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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 DISPOSAL OF RICHFUL ZONE INTERNATIONAL LIMITED

On 8 June 2012 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into an agreement pursuant to which the Vendor agreed to sell or procure to sell and the Purchaser agreed to purchase or procure to purchase the Sale Shares, representing the entire issued share capital of Richful Zone, together with the Sale Loan, at the Consideration of HK\$50,000,000.

Given the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules exceed 5% but remain below 25%, the Disposal constitutes a discloseable transaction for the Company pursuant to Rule 14.06 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

THE AGREEMENT

Date	8 June 2012
Parties	
Vendor:	Regent Square Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
Purchaser:	Profit Garden Global Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Heritage

* *For identification purpose only*

As at the date of this announcement, the Company holds less than 5% of the shareholding interest in Heritage, which is below the required disclosure threshold under the SFO. Mr. Chung Yuk Lun is an independent non-executive director of Heritage and the Company.

Saved as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are independent of and not connected with the Company and its connected persons.

Assets to be disposed of

The Purchaser has conditionally agreed to purchase and procure to purchase the Sale Shares, representing the entire issued share capital of Richful Zone, together with the Sale Loan.

Consideration

The Purchaser shall pay the Consideration of HK\$50.0 million in cash upon Completion.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to the unaudited net asset value of the Disposal Group of approximately HK\$67.54 million as set out in the unaudited consolidated management accounts of the Disposal Group as at 31 December 2011 and the valuation of the Forest Land in an amount of HK\$135.0 million as at 31 December 2011 appraised by an independent professional valuer appointed by the Company (the value attributable to the 50% of the Concession Rights and Interests held by the Disposal Group is therefore HK\$67.59 million).

Accordingly, the Directors consider the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is subject to the following conditions precedent:

- (i) a due diligence investigation on the Richful Zone Group and its assets having been completed to the reasonable satisfaction of the Purchaser in its sole discretion as well as the receipt by the Purchaser of legal opinion(s) to be issued by a firm of PRC lawyers on matters including but not limited to title of the Forest Land and ownership of the Concession Rights and Interests;

- (ii) the approval of the Agreement and transactions contemplated thereunder by the Shareholders who are permitted to vote in accordance with the Listing Rules, if required;
- (iii) the approval of the Agreement and transactions contemplated thereunder by the shareholders of Heritage who are permitted to vote in accordance with the Listing Rules, if required;
- (iv) if applicable, the obtaining of all consents by the Company from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and any of the transactions contemplated hereunder; and
- (v) there having been no breach by the Company of any obligation, undertakings, representations and warranties under the Agreement;

If the conditions above have not been fulfilled (or waived by the Purchaser) on or before 3 September 2012 (or such other date as the parties may agree in writing), the Agreement shall thereupon terminate, the parties shall have no further claims against each other under the Agreement for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims. Pursuant to the Agreement, the Purchaser may waive the above conditions (i) and (v) in writing.

Completion

Completion shall take place on a date which is within 2 Business Days after the fulfillment of the conditions under the Agreement or other date as the Company and the Purchaser may agree.

INFORMATION ON THE GROUP

As at the date of this announcement, the Company is an investment holding company and through its subsidiaries and an associated company are principally engaged in the business of provision of logistic services in Hong Kong and the PRC; investment in forest interest; properties investments; securities trading and money lending business. Upon Completion, the Group will continue to be principally engaged in provision of logistic services in Hong Kong and the PRC; properties investments; securities trading and money lending business.

INFORMATION ON THE DISPOSAL GROUP

Richful Zone is a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company. Richful Zone is also the legal and beneficial owner of the entire issued share capital of Allied Loyal. Besides the interest in Allied Loyal, Richful Zone has no other assets or business.

Allied Loyal, a direct wholly-owned subsidiary of Richful Zone, is an investment holding company incorporated in the British Virgin Islands whose principal asset is the 50% interest in the Concession Rights and Interests. The Forest Land comprises three parcels of forestry sites in Simao District (思茅區), Puer City (普洱市), Yunnan Province (雲南省), the PRC with total site area of approximately 36,737 Chinese Mu. The Forest Land was valued at HK\$135 million as at 31 December 2011 by an independent qualified professional valuer appointed by the Company. The Forest Land is currently managed by AKFCL.

Based on the unaudited consolidated management accounts of the Disposal Group, the net assets of the Disposal Group as at 31 December 2011 was approximately HK\$67.54 million and the losses (both before and after taxation and extraordinary items) of the Disposal Group were approximately HK\$1.42 million and HK\$1.24 million for the year ended 31 December 2011 and year ended 31 December 2010 respectively.

