

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Limited, an independent valuer, in connection with its valuation as at 31 July 2011 of the property interests of the Group.*



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Company Licence No.: C-003464



ISO 9001 : 2008  
Certificate No.: CC 568

18 October 2011

The Board of Directors  
**Fornton Group Limited**  
Unit A on 32nd Floor,  
Legend Tower,  
No. 7 Shing Yip Street,  
Kowloon, Hong Kong

Dear Sirs

**Re: Portfolio Asset Valuation for Fornton Group Limited**

**Instruction and Date of Valuation**

In accordance with the instruction from Fornton Group Limited (“the Company”) and its subsidiaries (hereinafter together referred to as the “Group”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we deem necessary to provide our opinion of the capital values of the property interests as at 31 July 2011 (“the date of valuation”). For properties located in the People’s Republic of China (the “PRC”), we have prepared our valuations in our capacity as “overseas consultants” in the PRC.

**Basis of Valuation**

Our valuation is made on the basis of the market value adopted by the Hong Kong Institute of Surveyors (“HKIS”) as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In preparing the valuation, we have complied with the requirements as set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by HKIS.

We have applied the definition of market value to each property interest independently. The valuation presented in this report represents 100% interest of each property interest and not the shareholdings of the company holding the property interest thereof.

### **Valuation Assumptions & Method**

Our valuation has been made on the assumption that the owner sells the property on the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of the property.

No allowance has been made in our valuation for any unpaid land use fee or premium, compensation, charges, mortgages or amounts owing on the property nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of onerous nature that could affect its value.

In forming our opinion of value of the property, we have assumed that the grantee or the user of the property has free and uninterrupted rights to use and assign the property interest for the whole of the unexpired term as granted. Unless otherwise stated, we have valued the property on the assumption that it is freely disposable and transferable and the property has been built and completed in accordance with relevant government approvals.

We have assessed the market value of the property interest in Group I which is held for future development by the Group in the PRC, by direct comparison approach. In applying the direct comparison approach, we have compared the subject property with comparable properties that were recently sold/available for sale in the market around the date of valuation. Appropriate adjustments have been considered in the course of assessment to reflect the difference between the subject property and the comparables.

We have attributed no commercial value to the property interests in Group II and Group III, which are leased by the Group in Hong Kong and the PRC respectively, due either to the short-term nature of the lease, the prohibition against assignment or sub-letting, or otherwise due to the lack of substantial profit rent.

### **Source of Information**

We have relied on the information provided by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us. We were also advised by the Group that no material facts have been omitted from the information supplied and no material information has been withheld.

Dimensions, measurements and areas included in the valuation report are based on information contained in copies of documents provided to us and are therefore only approximations

**Title Investigation**

We have not been provided with copies of title documents of the property interest located in Hong Kong but we have conducted Land Registry searches at the Land Registry.

We have been provided with copies of certain title documents relating to the property interests in the PRC. However, we have not conducted title searches of the property interests nor have we examined the original documents to verify ownership and encumbrances or to ascertain the existence of any land use rights amendments that may appear on the copies handled to us. All documents have been used for reference only. In the course of our valuation, we have relied on the opinion provided by the Group's PRC legal adviser, King & Wood PRC Lawyers, Chengdu Office (北京金杜(成都)律师事务所), regarding the title of the property interests.

**Property Inspection**

We inspected the exterior and where possible the representative parts of the interior of the property interests in July 2011.

We have not conducted formal site and structural surveys and, as such, we cannot report that the property interests are free from rot, infestation or any other structural defects. We have not carried out building surveys, nor have we inspected those parts of the property interests, which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the building services.

We were not instructed to arrange for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the property interests, or has since been incorporated, and therefore unable to report that the property interests are free from risk in this respect. For the purpose of this assessment, we have assumed that such investigations would not disclose the presence of any such material to any significant extent. Our valuation is prepared on the assumptions that these aspects are satisfactory.

**Site Investigation**

We have not carried out site measurements to verify the correctness of the site areas of the property interests. We have assumed that the site areas and the identification of the property interests as shown on the documents provided by the Group are correct.

