

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

**COMPLETION OF SUBSCRIPTION AGREEMENT
OF 51% IN EXCEL WAY INVESTMENTS LIMITED
AND
MAJOR & CONNECTED TRANSACTION – ACQUISITION OF
SHINNING GLOBAL WORLDWIDE LIMITED AND ISSUE OF
CONVERTIBLE NOTE
AND
RESUMPTION OF TRADING**

The Company announces that the completion of Subscription Agreement was effected on 6th April, 2009 at a reduced amount to the Subscription Consideration of US\$7,500,000. The Supplemental Subscription Agreement was entered into on 6th April, 2009 between Ready Capital, the Target Company and Mr. Yeung whereby, inter alia, the parties agreed to reduce the initial subscription amount to the Subscription Consideration of US\$7,500,000 and change the time of payment of the Subscription Consideration for the subscription of the Subscription Shares.

* *For identification purposes only*

On the same day, the Vendors and Harvest Peace entered into the S&P Agreement pursuant to which the Vendors agreed to sell and Harvest Peace agreed to purchase the Sale Shares, representing the entire issued share capital of Shinning Global. The Acquisition Consideration is HK\$100 million and is to be satisfied by the issue of the Convertible Note by the Company to Mr. Yeung. After the Acquisition Completion, the Company will indirectly wholly own Target Company, which in turn holds 42.86% of the registered capital of PRC JV.

Mr. Yeung is an executive director of the Company and a Connected Person of the Company. Accordingly, the S&P Agreement constitutes a major and connected transaction for the Company and is subject to, inter alia, the approval of Independent Shareholders at the EGM by way of poll.

A circular containing amongst other things further information on the S&P Agreement, letter of advice from the independent financial adviser and notice of EGM will be dispatched to Shareholders as soon as possible.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 7th April, 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 8th April, 2009.

Reference is made to the announcement (the “Announcement”) and circular (the “Circular”) of Forefront Group Limited (the “Company”) dated 26th August, 2008 and 16th September, 2008 respectively in relation to the Subscription Agreement.

SUBSCRIPTION COMPLETION

Prior to the long stop date of 27th February, 2009 as set out in the Subscription Agreement, all conditions precedent under the Subscription Agreement (including the approval by Independent Shareholders at an extraordinary general meeting of the Company held on 15th October, 2008) have been fulfilled or waived by Ready Capital.

The Company announces that completion of the Subscription Agreement was effected on 6th April, 2009 at a reduced amount to the Subscription Consideration of US\$7,500,000.

On 6th April, 2009, Ready Capital, the Target Company and Mr. Yeung entered into a Supplemental Subscription Agreement to the Subscription Agreement whereby, inter alia, the parties recorded their agreement for the completion of the Subscription Agreement to take place on 6th April, 2009, to reduce the initial subscription amount to the Subscription Consideration of US\$7,500,000 and to change the time of payment as follows:

- (i) as to US\$1,250,000, which was paid by way of the Deposit on the date of the Subscription Agreement;
- (ii) as to US\$3,250,000, which shall be paid on a date nominated by Ready Capital on or before 30th April, 2009; and
- (iii) as to US\$3,000,000, which shall be paid on a date nominated by Ready Capital which shall be after payment of the amount set out (ii) above and on or before 31st May, 2009.

As disclosed in the Announcement and the Circular, the initial subscription amount is to be used for investment in the PRC JV which required capital contribution from the Target Company in an amount of US\$11 million to cover the portion borne by the Target Company for the intended increase in registered capital of PRC JV from US\$17.5 million to US\$24 million. Subsequently it was agreed between the Target Company and the JV Partner that it is not necessary to increase the registered capital of the PRC JV to US\$24 million as they were of the view that it is possible to finance the future operations of PRC JV by banking facilities and/or capital contributions from PRC institutional investors. Therefore, the JV Partner and the Target Company agreed that (i) the capital contribution to be made by the Target Company shall remain at US\$7.5 million (instead of increasing to US\$11 million); and (ii) the payment schedule of the capital contribution be extended. The Board understands that the total capital contribution to be made by the JV Partner and the Target Company shall be US\$17.5 million and approval has been granted by the relevant authorities in the PRC for such extension in March 2009. Despite the reduction in capital contribution by Target Company, the percentage of registered capital held by the Target Company in the PRC JV remains at 42.86%.

Since the Target Company is now required to make a lesser amount of capital contribution in the PRC JV, being US\$7.5 million, the parties to the Subscription Agreement considered that the initial subscription amount should be correspondingly adjusted.

