



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2007**

FINANCIAL HIGHLIGHTS

Unaudited results for the six months period ended 30 June 2007

	2007	2006	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Turnover	39,916	48,462	-17.63
Gross profit	7,187	6,903	+4.11
Loss before tax	(21,420)	(13,589)	+57.63
Loss attributable to equity holders of the parent	(21,420)	(13,589)	+57.63
Basis loss per share – (HK cents)	(3.16)	(3.12)	+1.28

* For identification purposes only

The Board of Directors (the “**Directors**”) of Forefront Group Limited (the “**Company**”) reports the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Six months ended 30 June	
		2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(Unaudited)	(Unaudited)
Turnover	2	39,916	48,462
Cost of sales and services		(32,729)	(41,559)
		<hr/>	<hr/>
Gross profit		7,187	6,903
Other income		2,185	1,186
Distribution and selling expenses		(1,446)	(506)
General and administrative expenses		(22,862)	(20,803)
Changes in fair value of financial assets at fair value through profit or loss		(5,835)	–
		<hr/>	<hr/>
Loss from operations	3	(20,771)	(13,220)
Finance costs		(649)	(369)
		<hr/>	<hr/>
Loss before taxation		(21,420)	(13,589)
Taxation	4	–	–
		<hr/>	<hr/>
Loss for the period		<u>(21,420)</u>	<u>(13,589)</u>
Attributable to:			
Equity holders of the parent		(21,420)	(13,589)
Minority interests		–	–
		<hr/>	<hr/>
		<u>(21,420)</u>	<u>(13,589)</u>
Dividend		–	–
		<hr/>	<hr/>
Loss per share – basic (HK cents)	5	<u>(3.16)</u>	<u>(3.12)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	<i>Note</i>	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	7	3,392	3,524
Investment securities	8	–	–
		<hr/>	<hr/>
		3,392	3,524
		<hr/>	<hr/>
Current assets			
Financial assets at fair value through profit or loss	9	85,950	–
Inventories		32,879	30,355
Trade and other receivables	10	15,661	18,414
Pledged deposits	11	558	558
Bank balances and deposits held in brokers accounts		45,350	6,262
Interests in unconsolidated subsidiaries held for sale	3(a)	–	48,174
		<hr/>	<hr/>
		180,398	103,763
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	12	19,464	30,089
Amounts due to unconsolidated subsidiaries held for sale	3(a)	–	52,539
		<hr/>	<hr/>
		19,464	82,628
		<hr/>	<hr/>

		As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Net current assets		160,934	21,135
Total assets less current liabilities		164,326	24,659
Net assets		164,326	24,659
Capital and reserves			
Share capital	<i>13</i>	114,929	43,577
Reserves		49,397	(13,535)
Reserve attributable to interests in unconsolidated subsidiaries held for sale		–	(5,383)
Equity attributable to equity holders of the parent		164,326	24,659
Minority interests		–	–
Total equity		164,326	24,659

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”), Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”, other relevant HKASs and Interpretations and Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31 December 2006. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period did not have any significant effect on the financial position or performance of the Group.

Impact of issued but not yet effective HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are not mandatory for these condensed consolidated financial statements. The Group has not early adopted these HKFRSs and expects that the adoption of them will not have any significant impacts on the Group’s condensed consolidated financial statements in the periods of the initial adoption.

Taiwan Subsidiaries

As explained in previous interim reports and annual reports of the Company, the Group has lost control in the operation of its subsidiaries in Taiwan since early 2005, namely Forefront International Automotive Limited, Sunshine Credit Limited and U-Drive Smart Card Company Limited (collectively referred to as “**Taiwan Subsidiaries**”). Although the Company has regained control in June 2005, the books and records of the Taiwan Subsidiaries were found not sufficient to prepare the financial statement and consolidation into the consolidated accounts of the Group for these years interim results and annual reports of year 2004, 2005, 2006 and for the period from January 2007 to the date of disposals of Taiwan Subsidiaries as described below.

