

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims 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

(formerly known as Forefront International Holdings Limited)

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

**(1) PLACING OF CONVERTIBLE NOTES;
(2) REFRESHMENT OF ISSUE MANDATE TO ISSUE AND ALLOT SHARES;
(3) TERMINATION OF EXISTING SHARE OPTION SCHEME AND
ADOPTION OF NEW SHARE OPTION SCHEME
AND
(4) RESUMPTION OF TRADING**

THE PLACING

On 9 July 2007, the Company has entered into the Placing Agreements with the Placing Agent. Pursuant to the Tranche I Placing Agreement, the Placing Agent agreed to procure the Places for the Convertible Notes with principal amount of HK\$150,000,000 which will be placed on a fully underwritten basis. Pursuant to the Tranche II Placing Agreement, the Placing Agent agreed to procure the Places for the Convertible Notes with principal amount up to HK\$600,000,000 which will be placed on a best effort basis. To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, all the Places and their respective ultimate beneficial owners will be the Independent Third Parties and will not become the substantial Shareholders.

* For identification purpose only

Upon full conversion of the Convertible Notes under the Tranche I Placing at the Initial Conversion Price, a total of 300,000,000 Conversion Shares will be issued, representing (i) approximately 26.10% of the existing issued share capital of the Company, (ii) approximately 20.70% of the issued share capital of the Company as enlarged by the Tranche I Placing assuming such conversion on the date of this announcement and (iii) approximately 17.87% of the issued share capital of the Company as enlarged by the Tranche I Placing and the placing of 229,856,000 new Shares as announced by the Company on 3 July 2007 assuming the conversion of Conversion Shares and the placing of new Shares are completed on the date of this announcement.

Upon full conversion of the Convertible Notes under the Tranche II Placing at the Initial Conversion Price, a total of 1,200,000,000 Conversion Shares will be issued, representing (i) approximately 104.41% of the existing issued share capital of the Company, (ii) approximately 51.08% of the issued share capital of the Company as enlarged by the Tranche II Placing assuming such conversion on the date of this announcement, (iii) approximately 41.68% of the issued share capital of the Company as enlarged by the Tranche I Placing, the Tranche II Placing and the placing of 229,856,000 new Shares as announced by the Company on 3 July 2007 assuming the conversion of Conversion Shares and the placing of new Shares are completed on the date of this announcement.

The Placing Agreement may be terminated under certain circumstances. As the Placing Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REFRESHMENT OF ISSUE MANDATE

In order to provide a flexible mean for the Company to raise further funds for its future business development and/or through the issue of new Shares whenever merger and acquisition opportunities arise, the Board proposes to refresh the Issue Mandate for the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of EGM. The Issue Mandate is proposed to the Shareholders prior to the Company's next annual general meeting, and therefore, pursuant to Rule 13.36(4) of the Listing Rules, the Issue Mandate will be subject to the Independent Shareholders' approval by way of poll at the EGM

TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

The Directors also propose to seek the approval of the Shareholders to terminate the Existing Share Option Scheme and to adopt the New Share Option Scheme.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:48 a.m. on 9 July 2007 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in its shares with effect from 9:30 a.m. on 11 July 2007.

THE TRANCHE I PLACING AGREEMENT

Date: 9 July 2007

Parties: The Company as the issuer and the Placing Agent

Placing Agent:

The Placing Agent has conditionally agreed with the Company to place, on a fully underwritten basis, the Convertible Notes which are proposed to be issued in an aggregate principal amount of HK\$150,000,000. The Placing Agents will receive a placing commission of 2.5% of the amount equal to the aggregate principal amount of the Convertible Notes subscribed or procured to be subscribed by the Placing Agent, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent is Independent Third Parties.

Placees:

It is expected that the Placing Agent will procure no less than six Placees to subscribe by cash for the Convertible Notes.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, all the Placees and their respective ultimate beneficial owners will be the Independent Third Parties and will not become the substantial Shareholders.