THE S&P AGREEMENT

Date: 6th April, 2009

Parties to the Agreement: (1) Mr. Yeung and Mr. Zhang as the Vendors
(2) Harvest Peace as the Purchaser

Assets to be acquired

Mr. Yeung and Mr. Zhang conditionally agreed to sell 5,100 and 4,900 Sale Shares respectively and Harvest Peace conditionally agreed to purchase the Sale Shares in Shinning Global, representing the entire issued share capital of Shinning Global. After the Acquisition Completion, the Company will indirectly wholly own Target Company.

Consideration

The consideration for the Sale Shares is HK\$100 million, payable as to HK\$49 million to Mr. Zhang and HK\$51 million to Mr. Yeung which is to be satisfied by issue of the Convertible Note in the corresponding amount by the Company to each of them. Mr. Zhang has directed Harvest Peace to procure that the Company issues his Convertible Note to Mr. Yeung. Accordingly, the Convertible Note in the principal amount of HK\$100,000,000 will be issued to Mr. Yeung on the Acquisition Completion.

The Acquisition Consideration was determined after arm's length negotiation with reference to the Subscription Consideration, total asset value of the PRC JV, the prospects of the PRC JV and the valuation of the land use rights granted to the PRC JV in an amount of approximately HK\$150 million as estimated by an independent valuer using the market approach with comparable sales available.

CONDITIONS PRECEDENT TO THE S&P AGREEMENT

Completion of the Acquisition is subject to the following conditions precedent:–

- (i) the Subscription Completion;
- (ii) approval of the S&P Agreement and transactions contemplated thereunder, (including the issue of the Convertible Note and the issue of Conversion Shares upon the exercise of conversion rights thereunder) by Independent Shareholders at the EGM in accordance with the Listing Rules;
- (iii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares; and
- (iv) a due diligence investigation on Shinning Global, Target Company and PRC JV having been completed to the satisfaction of Harvest Peace in its sole discretion.

If the conditions above have not been fulfilled (or waived by Harvest Peace (in respect of condition (iv)) on or before 5:00 p.m. on 30th June, 2009 or such other date as Harvest Peace and the Vendors may agree in writing, the S&P Agreement shall terminate. On termination of the S&P Agreement, the parties shall have no further claims against each other under the S&P Agreement for costs, damages compensation or otherwise, save for the antecedent breaches and claims.

As at the date of this announcement, condition (i) has been fulfilled.

Completion

Subject to all conditions precedents to the S&P Agreement having been satisfied or waived by Harvest Peace, completion is to take place on third business day after satisfaction or waiver (as applicable) of the conditions precedent (or such other time and date as the parties to the S&P Agreement may agree).

Principal Terms of the Convertible Note

Principal amount of the Convertible Note:	HK\$100,000,000
Authorized denomination for issue, transfer, conversion and redemption:	HK\$1,000,000
Maturity Date:	the third anniversary from the issue date of the Convertible Note.
Conversion Period:	The holder of the Convertible Notes can convert the outstanding principal amount of the Convertible Note in whole or in part into Shares at any time from the relevant date of issue until a date falling seven days prior to (and including) the relevant maturity date.
Conversion Price:	<p>HK\$0.19 per Conversion Share, subject to adjustments in certain events, including share consolidation, share subdivision, capitalization issues, capital distribution, rights issue and issues of other securities.</p> <p>The initial Conversion Price of HK\$0.19 per Conversion Share was arrived at after arm's length negotiation between Harvest Peace and the Vendors and represents:–</p> <ul style="list-style-type: none">(i) the closing price of HK\$0.19 per Share quoted on the Stock Exchange on the Last Trading Day; and(ii) a premium of approximately 4.86% over the average closing price of HK\$0.1812 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including the Last Trading Day.

Interest Rate:	Non interest bearing.
Transferability:	The Convertible Note is transferrable without the consent of the Company.
Voting:	A holder of Convertible Note will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being a holder of Convertible Note.
Listing:	<p>No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange.</p> <p>Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes.</p>
Ranking:	The Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes will rank pari passu in all respects with all other Shares outstanding on the date the name of the noteholder is entered on the register of the members of the Company as a holder of the Conversion Shares.
Conversion restriction:	The conversion rights attaching to the Convertible Note cannot be exercised (and accordingly the Company will not issue Conversion Shares) if and to the extent that the total number of Conversion Shares with voting rights held by the holder of the Convertible Note and parties acting in concert with it within the meaning of the Takeovers Code immediately after the issue of the Conversion Shares would be more than 29.9% of the enlarged issued share capital of the Company or such other amount equal to 0.1% below the amount as may be specified in the Takeovers Code as being the level for triggering a mandatory general offer.