On 30 December 2006, the Company had entered into a sale and purchase agreement with an independent third party to dispose of the entire interests in Taiwan Subsidiaries. The transaction was completed on 30 March 2007. Because of the reason mentioned above, it is not possible for the Group to ascertain the exact amount of assets and liabilities of the Taiwan Subsidiaries at disposal as well as their results for the period up to disposal. Further information was detailed in note 3(a). The results of the Taiwan Subsidiaries for the period from 1 January 2007 up to the date of disposal were excluded from the Group’s condensed consolidated income statement for the ended period 30 June 2007. Whilst the directors consider that the

exclusion of these subsidiaries is the best way of presenting the Group's financial position and the results for the period in the circumstance, the reason for the exclusion is not one of the reasons as provided in HKAS 27 "Consolidated and Separate Financial Statements" and, in this respect, the interim financial statements are not in compliance with HKAS 27.

The unaudited condensed consolidated financial statements have been reviewed by the Audit Committee, and by the auditors, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by Independent Auditors of the Entity" issued by the HKICPA. The Company's auditors have reached a qualified review conclusion based on the non-compliance of HKAS 27 and the unavailability of information in respect of the interests in Taiwan Subsidiaries up to the date of disposal as mentioned above.

2. SEGMENT INFORMATION

a. Business segment

The Group is principally engaged in the trading of motor trucks, coaches and vehicle accessories, provision of motor vehicle repairs and maintenance services and provision of other motor vehicle related services. An analysis by business segment is as follows:

	Six months ended 30 June 2007 (Unaudited)					
	Trading of trucks, coaches and vehicles accessories <i>HK\$'000</i>	Provision of repairs and maintenance services <i>HK\$'000</i>	Provision of other motor vehicles related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover						
Sales to external customers	26,596	11,514	1,806	-	-	39,916
Inter-segment sales	-	1,031	-	-	(1,031)	-
Total turnover	<u>26,596</u>	<u>12,545</u>	<u>1,806</u>	<u>-</u>	<u>(1,031)</u>	<u>39,916</u>
Operating results						
Segment results	<u>(273)</u>	<u>(6,231)</u>	<u>1,548</u>	<u>(16,464)</u>		<u>(21,420)</u>
Taxation						-
Loss attributable to shareholders						<u>(21,420)</u>

Six months ended 30 June 2006 (Unaudited)

	Trading of trucks, coaches and vehicles accessories <i>HK\$'000</i>	Provision of repairs and maintenance services <i>HK\$'000</i>	Provision of other motor vehicles related services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover						
Sales to external customers	34,248	12,419	1,795	–	–	48,462
Inter-segment sales	–	2,520	–	–	(2,520)	–
Total turnover	<u>34,248</u>	<u>14,939</u>	<u>1,795</u>	<u>–</u>	<u>(2,520)</u>	<u>48,462</u>
Operating results						
Segment results	<u>136</u>	<u>(5,384)</u>	<u>1,648</u>	<u>(9,989)</u>		(13,589)
Taxation						–
Loss attributable to shareholders						<u>(13,589)</u>

b. Geographical Segment

The Group's activities are conducted predominantly in Hong Kong, the People's Republic of China ("Mainland China") and previously in Taiwan. An analysis by geographical segments is as follows:

Six months ended 30 June 2007 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>37,245</u>	<u>2,671</u>	–	<u>39,916</u>
Segment results	<u>(4,313)</u>	<u>(4)</u>	–	<u>(4,317)</u>
Loss from operations	<u>(21,486)</u>	<u>(701)</u>	1,416	<u>(20,771)</u>

	Six months ended 30 June 2006 (Unaudited)			
		Mainland		
	Hong Kong <i>HK\$'000</i>	China <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	46,780	1,682	–	48,462
Segment results	(3,359)	(161)	–	(3,520)
Loss from operations	(12,722)	(498)	–	(13,220)

3. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging: –

	Six months ended 30 June	
	2007 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited)
Gain on disposal of unconsolidated subsidiaries held for sale (<i>note (a)</i>)	1,422	–
Depreciation	923	185
Staff costs and related expenses	9,622	9,343
Success fee (<i>note (b)</i>)	7,140	3,500
Share-based payment in respect of Jerry Liu Option (<i>note 14</i>)	1,612	–

Notes:

(a) Disposal of Taiwan subsidiaries

Reference is made to the Company's previous annual reports and certain related circulars and announcements. The Company had entered into an agreement with an independent third party to dispose of the interests in Taiwan Subsidiaries at a disposal consideration of HK\$54,979,000. The disposal was approved by independent shareholders and was completed on 30 March 2007. The consideration to be received will be the aggregation of the estimated total cash proceeds of approximately HK\$2,440,000 and the novation of debts due to Taiwan Subsidiaries of approximately HK\$52,539,000.

Due to the reason explained in note 1, the Group is unable to ascertain the value of the liabilities and assets of Taiwan Subsidiaries at the time of disposal. The net gain of HK\$1,422,000 credited to the income statement as other income is arrived by deducting the carrying net book value of the Taiwan Subsidiaries of approximately HK\$48,174,000 and foreign exchange reserve of approximately HK\$5,383,000 relating to the disposal as of the audited accounts of year 2006 of the Group from the disposal consideration.

(b) A&M allotment

Reference is made to the Company's 2006 annual report and certain circulars and announcements. Pursuant to an engagement between the Company and Alvarez & Marsal Asia Limited ("A&M") (*note 6(a)*), the Company agreed to pay A&M a success fee which includes a cash payment of HK\$3.5 million and the issue of certain amount of new shares of the Company. A&M assisted the Company to submit a resumption proposal to the Stock Exchange in June 2006 and the Company successfully resumed trading on 18 April 2007. A provision of HK\$3.5 million was accordingly made in June 2006 and was paid in April 2007. On 18 April 2007, new shares of 33,520,923 were granted to A&M and were fully exercised on the same date. The directors consider the fair value of a share is HK\$0.213 which is the price of allotment on 18 April 2007. Accordingly, the aggregate fair value of the A&M allotment of HK\$7,140,000 has been charged to the income statement as general and administrative expenses.

4. TAXATION

Profits tax has not been provided as the Group incurred a loss for the tax purposes for the period.

5. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders for the period of approximately HK\$21,420,000 (six months ended 30 June 2006: HK\$13,589,000) and on 677,747,000 shares (six months ended 30 June 2006: 435,772,000) on weighted average number of ordinary shares in issue during the period.

No diluted loss per share for the six months ended 30 June 2007 was presented as the effect of all potential ordinary shares is anti-dilutive.

No diluted loss per share is presented for the same period of year 2006, as the effect of conversion of the convertible bonds into ordinary shares is not considered since the average market price of the Company's shares was substantially lower than the conversion price during the period. As explained in the interim report of year 2006, the necessary conditions for the award of the success fee to A&M have not been met at 30 June 2006 and therefore no contingently issuable ordinary shares in respect of this success fee have been included in the calculation of diluted loss per share.

6. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2007, the Group had the following significant related party transactions:–

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Alvarez & Marsal Asia Limited (<i>note (a)</i>)		
– Professional fee paid/payable	–	5,750
Scania CV AB (<i>note (b)</i>)		
– Purchases	23,633	23,329
– Warranty claims received/receivable	808	1,826
– Interest expenses paid/payable	109	80
– Miscellaneous income received/receivable	467	178
Scania Singapore Pte Ltd (<i>note (b)</i>)		
– Purchases and services received/receivable	–	25
– Sales	–	311
	–	311

Notes:

- (a) The Company had engaged A&M to provide financial and operational monitoring support, initiate improved controls and to assist with regards to prudential and corporate governance issues for the Group. It was disclosed in the announcements that A&M was a connected person by virtue of being an associate of Mr. Cosimo Borrelli and Mr. Kelvin Edward Flynn who together control more than 30% of the voting shares of A&M, who were then Directors of the Company, therefore, the entering in the engagements with A&M constituted connected transactions.