We were not instructed to carry out investigations on site to determine the suitability of the ground conditions and the services etc for any future development, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. In the course of our assessment, we have assumed that no contamination affecting the property interests or the neighboring land.

**Currency**

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HK\$). We adopted the exchange rate at approximately RMB1 = HK\$1.2 in our valuation, which was the approximate exchange rate as at the date of valuation.

The Summary of Valuations and the Valuation Certificates are attached hereto.

Yours faithfully  
For and on behalf of  
**Jones Lang LaSalle Limited**

**Alkan Au** *BA (Hons), MHKIS, MRICS, RPS (GP)*  
*National Director*  
Licence No.: E-181955

*Note:* Mr. Au is a Registered Professional Surveyor and a National Director with the Valuation Advisory Service Department of Jones Lang LaSalle Limited. He has about 17 years and 8 years of valuation and advisory experience in Hong Kong and in the PRC respectively.

## SUMMARY OF VALUATIONS

## Group I — Property Interest Held for Future Development by the Group in the PRC

<u>Property</u>	<u>Capital Value as at 31 July 2011</u> (HK\$)	<u>Interest attributable to the Group</u>	<u>Capital Value attributable to the Group as at 31 July 2011</u> (HK\$)
1. A parcel of industrial land located at Yangwu Village, Dalang Town, Dongguan City, Guangdong Province, the PRC	14,400,000	100%	14,400,000
<b>Sub-total:</b>	<b>14,400,000</b>		<b>14,400,000</b>

## Group II — Property Interest Rented and Occupied by the Group in Hong Kong

<u>Property</u>	<u>Capital Value as at 31 July 2011</u> (HK\$)	<u>Interest attributable to the Group</u>	<u>Capital Value attributable to the Group as at 31 July 2011</u> (HK\$)
2. Unit A on 32nd Floor, Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	No commercial value	100%	No commercial value
<b>Sub-total:</b>	<b>Nil</b>		<b>Nil</b>

## Group III — Property Interests Rented and Occupied by the Group in the PRC

<u>Property</u>	<u>Capital Value as at 31 July 2011</u> (HK\$)	<u>Interest attributable to the Group</u>	<u>Capital Value attributable to the Group as at 31 July 2011</u> (HK\$)
3. An industrial complex located at Baishigang Village, Changping Town, Dongguan City, Guangdong Province, the PRC	No commercial value	100%	No commercial value
4. An industrial complex located at No. 189 Fuli East Road, Xiangwei Village, Hangwei District, Dongguan City, Guangdong Province, the PRC	No commercial value	100%	No commercial value
<b>Sub-total:</b>	<u>Nil</u>		<u>Nil</u>
<b>Grand-total:</b>	<u><u>14,400,000</u></u>		<u><u>14,400,000</u></u>

## VALUATION CERTIFICATE

## Group I — Property Interest Held for Future Development by the Group in the PRC

			Capital Value in existing state as at 31 July 2011																
Property	Description, age and tenure	Particulars of occupancy																	
1. A parcel of industrial land located at Yangwu Village, Dalang Town, Dongguan City, Guangdong Province, the PRC (the “Property”)	The Property comprises an industrial land parcel with site area of approximately 30,400.5 m <sup>2</sup> .  The Group plans to develop an industrial complex with a planned total gross floor area of 37,500 m <sup>2</sup> , which will comprise the following buildings:	The Property was vacant as at the date of inspection.	RMB12,000,000  (100% interest attributable to the Group: RMB12,000,000)  Converted to HK\$ 14,400,000																
(Lot No. 1917190300218)		<table><tr><th>Gross Floor Area (m<sup>2</sup>)</th><td></td></tr><tr><td>Office building</td><td>3,500</td></tr><tr><td>Factory</td><td>10,000</td></tr><tr><td>Warehouse</td><td>4,000</td></tr><tr><td>Dormitory</td><td>16,500</td></tr><tr><td>Canteen</td><td>2,500</td></tr><tr><td>Ancillary Facilities</td><td>1,000</td></tr><tr><td>Total</td><td>37,500</td></tr></table>	Gross Floor Area (m <sup>2</sup> )		Office building	3,500	Factory	10,000	Warehouse	4,000	Dormitory	16,500	Canteen	2,500	Ancillary Facilities	1,000	Total	37,500	
Gross Floor Area (m <sup>2</sup> )																			
Office building	3,500																		
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Warehouse	4,000																		
Dormitory	16,500																		
Canteen	2,500																		
Ancillary Facilities	1,000																		
Total	37,500																		
	The land use rights of the Property are granted for a land use term due to expiry on 17 April 2055 for industrial use.																		
	The current annual land use fee (土地管理费) of the Property payable to the government is about RMB136,800.																		