Early Redemption: The Company may at any time elect to redeem the whole or in part at 100% of the principal amount of the Convertible Note.

CHANGE OF SHAREHOLDING STRUCTURE

Based on the initial Conversion Price of HK\$0.19 per Conversion Share, the total number of Conversion Shares falling to be issued upon exercise of Conversion Rights in full under the Convertible Note is 526,315,789 Conversion Shares.

The following sets out the shareholding structure of the Company (i) as at the date of this announcement, (ii) on full conversion of the Convertible Note, assuming there are no changes in the issued share capital of the Company between the date hereof and the exercise of the Conversion Rights is as follows:

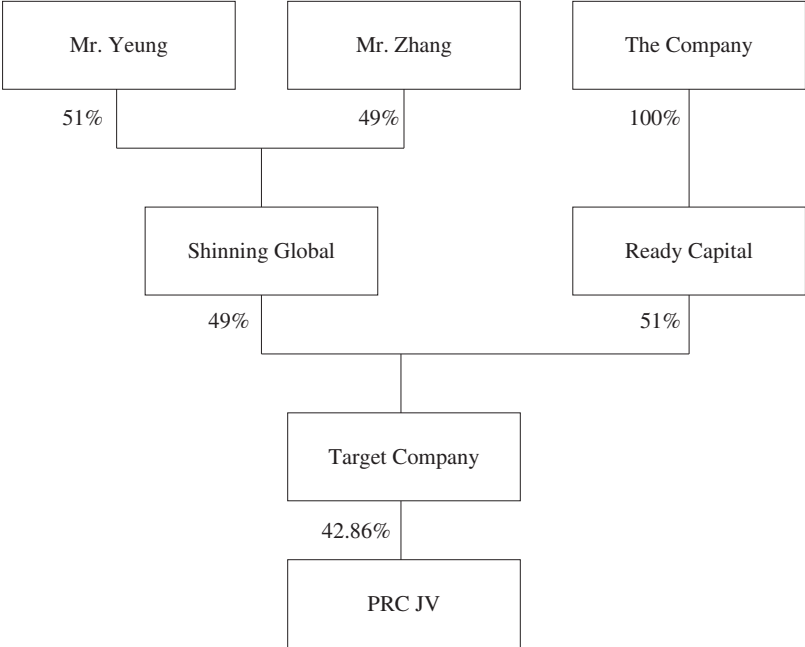
Directors Interests	Existing shareholding		Upon conversion of the Convertible Note	
	No of Shares	%	No of Shares	%
Mr. Yeung	5,587,500	0.60	437,339,409	29.90
			(Note 2)	
Wen Louis (Note 1)	37,500	0.00	37,500	0.00
Public Shareholders	<u>930,732,820</u>	<u>99.40</u>	<u>1,025,296,700</u>	<u>70.10</u>
Total	<u><u>936,357,820</u></u>	<u><u>100.00%</u></u>	<u><u>1,462,673,609</u></u>	<u><u>100.00%</u></u>