A&M subsequently ceased to be a connected person to the Company due to the fact that:

Mr. Borrelli and Mr. Flynn both resigned from A&M in September 2006 and ceased to have any shareholding interests in A&M. Mr. Borrelli resigned from the Company on 22 September 2006 and A&M ceased to be an associate of Mr. Borrelli and Mr. Flynn. As such, A&M is no longer an associate of any Director of the Company, therefore, the extended A&M engagement with the Company in October 2006 was no longer constitutes a connected transaction.

- (b) Scania CV AB (“**Scania**”) is the principal supplier of the Group and a holding company of Scania Trade Development AB, a substantial shareholder of the Company until 4 June 2007 as its shareholding has fallen to 8.5% on that date. Scania Singapore Pte Ltd is a wholly owned subsidiary of Scania.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group invested approximately HK\$785,000 (six months ended 30 June 2006: HK\$497,000) on fixed assets. During the same period, the Group disposed of certain of its property, plant and equipment with no aggregate carrying value (six months ended 30 June 2006: HK\$Nil) with a gain on disposal of approximately HK\$2,000 (six months ended 30 June 2006: gain of HK\$98,000).

8. INVESTMENT SECURITIES

	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
Unlisted equity interests in Taiwan, at cost	6,908	6,908
<i>Less:</i> Impairment loss recognised	(6,908)	(6,908)
	<u> </u> <u> </u> -	<u> </u> <u> </u> -

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
- Listed equity securities in Hong Kong	85,950	-
	<u> </u> <u> </u>	<u> </u> <u> </u>

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
Trade receivables	8,658	10,265
Other receivables		
Deposits, prepayments and other debtors	<u>7,003</u>	<u>8,149</u>
	<u>15,661</u>	<u>18,414</u>

As at 30 June 2007 included in other receivables, there was an amount due from Scania of approximately HK\$426,000 (31 December 2006: HK\$307,000). (*note 6 (b)*)

The Group grants to its customers credit terms ranging from 1 to 3 months. The ageing analysis of the trade receivables at the balance sheet date is as follows:

	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
0 to under 3 months	8,594	10,257
3 to under 6 months	140	61
6 to under 9 months	–	–
9 to under 12 months	14	56
Over 12 months	<u>5,509</u>	<u>5,623</u>
	14,257	15,997
<i>Less: Provision</i>	<u>(5,599)</u>	<u>(5,732)</u>
	<u>8,658</u>	<u>10,265</u>

11. PLEDGED DEPOSITS

As at 30 June 2007, bank deposits of HK\$558,000 (31 December 2006: HK\$558,000) were pledged as collateral for the Group's bank facilities for performance bond as required for certain sale contracts mainly on warranty consideration.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
Trade payables	8,967	14,991
Other payables		
Accrued charges and other creditors	10,497	15,098
	<u>19,464</u>	<u>30,089</u>

The ageing analysis of the trade payables at the balance sheet date is as follows:

	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
0 to under 3 months	8,182	13,686
3 to under 6 months	511	1,027
6 to under 9 months	1	–
9 to under 12 months	2	–
Over 12 months	271	278
	<u>8,967</u>	<u>14,991</u>

13. SHARE CAPITAL

	For the six months ended 30 June 2007 (Unaudited)		For the year ended 31 December 2006 (Audited)	
	No. of shares '000	Nominal value HK\$'000	No. of shares '000	Nominal value HK\$'000
<i>Authorised:</i>				
At beginning of period/year	1,000,000	100,000	1,000,000	100,000
Increase in authorised share capital	9,000,000	900,000	–	–
At end of the period/year	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.10 each				
At beginning of the period/year	435,772	43,577	435,772	43,577
Issue of new shares	679,996	68,000	–	–
A&M allotment (<i>note 3(b)</i>)	33,521	3,352	–	–
At end of the period/year	<u>1,149,289</u>	<u>114,929</u>	<u>435,772</u>	<u>43,577</u>

The Company had increased the authorised share capital to 10,000,000,000 shares by 300,000,000 on 30 March 2007 and 8,700,000,000 shares on 29 June 2007.