Upon Completion, the Group is expected to incur a loss on disposal of approximately HK\$17.54 million which is being the sale proceeds minus the net assets value of the Disposal Group amounting to HK\$67.54 million of the Company, subject to the audit of the financial statements of the Group.

	For the Year ended	
	31 December	
	2011	2010
	unaudited	unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation and extraordinary items	1,423	1,242
Loss after taxation and extraordinary items	1,423	1,242
Net Assets	67,539	68,962

Upon Completion, Richful Zone will cease to be a subsidiary of the Company and the accounts of Disposal Group will no longer be consolidated in the financial statements of the Company.

REASONS FOR AND BENEFIT OF THE DISPOSAL

The Board constantly reviews the Company's business strategy in maximizing the value of the Company and value to the Shareholders.

Since acquisition of the Disposal Group, the operation of the Forest Land made no contribution to the Group after payment of management fee to the PRC's partner according to the concession contract dated 18 June 2007. The Directors believe that the Disposal provides the Company with a good opportunity to realise the value of an asset which need a medium and long holding period before it can generate profits contribution to the Group. Furthermore, the Company will receive significant cash inflow to improve the liquidity position of the Company, which will provide the Company with financial flexibility to participate in attractive investment opportunities as they arise. As at the date of this announcement, the Company has not identified any attractive investment opportunity. As the Disposal Group generates no turnover to the Group, the earnings of the Group are not expected to be adversely affected by the Disposal.

The expected net proceeds from the Disposal are approximately HK\$49.75 million, which will be used as general working capital of the Group.

Accordingly, the Directors are of the view that the terms and conditions of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Heritage.

LISTING RULES IMPLICATIONS

Given the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules exceed 5% but remain below 25%, the Disposal constitutes a discloseable transaction for the Company pursuant to Rule 14.06 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Agreement”	the conditional agreement dated 8 June 2012 entered into among the Vendor and the Purchaser in relation to the Disposal
“AKFCL”	普洱美投林業有限公司 Amerinvest Kesiya Forestry (Yunnan) Company Limited, a company incorporated in the People’s Republic of China with limited liability
“Allied Loyal”	Allied Loyal International Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Richful Zone
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday and Sunday) on which banks are generally open for business more than five hours in Hong Kong

“Company”	Forefront Group Limited (Stock Code: 885), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Concession Rights and Interests”	the economic gains including future capital gains and future cash flow profit accrued in respect of the Forest Land
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration to be payable by the Purchaser pursuant to the Disposal, being HK\$50.0 million in cash upon Completion
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share(s) and Sale Loan pursuant to the Agreement
“Disposal Group”	Richful Zone International Limited together with its subsidiaries and its associates
“Forest Land”	three parcels of forest land located in (i) Forest No. 92, Nan Xian He Ying Pan Mountain, Liu Shun Village, Simao District, Puer City, Yunnan Province (雲南省普洱市思茅區六順鄉南線河營盤山) with a site area of approximately 10,382 Chinese Mu; (ii) Forest No. 104, Gan Niu Zhai Mountain, Yi Xiang Town, Simao District, Puer City Yunnan Province (雲南省普洱市思茅區倚象鎮趕牛寨大山) with a site area of approximately 20,485 Chinese Mu; and (iii) Forest No. 101, Ji Zhai Mountain, Boluo Mu, Yi Xiang Town, Simao District, Puer City, Yunnan Province (雲南省普洱市思茅區倚象鎮菠蘿木極寨山) with a site area of approximately 5,870 Chinese Mu

“Group”	the Company and its subsidiaries
“Heritage”	Heritage International Holdings Limited (Stock Code: 412), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the 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
“Profit Garden” and “Purchaser”	Profit Garden Global Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Heritage
“Regent Square” or “Vendor”	Regent Square Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Richful Zone”	Richful Zone International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company. It is also the sole legal and beneficial owner of Allied Loyal
“Sale Shares”	17,478,973 ordinary shares of US\$1.00 each in Richful Zone, representing the entire issued share capital of Richful Zone at the date of this announcement
“Sale Loan”	an interest free and payable on demand shareholder’s loan due from the Disposal Group to the Company, which amounts to HK\$15,288 as at 31 December 2011

“SFO”	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board of
Forefront Group Limited
Yeung Ming Kwong
Chairman

Hong Kong, 8 June 2012

As at the date of this announcement, the Board comprises the following members:–

Executive Directors

Mr. Yeung Ming Kwong (*Chairman*)
Ms. Lo Oi Kwok, Sheree
Mr. Lam Yick Sing
Mr. Wen Louis
Mr. Zhuang You Dao

Independent Non-executive Directors

Mr. Chung Yuk Lun
Ms. Lam Yan Fong, Flora
Mr. Pak William Eui Won