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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  
IN RELATION TO  
SUBSCRIPTION OF SHARES IN  
HENNABUN CAPITAL GROUP LIMITED**

The Board announces that on 6 May 2011 (after trading hours), the Company and Hennabun entered into the Subscription Agreement pursuant to which Hennabun agreed to issue and allot and the Company agreed to subscribe for the Subscription Shares at the Subscription Price in aggregate sum of HK\$108 million.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Subscription exceed 5% but none of them exceeds 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

\* *For identification purpose only*

## **BACKGROUND**

The Board announces that on 6 May 2011 (after trading hours), the Company and Hennabun entered into the Subscription Agreement pursuant to which Hennabun agreed to allot and issue and the Company agreed to subscribe for (or procure the subscription by its nominee(s) of) the Subscription Shares at a Subscription Price in aggregate of HK\$108 million.

## **THE SUBSCRIPTION AGREEMENT**

Date : 6 May 2011 (after trading hours)

### **Parties**

(1) Issuer : Hennabun

(2) Subscriber : Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Hennabun and its ultimate beneficial owners are third parties independent of the Company and its Connected Persons (as defined under the Listing Rules).

### **Subscription of the Subscription Shares**

Under the Subscription Agreement, the Company agreed to subscribe (or procure the subscription by its nominee(s) of) and Hennabun agreed to allot and issue 18,000,000 Subscription Shares, representing approximately 5.04% of the existing issued share capital of Hennabun, or approximately 4.79% of the issued share capital of Hennabun as enlarged by the issue of the Subscription Shares.

### **Consideration**

The consideration for the Subscription Shares shall be in aggregate sum of HK\$108 million, paid by the Company to Hennabun upon execution of the Subscription Agreement (or such other date as may be agreed between Hennabun and the Company).

The consideration for the Subscription Shares is funded by net proceeds from the Company's recent rights issue.

## **Conditions precedent**

Completion of the Subscription Agreement is conditional upon:

- (a) The Company having completed financial and legal due diligence review on Hennabun and its business and having notified Hennabun that the due diligence results are satisfactory provided that such notification shall not prejudice in any manner whatsoever any of the Company's right in respect of a claim pursuant to the warranties, representations and the undertakings given by Hennabun under this Agreement; and
- (b) All requisite consents, license and approvals from any relevant government authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the Subscription and the issue of Subscription Shares hereunder having been obtained (including but not limited to the approval of the Securities and Futures Commission under Part V of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) for any change in "substantial shareholder" of the relevant member(s) of the Hennabun Group, if required).

If the Conditions are not fulfilled on or prior to 31 May 2011 or such later date as may be agreed between Hennabun and the Company in writing, the Subscription Agreement shall terminate. On termination of the Subscription Agreement, Hennabun shall return forthwith to the Company the amount of HK\$108 million or any such amount of the Subscription Price for the Subscription Shares so paid by the Company pursuant to the Subscription Agreement without any interest thereon and whereupon none of the parties to the Subscription Agreement shall have any claim against the other for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims.

## **Completion**

Completion shall take place on the Completion Date (or such other date as the parties may agree).

## INFORMATION ON HENNABUN GROUP

Hennabun is a limited company incorporated under the laws of the British Virgin Islands and an investment holding company. Hennabun Group is principally engaged in security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. As at the date of the Subscription Agreement, Hennabun has an authorized share capital of US\$500,000,000 divided into 5,000,000,000 Hennabun Shares of US\$0.10 each, of which 357,401,126 Hennabun Shares have been issued and are fully paid.

According to the unaudited consolidated management accounts of Hennabun Group for the year ended 31 December 2010, Hennabun Group has unaudited consolidated net assets of approximately HK\$1,606 million as at 31 December 2010. Further financial information of Hennabun Group is set out as below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	<b>2010</b>
	<b>(audited)</b>	<b>(unaudited)</b>
	<i>(HK\$' million)</i>	<i>(HK\$' million)</i>
Net profit (loss) before taxation	(59.2)	160.2
Net profit (loss) after taxation	(59.2)	160.2

## REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Directors note the significant rebound of the economy (in particular, the securities and financial services industry) in the last two years. The Directors believe the rebound will continue. The Company has therefore entered into the Subscription Agreement to make an equity investment in Hennabun in order to capture vast opportunities and potential upside in this industry.

The Directors note that the securities and financial services industry is a capital intensive industry. The Subscription will allow Hennabun to strengthen its capital base for growth. In particular, Hennabun Group will be able to use the additional capital to continue with the development of its core businesses. In addition, Hennabun Group will have enhanced financial capabilities to fund potential investment opportunities (if any). The Company expects to benefit as an equity investor from such development and/or investments, thereby creating value for all its Shareholders.

The consideration for the Subscription Shares was determined after arm's length negotiations between the Company and Hennabun with reference to (i) the unaudited net assets value per share of Hennabun Group as at 31 December 2010 of approximately HK\$7.67; and (ii) Hennabun being a private company, the liquidity of the Hennabun Shares may not be as high as other listed securities. On the basis of the matters described in this section, the Directors believe the terms of the Subscription are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **GENERAL INFORMATION**

The Company is an investment holding company, and through its subsidiaries and associated companies 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 maintenance services in the PRC; provision of logistic services in Hong Kong and the PRC; investment in forest interest; investment in limited partnership that engages in the business of the manufacturing of automotive components (such investment being held for resale purpose); properties investments; securities trading and money lending business.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Subscription exceed 5% but none of them exceeds 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## DEFINITIONS

Unless the context requires otherwise, terms used in this announcement shall have the following meanings:

“Board”	the board of Directors of the Company
“Business Day”	any day (excluding Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong
“Company”	Forefront Group Limited (Stock code: 885), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on main board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	one Business Day immediately after the date upon which the Conditions have been satisfied (or such other date as Hennabun and the Company may agree in writing)
“Conditions”	conditions precedent contained in the Subscription Agreement for the Completion
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Hennabun”	Hennabun Capital Group Limited, a company incorporated in the British Virgin Islands
“Hennabun Group”	Hennabun and its subsidiaries
“Hennabun Shares”	ordinary shares of US\$0.10 each in the capital of Hennabun
“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
“Subscription”	the subscription of the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 6 May 2011 and entered into between Hennabun and the Company
“Subscription Price”	HK\$6 per Subscription Share
“Subscription Shares”	18,000,000 Hennabun Shares to be issued pursuant to the Subscription Agreement
“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

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

Hong Kong, 6 May 2011

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

*Executive Directors*

Mr. Yeung Ming Kwong (*Acting 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