On 18 April 2007 and 4 June 2007, the Company had allotted and issued to independent third parties 488,447,736 shares and 191,548,000 shares at cash consideration of HK\$0.213 per share and HK\$0.260 per share respectively.

14. SHARE OPTIONS

(a) Movement in share option scheme during the period ended 30 June 2007:

On 17 April 2007, a share option was granted to Mr. Jerry Liu, the former senior advisor of the Company to subscribe for 10,894,300 new shares at an exercise price of HK\$0.213. The share price at the date of grant is HK\$0.57 per share. The share price at the date of grant is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the option. At the balance sheet date, no option has been exercised. The share option was fully exercised on 6 August 2007.

(b) Fair value of share option and assumptions

The fair value of share option granted under the existing share option scheme at the grant date was HK\$0.148 per share, which is calculated using the Binomial option pricing model with the following inputs:

Average share price	HK\$0.213
Weighted average exercise price	HK\$0.213
Expected volatility	110%
Expected life	1,164 days
Risk free rate	4%

The aggregate fair value of the share option granted to Mr. Jerry Liu of HK\$1,612,000 has been charged to the income statement as general and administrative expenses.

15. CONTINGENT LIABILITIES

Alleged agreement on investment in a customer

Mr. Lo Chia Yu (“**Mr. Lo**”) has allegedly claimed a verbal agreement was entered into on 12 March 2002 by his wholly-owned company, Global Travel Holdings Limited (“**Global Travel**”) and Forefront Automotive Services Company Limited (“**FAS**”), a wholly-owned subsidiary of the Company, relating to an equity investment by FAS in Global Travel amounting to HK\$7,800,000. FAS’s position is that the agreement was subject to it conducting due diligence on Global Travel to its satisfaction. As requested, FAS paid a deposit of HK\$2,000,000 to Mr. Lo. Subsequently, the accounting firm employed by FAS reported unsatisfactory due diligence, therefore FAS did not elect to proceed with the alleged agreement. Mr. Lo has filed proceedings claiming HK\$7,800,000 together with alternative damage and FAS has lodged a counter claim to Mr. Lo for the return of the HK\$2,000,000 paid as deposit. A contingent liability netting off the counter claims as set out above amounting to HK\$5,800,000 are alleged to be due from FAS to Global Travel. The matter has not progressed after an initial hearing and was adjourned to a further date to be determined by the court subject to its receipt of sufficient documents from the two parties. The Company has not received any notice in relation to any specific dates for any further hearing.

Alleged claim for investment lost in the Company's shares

On October 2006, Gains Investment Corporation and 景裕國際股份有限公司 (“**Plaintiffs**”) claimed that Yang Kwn San's family (“**Yang Family**”) had defrauded them into acquiring the Company's shares while also dissipating Forefront International Automotive Limited's assets. The Plaintiffs sued the Company, Taiwan Subsidiaries and the Yang Family for damages of NT\$1,520,000 (approximately HK\$366,000) in the Taiwanese court. The Company's Taiwan legal advisors advised that the case is pending and no hearing date has been set.

16. POST BALANCE SHEET EVENT

Acquisition of properties

An indirect wholly-owned subsidiary, Hostbest Limited, of the Company had acquired two properties at an aggregate cash consideration of approximately HK\$29,141,000 from an independent third party. There are two existing tenancy agreements attached with the properties with total monthly rental of approximately HK\$76,000, expiring on 17 January 2008 and 7 December 2007. The transaction was completed on 27 August 2007 and the properties were delivered on the same day.