## Notes:

- According to copy of the State-owned Land Use Rights Transfer Contract (国有土地使用权转让合同) dated 6 August 2010 entered into between Dongguan Mei De Home Appliances Ltd (东莞美德家庭制品有限公司) and May Tak Industrial Development Limited (美德工业发展有限公司) (Vendor) and Dongguan Fung Ching Knitting Company Limited (东莞丰正针织有限公司) (Purchaser), the Property with site area of approximately 30,400.5 m<sup>2</sup> for industrial use was granted to the Purchaser at a consideration of RMB7,867,500.
- According to copy of the State-owned Land Use Rights Certificate Dong Fu Guo Yong (2005) Di Te No. 702-1 (东府国用 (2005) 第特702-1号) issued by the People's Government of Dongguan City on 28 December 2010, the land use rights of the Property are granted to Dongguan Fung Ching Knitting Company Limited (东莞丰正针织有限公司) for a term due to expiry on 17 April 2055 for industrial use.
- According to the confirmation letter regarding the plot ratio of the Property dated 28 March 2011 from the Planning Administrative Office of Dalang Town, Dongguan City (东莞市大朗镇规划管理所), the maximum plot ratio of the Property is 1.8 with the maximum gross floor area of 54,720.9 m<sup>2</sup>.

4. Dongguan Fung Ching Knitting Company Limited is an indirect wholly-owned subsidiary of the Group.
5. We have in the course of the valuation accepted and taken into account the following legal opinion provided by the Group's PRC Legal Adviser:
  - (i) Dongguan Fung Ching Knitting Company Limited (东莞丰正针织有限公司) has obtained the State-owned Land Use Rights Certificate of the Property;
  - (ii) Dongguan Fung Ching Knitting Company Limited (东莞丰正针织有限公司) has the right to freely transfer, lease and mortgage the Property;
  - (iii) All land transaction payment and relevant taxation payment have been settled;
  - (iv) The Property is not subject to mortgage and any other encumbrances; and
  - (v) The Company has a 100% equity interests in Dongguan Fung Ching Knitting Company, the owner of the Property.



## VALUATION CERTIFICATE

## Group II — Property Interest Rented and Occupied by the Group in Hong Kong

Property	Description, age and tenure	Particulars of occupancy	Capital Value in existing state as at 31 July 2011
2. Unit A on 32nd Floor, Legend Tower, No. 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong (“the Property”) 889/50,000th equal and undivided shares of and in Kun Tong Inland Lot No. 89	<p>The Property comprises an office unit on the 32nd Floor of a high-rise office development known as Legend Tower completed in 2009.</p> <p>The gross floor area and saleable area of the Property is about 8,887ft<sup>2</sup> (825.62 m<sup>2</sup>) and 6,579 ft<sup>2</sup> (611.20 m<sup>2</sup>) respectively.</p> <p>The land that the Property erected on is held from the Government Lease for a term of 21 years from 1 July 1955 and was renewed for a further term of 21 years. The lease has been extended to 30 June 2047.</p> <p>The current annual Government rent payable for the Property is an amount equal to 3% of the rateable value of the Property.</p>	<p>The Property was occupied by the Group for office purposes as at the date of inspection.</p> <p>The Group rented the Property from Long Rise Investment Development Limited for a term of 3 years commencing on 1 December 2010 and expiring on 30 November 2013, at a monthly rent of HK\$150,000, exclusive of Government rent, rates, management fees and other outgoings.</p>	No commercial value