Notes

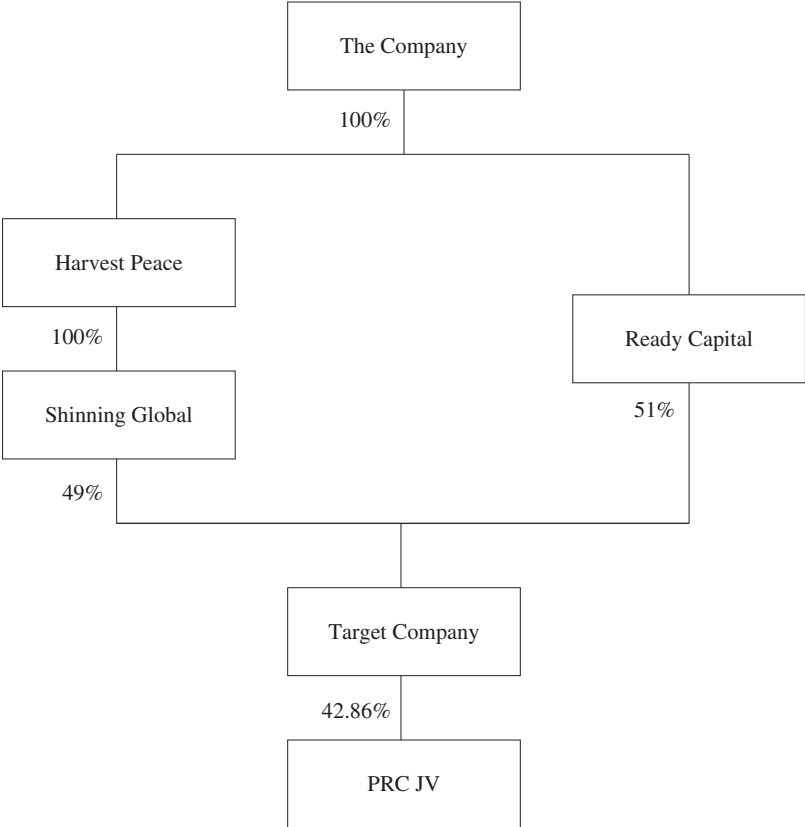
1. This represents the interests, being 37,500 shares held by the spouse of Mr. Wen Louis, an executive director of the Company.
2. This assumes full conversion of the Convertible Note and the total number of Conversion Shares held by Mr. Yeung and together with the existing shares held by him immediately after the issue of the Conversion Shares would be a maximum of 29.9% of the enlarged issued share capital of the Company.

INFORMATION ON THE COMPANY, THE TARGET COMPANY AND PRC JV

As at the date hereof



After the Acquisition Completion



The Company is an investment holding company, through its subsidiaries and associated, is principally engaged in the business of selling and distribution of Nissan motor vehicles, operation of the Nissan 4S shops, provision of heavy motor vehicle repair and maintenances service in PRC; provision of logistics services in Hong Kong and the PRC, properties investments, securities trading and money lending business.

The Target Company is a sole purpose investment holding vehicle and is wholly owned as to 49% by Shinning Global and 51% by Ready Capital as at the date of this announcement. Upon the Acquisition Completion, the Target Company will become indirectly wholly owned by the Company.

The Target Company holds 42.86% of the registered capital of the PRC JV with the remaining 57.14% held by the JV Partner.

As at the date of this announcement, Shinning Global is held as to 51% by Mr. Yeung, an executive director of the Company and 49% by Mr. Zhang. Mr. Yeung has subscribed for 51% of the issued share capital of Shinning Global for HK\$39,780. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Zhang and JV Partner are Independent Third Parties.

The business scope of the PRC JV includes the sales and production of polyacrylonitrile based carbon fiber precursor (聚丙烯基碳纖維原絲), carbon fiber (碳纖維), carbon fiber prepreg (碳纖維預浸布) and other special fiber (特種纖維). The PRC JV was incorporated on 5th July, 2006.

The net loss before and after taxation of the Shinning Global as set out in the unaudited financial statements for the period from 17th March, 2008 (date of incorporation) to 28th February, 2009 was HK\$0. The net assets of the Shinning Global was HK\$78,000, as set out in its unaudited financial statements as at 28th February, 2009.

Reasons for the Acquisition

The benefits of the investment in the PRC JV being a vehicle to enter into the carbon fibre industry were set out in detail in the Announcement and the Circular. After the Acquisition Completion, Target Company will become an indirect wholly owned subsidiary of the Company so that the Group's attributable interest in the PRC JV will increase from approximately 21.86% at present to 42.86%. The payment of the Acquisition by way of the issue of the Convertible Note allows the Company to increase its stake in PRC JV with no immediate financial burden on the Company. If the Group does not proceed with the Acquisition, the attributable interest in the PRC JV attributable to the Group will only be approximately 21.86%, whilst the cash investment remains at US\$7.5 million. As there will be no cash outlay for the Acquisition Completion, taking into consideration the prospects of the carbon fibre industry, the Directors (excluding the independent non executive directors) are of the opinion that the Acquisition is on normal commercial terms and fair and reasonable and in the interest of the Company and the Shareholders as a whole. The independent non executive directors will form a view once they receive the advice of the independent financial adviser.

