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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 – THE SUBSCRIPTION**

**THE SUBSCRIPTION**

On 27 October 2014 (after trading hours), Loyal Fine (a direct wholly-owned subsidiary of the Company) and FCL entered into the Subscription Agreement, pursuant to which FCL has conditionally agreed to issue, and Loyal Fine has conditionally agreed to subscribe for 90,000,000 new FCL Shares at the subscription price of HK\$2.75 per FCL Share for an Aggregate Subscription Price of HK\$247.5 million, which shall be satisfied by the Company to Smart Jump Corporation, (which is an indirect non wholly-owned subsidiary of Freeman) in the following manner: (i) a sum of HK\$100 million shall be payable by Loyal Fine as deposit and partial payment of the Aggregate Subscription Price upon the signing of the Subscription Agreement; and (ii) the balance of the Aggregate Subscription Price in sum of HK\$147.5 million shall be payable by Loyal Fine on the Completion Date.

\* For identification purpose only

### **Listing Rules Implications**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

**Shareholders and potential investors should be aware that completion of the Subscription is subject to certain conditions, as set out in the subsection headed “Conditions Precedent” in this announcement, being satisfied, and consequently the Subscription may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

On 27 October 2014 (after trading hours), Loyal Fine (a direct wholly-owned subsidiary of the Company) and FCL entered into the Subscription Agreement, pursuant to which FCL has conditionally agreed to issue and Loyal Fine has conditionally agreed to subscribe for 90,000,000 new FCL Shares at the subscription price of HK\$2.75 per FCL Share for an Aggregate Subscription Price of HK\$247.5 million.

### **THE SUBSCRIPTION AGREEMENT**

Principal terms of the Subscription Agreement are set out below:

Date: 27 October 2014

Parties: (i) Loyal Fine; and

(ii) FCL

## **Subscription Shares**

Subject to fulfilment of the conditions of the Subscription and the terms set out in the Subscription Agreement, FCL has conditionally agreed to issue, and Loyal Fine has conditionally agreed to subscribe for 90,000,000 new FCL Shares at the subscription price of HK\$2.75 per FCL Share. The 90,000,000 new FCL Shares represent approximately 7.71% of the issued share capital of FCL as at the date of the Subscription Agreement and approximately 7.16% of the issued share capital of FCL as enlarged by the issue and allotment of the 90,000,000 new FCL Shares.

The 90,000,000 new FCL Shares, when issued and credited as fully paid up, shall rank pari passu in all respects with all other FCL Shares then in issue.

## **Subscription Price**

The subscription price of approximately HK\$2.75 per FCL Share and the aggregate subscription price of HK\$247.5 million (“**Aggregate Subscription Price**”), which shall be satisfied by the Company to Smart Jump Corporation (which is an indirect non wholly-owned subsidiary of Freeman) in the following manner: (i) a sum of HK\$100 million shall be payable by Loyal Fine as deposit and partial payment of the Aggregate Subscription Price upon the signing of the Subscription Agreement; and (ii) the balance of the Aggregate Subscription Price in sum of HK\$147.5 million shall be payable by Loyal Fine on the Completion Date, was determined by FCL and Loyal Fine after arm’s length negotiations taking into account the audited consolidated net asset value of the FCL Group as at 31 March 2014, which is approximately HK\$2,203.3 million, translating into an audited net asset value per FCL Share of approximately HK\$2.90 (the “**NAV**”). The subscription price of HK\$2.75 per FCL Share represents a discount of approximately 5.17% of the NAV.

## **Conditions Precedent**

Completion of the Subscription is conditional upon the following:

- i. if required, the passing of the necessary resolution(s) by the shareholders of FCL at the general meeting to approve the entering into the Subscription Agreement and the transactions contemplated thereunder;

- ii. if required, the passing of the necessary resolution(s) by the shareholders of Freeman (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Subscription Agreement by FCL and performance of the transactions contemplated thereunder, including the allotment and issue of the 90,000,000 new FCL Shares;
- iii. if required, the passing of the necessary resolution(s) by the Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Subscription Agreement by Loyal Fine and the Subscription; and
- iv. all necessary approvals from the relevant governmental or regulatory authorities in British Virgin Islands, Hong Kong and the Cayman Islands or elsewhere required of either FCL or Loyal Fine for the consummation of the transactions contemplated under the Subscription Agreement having been obtained and all filings have been made by each of FCL and Loyal Fine.

