equipment manufactured by VLI Taiyuan to VLI Taiyuan for its mining business, i.e. upon the establishment of the WOFE, the WOFE will lease the Equipment to VLI Taiyuan and the amount payable by VLI Taiyuan will be determined between the WOFE and VLI Taiyuan based on the then fair market value;
4. Sino Top undertakes to procure the WOFE to give preference to the products of VLI Taiyuan on terms which are the same as those available to the WOFE in its finance leasing business in the PRC;

5. VLI Taiyuan undertakes that, during the term of the finance leasing contracts to be entered into between VLI Taiyuan and the WOFE, in the event VLI Taiyuan does not have adequate mining projects, which may in turn affect the interest of the WOFE, VLI Taiyuan will consider to arrange for third parties to purchase the relevant Equipment at net value to reduce the WOFE's investment risks. The definitive sale and purchase agreements will be entered into between the WOFE and the purchasers in accordance with the applicable laws and market practice (subject to agreement by the parties); and
6. to materialize the Letter of Intent, upon the establishment of the WOFE, VLI Taiyuan and the WOFE will enter into relevant definitive supply agreements and finance leasing agreements in respect of the Equipment in accordance with the applicable laws and market practice.

The parties also agreed that in order to facilitate the cooperation, the parties will set up a joint working group for the preparation works upon the entering into of the Letter of Intent.

The Letter of Intent shall become effective upon the date of signing. If the WOFE has not been successfully established by 31 March 2014, the Letter of Intent shall be terminated automatically.

Reasons for the Proposed 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 finance leasing of coal mining related machineries and equipments 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 finance leasing industry in the PRC has a vast room for development and the diversification into the finance leasing business will be in the interest of the Company and its shareholders as a whole. In view of the above, the Directors consider that the proposed cooperation with VLI Taiyuan for the proposed development of the finance leasing business in the PRC under the Letter of Intent is in the interest of the Company and its shareholders as a whole.

The Proposed Transactions, which if materializes, may constitute notifiable transactions on the part of the Company under the Listing Rules. Further announcement will be made by the Company in relation to the Proposed Transactions as and when appropriate to comply with the disclosure and where applicable, the approval requirements under the Listing Rules.

Information of VLI Taiyuan and VLI Group

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.

VLI Group is principally engaged in the design, manufacturing, supply of diesel vehicles, drilling digs, conveyor systems in relation to coal mining exploitation 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.

As announced by the Company on 24 December 2013, Sino Top has entered into a supply contract with VLI Drilling Pty Limited, a member of the VLI Group pursuant to which VLI Drilling Pty Limited agreed to supply and Sino Top agreed to purchase two sets of VLD 1000 Series Electro/Hydraulic Directional (Gas Drainage) Drilling Systems, being equipments used for coal mining at a consideration of AU\$4,815,450.60 (equivalent to approximately HK\$33,331,104.42) for the purpose of reselling such equipments to Shanxi Coking Coal Group International Development Co Ltd* (山西焦煤集團國際發展股份有限公司).

Save as the above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, VLI Taiyuan and its ultimate beneficial owner are third parties independent of the Company and a connected person of the Company (as defined in the Listing Rules).

DEFINITIONS

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 (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
“Equipment”	in-seam directional drilling rigs, being equipments used for mining
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Letter of Intent”	the legally binding letter of intent dated 30 December 2013 entered into between Sino Top and VLI Taiyuan in respect of the proposed cooperation in the development of finance leasing business in 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
“Proposed Transactions”	the proposed transactions to be entered into between Sino Top and/or the WOFE and VLI Taiyuan under the Letter of Intent
“Sino Top”	Sino Top Capital Resources Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VLI”	Valley Longwall International Pty Limited (威利朗沃國際集團有限公司*), a company incorporated in Australia with limited liability
“VLI Group”	the group of VLI, which is principally engaged in the design, manufacturing, 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*)
“VLI Taiyuan”	Valley Longwall Mining Equipment (Tai Yuan) Company Limited* (威利朗沃礦業設備(太原)有限公司), a company established in the PRC with limited liability
“WOFE”	the proposed wholly-owned subsidiary of Sino Top to be set up in the PRC to carry out finance leasing business
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

Shareholders of the Company and/or investors should note that the Proposed Transactions may or may not materialize, as no definitive supply agreements and finance leasing agreements have been executed between and among the parties. Accordingly, shareholders of the Company and/or investors are advised to exercise caution when dealing in the shares of the Company.

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, 30 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*