GENERAL

Mr. Yeung is an executive director of the Company and a Connected Person of the Company. Accordingly, the S&P Agreement constitutes a major and connected transaction for the Company and they are subject to, inter alia, the approval of Independent Shareholders at the EGM by way of poll. The resolution proposed to Independent Shareholders for approval at the EGM will include a specific mandate for the issue of Convertible Note including the issue of the Conversion Shares upon exercise of conversion rights thereunder. Mr. Yeung, who holds 5,587,500 Shares representing approximately 0.6% of the issued share capital of the Company as at the date of this announcement, and his Associates will abstain from voting on the resolutions proposed to approve the S&P Agreement and transactions contemplated thereunder, including the specific mandate to issue the Convertible Note and Conversion Shares, at the EGM. An independent board committee has been established to advise the Independent Shareholders on the S&P Agreement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 7th April, 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 8th April, 2009.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares under the S&P Agreement;
“Acquisition Completion”	completion of the Acquisition under the S&P Agreement;
“Acquisition Consideration”	HK\$100 million to be satisfied by issue of Convertible Note;
“Associate(s)”	the same 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 the Cayman Islands, whose shares are listed on the Stock Exchange;
“Connected Person(s)”	the meaning ascribed to it under the Listing Rules;
“Conversion Price”	HK\$0.19 per Conversion Share subject to adjustments pursuant to the terms and conditions of the Convertible Note;
“Conversion Shares”	new Shares to be issued by the Company upon exercise of the conversion rights attaching to the Convertible Note;
“Convertible Note”	the non interest bearing convertible note in the principal amount of HK\$100,000,000 to be issued by the Company pursuant to the S&P Agreement in satisfaction of the Acquisition Consideration;
“Deposit”	the deposit of US\$1.25 million paid for the Subscription;

“Directors”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened to approve the S&P Agreement and transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Harvest Peace”	Harvest Peace Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company;
“Independent Shareholders”	shareholders other than Mr. Yeung and his Associates;
“Independent Third Party”	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;
“JV Partner”	holder of 57.14% of the registered capital of PRC JV;
“Last Trading Day”	6th April, 2009, being the last trading day when the S&P Agreement was entered into and the last trading day before the date of suspension of trading in the Shares pending the release of this announcement;
“Mr. Yeung”	Mr. Yeung Ming Kwong, a director of the Company and the holder of 51% of the issued share capital of Shinning Global as at the date of this announcement;
“Mr. Zhang”	Zhang Hua (張化), the holder of 49% of the issued share capital of Shinning Global;

“PRC JV”	天華溢威特種纖維(新泰)有限公司 (Tinhua Excel Way Special Fiber (Xintai) Co. Ltd.), a sino-foreign equity joint venture incorporated in the PRC;
“PRC”	the People’s Republic of China;
“S&P Agreement”	the conditional sale and purchase agreement dated 6th April, 2009 entered into by the Vendors and Harvest Peace in relation to the Acquisition;
“Sale Shares”	10,000 shares, representing the entire issued share capital of Shinning Global;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	holders of existing Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Ready Capital”	Ready Capital Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company;
“Shinning Global”	Shinning Global Worldwide Limited, a company incorporated in the British Virgin Islands;
“Subscription Agreement”	the conditional agreement entered into on 26th August, 2008 between Ready Capital, the Target Company and Mr. Yeung in relation to, inter alia, the Subscription;
“Supplemental Subscription Agreement”	the supplemental subscription agreement dated 6th April, 2009 entered into between Ready Capital, the Target Company and Mr. Yeung in relation to the Subscription Agreement;

“Subscription Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement and the Supplemental Subscription Agreement;
“Subscription Consideration”	the aggregate consideration of US\$7.5 million payable by Ready Capital to Target Company for the Subscription;
“Subscription Shares”	15,300 new shares of HK\$1 each in the Target Company, representing 51% of the enlarged issued share capital of the Target Company upon the Subscription Completion;
“Subscription”	the subscription by Ready Capital of the Subscription Shares pursuant to the Subscription Agreement and the Supplemental Subscription Agreement;
“Target Company”	Excel Way Investments Limited, a company incorporated in Hong Kong;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended from time to time;
“US\$”	United States dollars;
“Vendors”	Mr. Yeung and Mr. Zhang; and
“%”	per cent.

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

Hong Kong, 7th April, 2009

As at the date of this announcement, the Board comprises Mr. Yeung Ming Kwong, Ms. Lo Oi Kwok, Sheree, Mr. Ting Wing Cheung, Sherman, Mr. Wen Louis, Mr. Zhou Qi Jin and Mr. Zhuang You Dao as executive Directors, and Mr. Chung Yuk Lun, Mr. Kwong Wai Tim, William, Ms. Lam Yan Fong, Flora and Ms. Swartz Kristi Lynn as independent non-executive Director.