Conditions of the Placing:

Completion of the Placing is conditional upon:

- the Listing Committee having granted approval for the listing of and permission to deal in the Conversion Shares;
- the passing by Shareholders in the EGM of a resolution to approve the Tranche I Placing Agreement and the issue of the Convertible Notes and the Conversion Shares thereunder in accordance with the Listing Rules; and
- the accuracy of the representations and warranties of the Company contained in the Tranche I Placing Agreement, the accuracy of the statements of the Company made in the Tranche I Placing Agreement, and customary force majeure termination rights.

If any of the above conditions have not been fulfilled on or before 31 August 2007 (or such later date as the Company and the Placing Agent may agree), the Tranche I Placing Agreement shall lapse and become null and void and the parties will automatically be released from all obligations thereunder, save for any liability arising out of antecedent breaches.

Application will be made by the Company to the Listing Committee for the grant of the listing of and permission to deal in the Conversion Shares.

Completion:

Completion of Convertible Notes shall take place within three Business Days upon the fulfillment of the conditions of the Placing (or such other date as the Company and the Placing Agent may agree).

Termination of the Placing Agreement

Notwithstanding anything contained in the Placing Agreement, if, at any time prior to 9:00 a.m. on the date of the completion of the Placing Agreement, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties set out in the Placing Agreement; or

- (ii) any of the following events:
- (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
 - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not eiusdem generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
 - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange for a period of more than 40 consecutive Business Days, save for any suspension for clearance of this announcement or circular in relation to the Convertibles Notes; or
 - (d) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective Shareholders in their capacity as such; or
 - (e) any change or deterioration in the conditions of local, national or international securities market occurs,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 p.m. on the date of the completion of Placing.

In the event that the Placing Agent terminates the Placing Agreement pursuant to the abovementioned clause, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither party to the Placing Agreement shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

The Convertible Notes

The principal terms of the Convertible Notes are arrived after arm's length negotiation between the Company and the Placing Agent and are summarized as follows:

Principal Terms:

Principal amount:	HK\$150,000,000
Initial Conversion Price:	HK\$0.50 per Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue.
Interest rate:	0% per annum
Maturity:	3 December 2010
Redemption:	Unless previously converted in accordance with the terms and conditions of the Convertible Notes, the Company will redeem the Convertible Notes on the Maturity Date at the redemption amount equal to the principal amount of Convertible Notes outstanding.
Transferability:	The Convertible Notes are not transferable without the prior written consent of the Company, except by a transfer to subsidiaries or the holding company of the holders of the Convertible Notes. The Convertible Notes may not be transferred by the holder of the Convertible Notes, without the prior written consent of the Company, to any connected person (as defined under the Listing Rules) of the Company.

- Conversion period:** The holders of the Convertible Notes shall have the right to convert on any business day at any time following the date of issue of the Convertible Notes until the date 7 days before (and excluding) the Maturing Date, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Notes into Shares at the then prevailing conversion price.
- Voting:** The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holders of the Convertible Notes.
- Listing:** No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.
- Ranking:** The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank pari passu in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Notes

Conversion Shares:

Upon the full conversion of the HK\$150,000,000 Convertible Notes at the Initial Conversion Price, a total of 300,000,000 Conversion Shares will be issued, (i) approximately 26.10% of the existing issued share capital of the Company, (ii) approximately 20.70% of the issued share capital of the Company as enlarged by the Tranche I Placing assuming such conversion on the date of this announcement and (iii) approximately 17.87% of the issued share capital of the Company as enlarged by the Tranche I Placing and the placing of 229,856,000 new Shares as announced by the Company on 3 July 2007 assuming such conversion of Conversion Shares and the placing of new Shares are completed on the date of this announcement.

Conversion Price:

The Initial Conversion Price of HK\$0.50 per Share was arrived at after arm's length negotiation between the Placing Agent and the Company and:

- represents a discount of approximately 13.79% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day immediately before the release of this announcement; and
- represents a discount of approximately 1.77% to the average closing price of HK\$0.509 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date.

