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FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

DISCLOSEABLE TRANSACTION

On 26 May 2010, the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase (i) the Sale Share, representing the entire issued share capital of Perfect Time and (ii) Shareholder's Loan for the Consideration of HK\$85 million.

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirement under the Listing Rules.

THE AGREEMENT

Date: 26 May 2010

Parties to the Agreement: (1) The Vendor
(2) The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Au Yeung. Its principal activity is investment holding.

* *For identification purpose only*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Au Yeung has borrowed loans from a subsidiary of the Company that engaged in the money lending business. The outstanding loan amount is HK\$15 million as at 26 May 2010 which has been fully repaid at the same date. Save as disclosed at above the Purchaser and its owner, Mr. Au Yeung are Independent Third Parties.

Assets to be disposed of

The Purchaser conditionally agreed to purchase (i) Sale Share, representing the entire issued share capital of Perfect Time and (ii) the Shareholder's Loan.

Consideration

The Consideration for the Sale Share and the Shareholder's Loan is HK\$85 million in aggregate, payable as to (i) HK\$10 million refundable down payment on the date of the Agreement; and (ii) HK\$75 million on Completion.

The Consideration was determined after arm's length negotiation with reference to

- (i) prevailing PRC property market condition;
- (ii) the cost of acquiring Perfect Time Group and the Shareholder's Loan is approximately HK\$60 million, which represents the fair value of the purchase consideration for the issuance of 400 million shares at a market price of HK\$0.15 per share on 19 May 2010;
- (iii) the cash consideration of HK\$85 million that can strengthen the financial strength and flexibilities of the Company

Conditions precedent to the Agreement

Completion is subject to the following conditions precedent:–

- (i) the due diligence investigation on the Perfect Time Group, the Property and the tenancies in respect of the Property to be carried out pursuant to the Agreement having been completed to the reasonable satisfaction of the Purchaser;

- (ii) all other consents or approvals (if required) of any relevant governmental authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required for the entry into and the implementation of this Agreement having been obtained, all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required for the entering into and the implementation of the Agreement having been made.

If the conditions above have not been fulfilled (or waived by the Purchaser) on or before 5:00 p.m. on 9 June 2010 or such other date as the parties may agree in writing, the Agreement will become null and void and has no legal effect and the refundable down payment of HK\$10 million shall be refunded without interest to the Purchaser forthwith. Upon the refund of the down payment of HK\$10 million, the parties shall have no further claims against each other under the Agreement for costs, damages compensation or otherwise, save for the antecedent breaches and claims.

Completion

Completion is to take place on the second Business Day after satisfaction or waiver (as applicable) of the conditions above (or such other date and time as the parties to the Agreement may agree).

INFORMATION ON PERFECT TIME

The Company through its subsidiary, Loyal Castle Investments Limited, acquires Perfect Time for investment purpose. Pursuant to this Disposal, Perfect Time Group would be accounted for by the Group as assets held for sale.

Reasons for the Disposal

Having considered the recent policies of the Chinese government to cool down the property markets which leading to the decline of the property price and the rental yield of PRC property market, the need to put in additional funds to advance the Property and the pressure on the decrease in rental income upon the expiration of existing tenancies contracts of the Property, the Directors are of the opinion that the PRC property market will remain sluggish and downward for a period of time, as a result the return from the Property is no longer attractive and the Company should take this opportunity to dispose of its interest in the PRC property market so as to save the cost and expenses in maintaining the investment in the PRC property market. Upon Completion, the Company will cease to have investment in the PRC property market and can retain the financial strength and flexibilities of the Company through having the HK\$85 million cash proceeds from the disposal.

In view of the change of PRC property market conditions, the Company has disposed Perfect Time and will accrue a gain on Disposal of approximately HK\$25 million, which will be subject to audit for the year ending 31 December 2010.

Upon Completion, the Company intends to apply the HK\$85,000,000 cash consideration for future expansion, working capital and other investments.

In view of the above reasons, the Directors (including the independent non-executive directors) are of the opinion that the Agreement is on normal commercial terms and fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL

The Company is an investment holding company listed on the Stock Exchange with its subsidiaries and associated companies are principally engaged in the business of selling and distribution of Nissan motor vehicles, operating of the Nissan 4S shops, provision of heavy motor vehicle repair and maintenance services in PRC; provision of logistic services in Hong Kong and the PRC, properties investments, securities trading and money lending business.

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirement under the Listing Rules.

DEFINITIONS

The following terms are used in this announcement within the meanings set opposite them:–

“Agreement”	the conditional agreement dated 26 May 2010 entered into by the Vendor and the Purchaser in relation to the Disposal;
“Associate(s)”	the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong;
“Company”	Forefront Group Limited, a company incorporated in Cayman Islands with limited liability and whose shares are listed on the Stock Exchange;
“Completion”	completion of the Disposal under the Agreement;
“Connected Person(s)”	the meaning ascribed to it under the Listing Rules;
“Consideration”	HK\$85 million being the aggregate consideration for the disposal of the Sale Share and the Shareholder’s Loan;
“Directors”	the director(s) of the Company;
“Disposal”	the disposal by the Vendor of the Sale Share and Shareholder’s Loan to the Purchaser under the Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	a person who, to the best of the directors’ knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and Connected Persons of the Company;
“Mr. Au Yeung”	Mr. Au Yeung Kai Chor, the sole owner of the Vendor;
“PRC”	the People’s Republic of China;
“Perfect Time”	Perfect Time Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company;
“Perfect Time Group”	Perfect Time and its subsidiary;
“Property”	a 20-storey composite building known as Jifu Plaza with a gross floor area of 10,521.32 square meters situated at No. 103 Shibapu Road, Liwan District, Guangzhou City, Guangdong Province, the PRC;
“Purchaser”	Lang Sheng Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Au Yeung;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Share”	1 share, representing the entire issued share capital of Perfect Time;
“Shareholder(s)”	holders of existing shares of the Company;

“Shareholder’s Loan”	an interest free loan which is repayable on demand due from Perfect Time to the Vendor which amounted to approximately HK\$103.5 million as at 31 December 2009;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Loyal Castle Investments Limited, a company incorporated in the British Virgin Island with limited liability and an indirect wholly owned subsidiary of the Company;
“%”	per cent.

By Order of the Board
Forefront Group Limited
Yeung Ming Kwong
Executive Director

Hong Kong, 26 May 2010

As at the date of this announcement, the Board comprises Mr. Yeung Ming Kwong, Ms. Lo Oi Kwok, Sheree, Mr. Wen Louis and Mr. Zhuang You Dao as executive Directors, and Mr. Chung Yuk Lun, Ms. Lam Yan Fong, Flora and Mr. Pak William Eui Won as independent non-executive Directors.