*Notes:*

1. The registered owner of the Property is Long Rise Investment Development Limited vide Memorial No. 10051802440033 dated 21 April 2010.
2. Long Rise Investment Development Limited which is held in equal shares by Ms. Wong Kan Kan Kandy, an executive Director and one of the Controlling Shareholders and her father, is a connected person of the Group.
3. According to the Land Registry Search conducted on 12 July 2011, the Property was subject to the following encumbrances:
  - (i) Occupation Permit No. KN2/2010/(OP) vide Memorial No. 10011902830165 dated 13 January 2010.
  - (ii) Deed of Mutual Covenant and Management Agreement vide Memorial No. 10043002941012 dated 14 April 2010.
  - (iii) Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 10051802440049 dated 21 April 2010.
4. According to Kwun Tong (South) Outline Zoning Plan No.S/K14S/16 dated September 2008, the Property was zoned for Other Specified Uses (Business) as at the date of valuation.

## VALUATION CERTIFICATE

## Group III — Property Interest Rented and Occupied by the Group in the PRC

			Capital Value in existing state as at 31 July 2011														
Property	Description, age and tenure	Particulars of occupancy															
3. An industrial complex located at Baishigang Village, Changping Town, Dongguan City, Guangdong Province, the PRC (the “Property”)  (Lot No. 1924150600003)	<p>The Property mainly comprises a 3-storey factory building, 2 blocks of 4-storey dormitory, a transformer room, a guardhouse and a boiler room completed in 2001.</p> <p>The total gross floor area (“GFA”) of the Property is about 12,000 m<sup>2</sup>.</p> <p>According to copy of the tenancy agreement, the GFA breakdown of the Property is as follows:</p>	<p>The Property was occupied by the Group for manufacturing purposes as at the date of inspection.</p> <p>The Group has rented and occupied the Property since 2005, under an indirect wholly owned subsidiary known as Fornton Holdings Company Limited (丰临控股有限公司).</p>	No commercial value														
	<table><thead><tr><th>Description</th><th>GFA (m<sup>2</sup>)</th></tr></thead><tbody><tr><td>Factory</td><td>5,913</td></tr><tr><td>Dormitory</td><td>5,683</td></tr><tr><td>Transformer Room</td><td>79</td></tr><tr><td>Guardhouse</td><td>145</td></tr><tr><td>Boiler Room</td><td>180</td></tr><tr><td>Total</td><td>12,000</td></tr></tbody></table>	Description	GFA (m <sup>2</sup> )	Factory	5,913	Dormitory	5,683	Transformer Room	79	Guardhouse	145	Boiler Room	180	Total	12,000	<p>According to copies of the tenancy agreements, the Group leased the Property for 3 years commencing on 1 December 2010 and expiring on 30 November 2013 at a monthly rent of RMB69,600, exclusive of all other outgoings.</p>	
Description	GFA (m <sup>2</sup> )																
Factory	5,913																
Dormitory	5,683																
Transformer Room	79																
Guardhouse	145																
Boiler Room	180																
Total	12,000																
	<p>The site area of the Property is about 10,000.4 m<sup>2</sup>.</p>																
	<p>The Land Use Rights of the Property are allocated to Baishigang Village Committee (白石岗村委会) for industrial use for an unspecified land use rights term.</p>																

## Notes:

1. According to copy of the State-owned Land Use Rights Certificate Dong Fu Ji Yong (2006) Di No. 1900241506379 (东府集用 (2006) 第特1900241506379号) dated 4 August 2008 issued by the People's Government of Dongguan City, the land use rights of the Property are allocated to Baishigang Village Committee (白石岗村委会) with the site area of about 10,000.4 m<sup>2</sup> for industrial use for an unspecified land use rights term.
2. According to copy of an undated tenancy agreement entered into between Baishigang Village Committee (白石岗村委会) and Zhou Hao Xiang (周浩祥) (collectively known as Party A), and Dongguan Fung Ching Knitting Company Limited (东莞丰正针织有限公司) (Party B), Party B has the first right of refusal for the renewal of the same lease term upon the expiry of the existing lease.
3. According to copy of a Confirmation Letter dated 24 March 2011 entered into between Baishigang Village Committee (白石岗村委会) and Zhou Hao Xiang (周浩祥) (collectively known as Party A), and Dongguan Fung Ching Knitting Company Limited (东莞丰正针织有限公司) (Party B), Party B has rented and occupied the Property with the site area and total gross floor area of about 10,000.4 m<sup>2</sup> and 12,000 m<sup>2</sup> respectively.