Based on the comparison of the Initial Conversion Price with the recent closing price per Share as illustrated above, the Directors consider the terms of the Convertible Notes, including the Initial Conversion Price, are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

THE TRANCHE II PLACING AGREEMENT

Date: 9 July 2007

Parties: The Company as the issuer and the Placing Agent

Placing Agent:

The Placing Agent has conditionally agreed with the Company to place, on a best effort basis, the Convertible Notes which are proposed to be issued in a maximum aggregate principal amount of HK\$600,000,000. The Placing Agent will receive a placing commission of 2.5% of the amount equal to the aggregate principal amount of the Convertible Notes subscribed or procured to be subscribed by the Placing Agent, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent is Independent Third Parties.

Placees:

It is expected that the Placing Agents will procure no less than six Placees to subscribe by cash for the Convertible Notes.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, all the Placees and their respective ultimate beneficial owners will be the Independent Third Parties and will not become the substantial Shareholders.

Conditions of the Placing:

Completion of the Placing is conditional upon:

- the Listing Committee having granted approval for the listing of and permission to deal in the Conversion Shares;
- the passing by Shareholders in the EGM of a resolution to approve the Tranche II Placing Agreement and the issue of the Convertible Notes and the Conversion Shares thereunder in accordance with the Listing Rules; and
- the accuracy of the representations and warranties of the Company contained in the Tranche II Placing Agreement, the accuracy of the statements of the Company made in the Tranche II Placing Agreement, and customary force majeure termination rights.

If any of the above conditions have not been fulfilled on or before 3 months after the EGM (or such later date as the Company and the Placing Agent may agree), the Tranche II Placing Agreement shall lapse and become null and void and the parties will automatically be released from all obligations thereunder, save for any liability arising out of antecedent breaches.

Completion:

Completion of Convertible Notes shall take place within three Business Days upon the fulfillment of the conditions of the Placing (or such other date as the Company and the Placing Agent may agree). The Placing can be completed partially. Given that the Placing will be conducted on a best effort basis by the Placing Agent, it is uncertain as to whether the full aggregate principal amount of the Convertible Notes in the sum of HK\$600,000,000 will be placed to the Placees. Accordingly, the issue of the Convertible Notes by tranches will provide flexibility to receive the maximum placing of the Convertible Notes by the Placing Agent. The aggregate principal amount of the Convertible Notes to be issued by the Company for each partial completion shall not less than HK\$150,000,000. In the light of the proposed issue of the Convertible Notes in a maximum aggregate principal amount of HK\$600,000,000, the Placing can be completed partially by a maximum of 4 tranches.

The Company will make a maximum 4 listing applications to the Listing Committee for the listing of and permission to deal in the relevant Conversion Shares.

Termination of the Placing Agreement

Notwithstanding anything contained in the Placing Agreement, if, at any time prior to 9:00 a.m. on the date of the completion of the Placing Agreement, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (ii) any of the following events:
 - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
 - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not eiusdem generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
 - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange for a period of more than 40 consecutive Business Days, save for any suspension for clearance of this announcement or circular in relation to the Convertibles Notes; or
 - (d) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective Shareholders in their capacity as such; or

- (e) any change or deterioration in the conditions of local, national or international securities market occurs,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 p.m. on the date of the completion of Placing.

In the event that the Placing Agent terminates the Placing Agreement pursuant to the abovementioned clause, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither party to the Placing Agreement shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

The Convertible Notes

The principal terms of the Convertible Notes are arrived after arm's length negotiation between the Company and the Placing Agent and are summarized as follows:

Principal Terms:

Principal amount:	HK\$600,000,000
Initial Conversion Price:	HK\$0.50 per Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue.
Interest rate:	0% per annum
Maturity:	3 December 2010
Redemption:	Unless previously converted in accordance with the terms and conditions of the Convertible Notes, the Company will redeem the Convertible Notes on the Maturity Date at the redemption amount equal to the principal amount of Convertible Notes outstanding.