If the above conditions are not fulfilled on or before 31 January 2015 (or such later date as may be agreed in writing between FCL and Loyal Fine), the Subscription Agreement (save and except certain clauses as set out in the Subscription Agreement regarding, among others, costs and expenses and governing law and jurisdiction) shall lapse and become null and void whereupon the Company shall repay the deposit of HK\$100 million paid to Loyal Fine and the parties hereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

## **Completion**

After fulfillment of all the conditions precedent as stated above, completion of the Subscription shall take place on or before the fifth Business Day from the date of the satisfaction of all the conditions precedent as stated above or such other date as the parties to the Subscription Agreement may agree in writing (the “**Completion Date**”). On the Completion Date, completion of the Subscription shall take place at the office of FCL in Hong Kong (or at such other venue as the parties may agree) at or before 5:00 p.m. (Hong Kong time).

## Information of FCL

FCL is an indirect non wholly-owned subsidiary of Freeman, a company listed on the Main Board of the Stock Exchange. FCL is an investment holding company incorporated in the Cayman Islands with limited liability and its subsidiaries are principally engaged in the financial services sector, including provision of securities brokerage services, provision of insurance brokerage and financial planning services, provision of corporate finance advisory services, trading of securities, money lending and investment holding. Certain subsidiaries of FCL are licensed to carry out regulated activities in Hong Kong governed by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), including type 1 (dealing in securities) and type 6 (advising on corporate finance).

The following is the financial information of the FCL Group for the accounting year ended 31 March 2013 and 31 March 2014 respectively, which was prepared in accordance with the Hong Kong Financial Reporting Standards:–

	<b>For the year ended 31 March</b>	
	<b>2014</b>	2013
	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>
	<b>(audited)</b>	(audited)
Net profit before tax	<b>585,920</b>	250,657
Net profit after tax	<b>583,174</b>	248,865
	<b>As at 31 March</b>	
	<b>2014</b>	2013
	<b>(HK\$'000)</b>	<b>(HK\$'000)</b>
	<b>(audited)</b>	(audited)
Net assets/(liabilities)	<b>2,203,284</b>	(1,245,982)

## Reasons for and Benefits of the Subscription

The Company is an investment holding company, and through its subsidiaries and an associated company, is principally engaged in the provision of logistic services in Hong Kong and the PRC; securities trading, money lending business and provision of design, manufacturing and distribution of printers, terminals and computers and point-of-sale electronic products and providing information technology services in the PRC.

Upon completion of the Subscription, the Group will hold 90,000,000 FCL Shares, representing approximately 7.16% of the enlarged issued share capital of FCL.

In view of the improving performance of the FCL Group recorded in the audited consolidated financial statements of the FCL Group and having considered the scope of businesses of the FCL Group, the Board holds a positive view towards the investment in FCL. As previously disclosed, the Board has attempted to explore and appraise other suitable investment opportunities to strengthen the business development of the Group and the Board believes that the Subscription would bring long-term returns and/or capital gains from the investment in FCL. The Subscription could also facilitate the Company's access to capital markets going forward. Therefore, the Board considers that the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Listing Rules Implications**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

### **General**

As at the date of the Subscription Agreement, Freeman, through its indirect non wholly-owned subsidiary holds 71,623,106 Shares, representing approximately 9.90% of the issued share capital of the Company. Save as disclosed, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, FCL and its ultimate beneficial owners, are third parties independent of and not connected with the Company and its connected persons.

**Shareholders and potential investors should be aware that completion of the Subscription is subject to certain conditions, as set out in the subsection headed "Conditions Precedent" in this announcement, being satisfied, and consequently the Subscription may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and any other public holidays) on which banks in Hong Kong are generally open for settlement business
“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
“Loyal Fine”	Loyal Fine Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“FCL”	Freeman Corporation Limited, a company incorporated in the Cayman Islands with limited liability and was an indirect non wholly-owned subsidiary of Freeman as at the date of the Subscription Agreement
“FCL Group”	FCL and its subsidiaries
“FCL Share(s)”	ordinary shares with par value of US\$0.00000005 each in the share capital of FCL

“Freeman”	Freeman Financial Corporation Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 279)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, 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
“Share(s)”	ordinary share(s) with par value of HK\$0.001 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by Loyal Fine of 90,000,000 new FCL Shares pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 27 October 2014 entered into between Loyal Fine and FCL (after trading hours) in relation to the Subscription
“subsidiaries”	with the meaning ascribed thereto under the Listing Rules

“US\$” US dollars, the lawful currency of the United States of America

“%” per cent.

By order of the Board  
**FOREFRONT GROUP LIMITED**  
**Lo Yuen Wa Peter**  
*Managing Director and Acting Chairman*

Hong Kong, 27 October 2014

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

*Executive Directors*

Mr. Lo Yuen Wa Peter

*(Managing Director and Acting Chairman)*

Ms. Lo Oi Kwok, Sheree

Mr. Tsang To

Ms. Ng Si Wai

Ms. Yang Xiaoying

*Independent Non-executive Directors*

Mr. Chung Yuk Lun

Ms. Lam Yan Fong, Flora

Mr. Pak William Eui Won