4. Dongguan Fung Ching Knitting Company Limited and Fornton Holdings Company Limited are indirect wholly-owned subsidiaries of the Group.
5. We have in the course of the valuation accepted and taken into account the following legal opinion provided by the Group's PRC Legal Adviser:
  - (i) Baishigang Village Committee (白石岗村委会) has not obtained relevant building ownership certificate of the Property and thus it is illegal to lease the Property to any parties under the relevant laws and regulations in the PRC;
  - (ii) The lessor of the Property should bear any resulting legal consequences and Fung Ching should not bear any liability therefrom;
  - (iii) There is a risk that the tenancy agreements may be deemed as void contracts;
  - (iv) The leasing of the Property may be suspended if any third parties file an opposition thereto; and
  - (v) The Group is entitled to claim for reduction or exemption of rental against the lessors if a third party claims its rights upon the leased properties and makes it impossible for the Group to use the leased property.

## VALUATION CERTIFICATE

## Group III — Property Interest Rented and Occupied by the Group in the PRC

Property	Description, age and tenure	Particulars of occupancy	Capital Value in existing state as at 31 July 2011
4. An industrial complex located at No. 189 Fuli East Road, Xiangwei Village, Hangwei District, Dongguan City, Guangdong Province, the PRC (the Property")	<p>The Property mainly comprises a 4-storey factory building, a 4-storey dormitory, another 6-storey dormitory, a 3-storey staff quarters, a transformer room, a guardhouse, a toilet and a boiler room completed in 2000.</p> <p>The total gross floor area ("GFA") of the Property is about 21,237.36 m<sup>2</sup>.</p> <p>The site area of the Property is about 11,435.11 m<sup>2</sup>.</p>	<p>The Property was occupied by the Group for manufacturing purposes as at the date of inspection.</p> <p>The Group has rented and occupied the Property since 2000.</p> <p>According to copies of the tenancy agreement and its supplemental agreements, the Group leased the Property for 3 years from 1 January 2010 to 31 December 2012, at a monthly rent of RMB169,898.88, exclusive of all other outgoings.</p>	No commercial value

*Notes:*

1. According to copy of the 4th Supplementary Tenancy Agreement dated 1 January 2010 entered into between Dongguan Dalang Xiangwei Industrial Development Company (东莞市大朗巷尾工业开发公司) (Party A) and Nice Regent Industries Limited (香港毅俊实业投资有限公司) (Party B), Party B has the first right of refusal for the lease renewal or acquisition of the Property, if Party A intends to lease or sell the Property upon the expiry of the existing lease.
2. Nice Regent Industries Limited (香港毅俊实业投资有限公司) is an indirect wholly-owned subsidiary of the Group.
3. We have in the course of the valuation accepted and taken into account the following legal opinion provided by the Group's PRC Legal Adviser:
  - (i) Dongguan Dalang Xiangwei Industrial Development Company (东莞市大朗巷尾工业开发公司) has not obtained the State Owned Land Use Rights Certificate and Realty Title Certificate of the Property and thus it is illegal to lease the Property to any parties under the relevant laws and regulations in the PRC;
  - (ii) The lessor of the Property should bear any resulting legal consequences and Nice Regent should not bear any liability therefrom;
  - (iii) There is a risk that the tenancy agreement and its supplemental agreements may be deemed as void contracts;
  - (iv) The leasing of the Property may be suspended in the event any third parties file an opposition thereto; and
  - (v) The Group is entitled to claim for reduction or exemption of rental against the lessor if a third party claims its rights upon the leased properties and makes it impossible for the Group to use the leased property.