- Transferability:** The Convertible Notes are not transferable without the prior written consent of the Company, except by a transfer to subsidiaries or the holding company of the holders of the Convertible Notes. The Convertible Notes may not be transferred by the holder of the Convertible Notes, without the prior written consent of the Company, to any connected person (as defined under the Listing Rules) of the Company.
- Conversion period:** The holders of the Convertible Notes shall have the right to convert on any business day at any time following the date of issue of the Convertible Notes until the date 7 days before (and excluding) the Maturing Date, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Notes into Shares at the then prevailing conversion price.
- Voting:** The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holders of the Convertible Notes.
- Listing:** No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.
- Ranking:** The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank *pari passu* in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Notes

Conversion Shares:

Upon the full conversion of the HK\$600,000,000 Convertible Notes at the Initial Conversion Price, a total of 1,200,000,000 Conversion Shares will be issued, representing (i) approximately 104.41% of the existing issued share capital of the Company, (ii) approximately 51.08% of the issued share capital of the Company as enlarged by the Tranche II Placing assuming such conversion on the date of this announcement, (iii) approximately 41.68% of the issued share capital of the Company as enlarged by the Tranche I Placing, the Tranche II Placing and the placing of 229,856,000 new Shares as announced by the Company on 3 July 2007 assuming such conversion of Conversion Shares and the placing of new Shares are completed on the date of this announcement.

Conversion Price:

The Initial Conversion Price of HK\$0.50 per Share was arrived at after arm's length negotiation between the Placing Agent and the Company and:

- represents a discount of approximately 13.79% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day immediately before the release of this announcement; and
- represents a discount of approximately 1.77% to the average closing price of HK\$0.509 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day.

Based on the comparison of the Initial Conversion Price with the recent closing price per Share as illustrated above, the Directors consider the terms of the Convertible Notes, including the Initial Conversion Price, are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

EFFECT ON SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE PLACINGS

Set out below is the table of the shareholding in the Company before and after completion of the Placings (assuming that there are no other changes in the issued share capital of the Company, the placing of 229,856,000 new Shares as at the announcement dated 3 July 2007 is completed and all the Convertible Notes are converted):

Shareholders	As at the date of announcement		Upon completion of the placing of new Shares and the Tranche I Placing		Upon completion of the placing of new Shares, the Tranche I Placing and the Tranche II Placing	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
	Wealth Style Limited	368,447,736	32.06	368,447,736	21.94	368,447,736
Public Shareholders :						
Scania Trade Development AB	98,204,000	8.54	98,204,000	5.85	98,204,000	3.41
The Placees of Tranche I Placing	–	–	300,000,000	17.87	300,000,000	10.42
The Placees of Tranche II Placing	–	–	–	–	1,200,000,000	41.68
Placees of 229,856,000 Shares	–	–	229,856,000	13.69	229,856,000	7.98
Other public Shareholders	682,636,923	59.40	682,636,923	40.65	682,636,923	23.71
Total	<u>1,149,288,659</u>	<u>100.00</u>	<u>1,679,144,659</u>	<u>100.00</u>	<u>2,879,144,659</u>	<u>100.00</u>

Notes :

- Wealth Style Limited is beneficially wholly-owned by Ms. Yau Shum Tek, Cindy who is the Director.
- To the best knowledge of the Company, the ultimate beneficial owner of Scania Trade Development AB is Scania CV AB.

DILUTION EFFECT ON SHAREHOLDERS

As the Company foresees that there will be future dilution effect on the Shareholders resulting from the exercise of the conversion rights attaching to the Convertible Notes, the Company will keep the Shareholders informed of the level of dilution effect and all relevant details of any conversion of the Convertible Notes in the following manner:

- (a) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth Business Day following the end of each calendar month and will include the following details in a tabular form:
 - (i) whether there is any conversion of the Convertible Notes during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, and conversion price of each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (ii) the principal amount of outstanding Convertible Notes after the conversion, if any;
 - (iii) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
 - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Notes reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange and the Company including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) up to date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be).

CAPITAL RAISING ACTIVITIES IN THE PAST 12 MONTHS

Date of announcement	Transaction	Net proceeds raised (approximately)	Intended use Completed	Actual use of proceeds	of proceeds
16 February 2007	Placing of 488,447,736 Shares to Wealth Style Limited	HK\$98 million	Yes	HK\$20 million – develop service centers and exhibition halls in the PRC	HK\$12.1 million – general working capital
				HK\$34 million – develop auto-leasing business in the PRC	HK\$31.9 million – not yet utilized as at the date of this announcement and expected to be used as general working capital
				HK\$44 million – general working capital	HK\$20 million – not yet utilized as at the date of this announcement and expected to be used in developing service centers and exhibition halls in the PRC
					HK\$34 million – not yet utilized as at the date of this announcement and expected to be used in developing auto-leasing business in the PRC

Date of announcement	Transaction	Net proceeds		Actual use of proceeds	of proceeds
		raised (approximately)	Intended use Completed		
25 May 2007	Placing and subscription of 191,548,000 Shares	HK\$48 million	Yes	As general working capital and approximately HK\$2.5 million as the remaining balance of investment cost to complete the incorporation of a subsidiary in Shenzhen	HK\$2.375 million – investment cost to complete the incorporation of a subsidiary in Shenzhen
3 July 2007	Placing of 229,856,000 Shares	HK\$85 million	No	As general working capital and other possible investments in the future	HK\$45.625 million – not yet utilized as at the date of this announcement and expected to be used as general working capital

Save as mentioned above, the Company has not raised any funds in the past 12 months.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Placings will be enable the Company to obtain funding so as to explore potential business and take up investment opportunities in the future with readily available funds. The Directors consider that the timing of the fund raising by the Placings is appropriate in view of the favourable economic environment and current stock market condition with flourishing fund-raising activities such as placing of shares, issue of convertible notes and initial public offerings in the market and the Placings is an appropriate means of raising additional capital for the Company. The Directors consider that the Placings is a better method to raise additional capital of the Company as compared with other financing methods.

At present, the Company is in a preliminary negotiations with a vendor on the terms and conditions of possible acquisition of a company incorporate in the British Virgin Islands which has an option right to own 50% interest in a company in Tianjin, the PRC (the “Target Company”). The Target Company is principally engaged in motor vehicles repair and maintenance, and sales and distribution of Nissan motor vehicles. Also, the Company is reviewing some mass transit transportation related investments. As at the date of this announcement, no formal agreement has been entered into and the timetable, terms and conditions of the aforesaid possible acquisition are yet to be agreed. The aforesaid possible acquisition may or may not materialize. Further announcement will be made by the Company as when appropriate in accordance with the Listing Rules.

The net proceeds from the Placings will be about HK\$731 million. The Company intends that the net proceeds of Placings to be used by the Company for the above proposed acquisitions and general working capital purposes. The Company has not earmarked how much of the placing proceeds will be used for working capital and for investment purposes.

ISSUE MANDATE

In order to provide a flexible mean for the Company to raise further funds for its future business development and/or through the issue of new Shares whenever merger and acquisition opportunities arise, the Board proposes to refresh the Issue Mandate for the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of EGM. The Issue Mandate is proposed to the Shareholders prior to the Company’s next annual general meeting, and therefore, pursuant to Rule 13.36(4) of the Listing Rules, the Issue Mandate will be subject to the Independent Shareholders’ approval by way of poll at the EGM. Ms Yau Shum Tek, Cindy, being the controlling Shareholder and the Director, is required to abstain from voting in favor thereon.

The Board expects that the 229,856,000 placing Shares were completely before the EGM. Then based on the 1,379,144,659 Shares in issue as enlarged by the placing Shares and assuming that no further Shares are repurchased and issued prior to the EGM, subject to the passing of the relevant ordinary resolutions to approve the Issue Mandate at the EGM, the Directors will be authorized to allot and issue up to a limit of 275,828,931 Shares under the Issue Mandate. The Directors consider that the Issue Mandate will enhance the flexibility for the Company to manage its business and therefore the Issue Mandate is fair and reasonable and the granting of the Issue Mandate are in the interests of the Company and the Shareholders as a whole.

TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

At the EGM, the Directors will also seek the approval of the Shareholders to terminate the Existing Share Option Scheme and to adopt the New Share Option Scheme.

GENERAL

The Group is principally engaged in trading and distribution of Scania motor trucks, coaches and vehicle accessories, and the provision of heavy motor vehicle repair and maintenance services.

A circular containing, among other things, details regarding (i) the Placings (ii) Issue Mandate; (iii) letter of recommendation from the Independent Board Committee on the refreshment of the Issue Mandate; (iv) letter of recommendation from the independent financial adviser to the Independent Board Committee and independent Shareholders on the refreshment of the Issue Mandate; (v) termination of the Existing Share Option Scheme and the adoption of New Share Option Scheme and (vi) a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

The Placing Agreement may be terminated under certain circumstances. As the Placing Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:48 a.m. on 9 July 2007 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in its shares with effect from 9:30 a.m. on 11 July 2007.

DEFINITIONS

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

“Board”	board of Directors
“Business Day(s)”	any day (other than a Saturday and Sunday) on which licensed banks are open for business in Hong Kong
“Company”	Forefront Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Conversion Shares”	new Shares which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes, at the then effective conversion price
“Convertible Notes”	zero coupon convertible notes due on 15 March 2011 in an aggregate principal amount up to HK\$750,000,000 proposed to be issued by the Company pursuant to the Placing Agreements
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if though fit, approving the Placings, Issue Mandate, termination of Existing Share Option Scheme and adoption of New Share Option Scheme
“Existing Share Option Scheme”	the share option scheme adopted and approved by the Company on 2 August 2002
“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
“Independent Third Party(ies)”	person who himself is, and (in case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules)
“Initial Conversion Price”	the initial conversion price of HK\$0.50 per Share (subject to adjustment)
“Issue Date”	the date of the first issue of the Convertible Notes
“Issue Mandate”	the mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of EGM
“Last Trading Day”	6 July 2007, being the last full trading days for the Shares prior to the issue of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	3 December 2010
“New Share Option Scheme”	a share option scheme of the Company to be adopted by the Company and to be approved by Shareholders at the EGM

“Placee(s)”	any individual, institutional or other professional investor(s) procured by the Placing Agent to subscribe for the Convertible Notes pursuant to the Placing Agent’s obligation under the Placing Agreement
“Placing(s)”	the Tranche I Placing and/or the Tranche II Placing
“Placing Agent”	Chung Nam Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 regulated activity (dealing in securities)
“Placing Agreement(s)”	the Tranche I Placing Agreement and/or the Tranche II Placing Agreement
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tranche I Placing”	placing of HK\$150,000,000 Convertible Notes pursuant to the terms of the Tranche I Placing Agreement
“Tranche I Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 9 July 2007 in relation to the Tranche I Placing
“Tranche II Placing”	placing of HK\$600,000,000 Convertible Notes pursuant to the terms of the Tranche II Placing Agreement

“Tranche II Placing Agreement”

a conditional placing agreement entered into between the Company and the Placing Agent dated 9 July 2007 in relation to the Tranche II Placing

“%”

per cent.

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

Hong Kong, 10 July 2007

As at the date of this announcement, the Board comprises six executive Directors, namely, Ms. Yau Shum Tek, Cindy, Mr. Ting Wing Cheung, Sherman, Ms. Lo Oi Kwok, Sheree, Mr. Yeung Ming Kwong, Mr. Louis Wen and Mr. Zhou Qi Jin, and four independent non-executive Directors, namely Mr. Chung Yuk Lun, Mr. Kwong Wai Tim, William, Mr. Sun Ka Ziang, Henry and Ms. Lam Yan Fong, Flora.