Acquisition of interests in a sino-foreign equity joint venture

The Company's indirect wholly-owned subsidiary, Great Journey Limited, had entered into a Sales and Purchase Agreement with an independent third party to acquire the whole interests in Natural Harvest Investments Limited (“**Natural Harvest**”) on 21 August 2007. Natural Harvest holds 61.25% interest in Talenteam Development Limited (“**Talenteam**”) which in turn holds an 80% interests in a newly set up sino-foreign equity joint venture. The joint venture is to operate and to own economic benefits derived from the China Railway Web Portal. The consideration is HK\$80,000,000 under arm's length negotiation with the vendor and has been fully paid upon the completion on 7 September 2007. Also under the joint venture agreement, Talenteam is exposed to an additional capital contribution requirement of HK\$150 million, which is to be borne by Talenteam solely. The Company is of the view that the Company's present capital commitment to the joint venture is capped at an additional HK\$150 million.

Investment in a logistic group of companies

Smart Oriental Limited, an indirect wholly-owned subsidiary of the Company, has entered into an investment agreement with Golden Fame International Investment Group Limited (the “**GFIIGL**”) on 13 September 2007. The total investment is HK\$26.65 million which represents 40% enlarged issued share capital of the GFIIGL. The GFIIGL is a logistic group of companies which provides logistics business in Hong Kong and PRC.

Issue of new shares

New shares of 229,856,000 at HK\$0.38 per share were issued to certain independent third parties on 12 July 2007. The new shares represented approximately 20% of the Company's issued share capital as at 30 June 2007.

Zero coupon convertible notes due in 2010

On 10 August 2007 and 16 August 2007, the Company had issued certain zero coupon convertible notes (the "Notes") bearing no interest to certain independent third parties at an aggregate principal amount of HK\$750 million. The Notes are convertible into ordinary shares of the Company, the whole or any part of the principal amount outstanding, at conversion price of HK\$0.5 per share and to be matured on 3 December 2010.

On 10 August 2007, the Company has received six conversion notices from the Notes holders, total amount of HK\$150 million, to request for the conversion of the Notes issued. The Company has then issued a total of 300,000,000 shares at the conversion price of HK\$0.5 per conversion share.

Employee share option

On 10 July 2007, 95,774,065 option shares were granted to certain employees of the Group. The options were fully exercised on the same date and the Company received proceeds of HK\$45.9 million.

New share option scheme

A new share option scheme was approved by shareholders on 6 August 2007. Under the new share option scheme, the Company may grant to Directors and employees of the Group and any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group. The maximum of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the new share option scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the new share option scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue, the General Scheme Limit, at the date of the passing of the relevant ordinary resolution. If any options is to be granted to connected person(s), it must be approved by independent non-executive directors or independent shareholders as the case may be. The new share option scheme will remain in force for a period of 10 years commencing on 6 August 2007.

The subscription price will be determined by the Directors but shall not be less than the highest of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and
- (c) the nominal value of share.

Acquisition of Leapfly Limited and cancellation of the acquisition

On 26 July 2007, the Group entered into an S&P agreement with Z & Z International Limited, to acquire the entire share capital of Leapfly Limited at a consideration of HK\$39 million. Leapfly Limited has an option right to own 50% equity interest in Tianjin Kai Sheng Automobile Service Co. Ltd. Tianjin Kai Sheng Automobile Service Co. Ltd. was established in the PRC and its scope of business includes the provision of repair services for automobile and the sales and distribution of Nissan motor vehicles. The Board considers the proposed acquisition would allow the Group to widen its business in the PRC and further develop its automobile business.

Subsequently on 1 August 2007, the parties entered into a cancellation agreement to cancel the S&P agreement. The acquisition was then cancelled. The vender has fully refunded the deposit of HK\$11.7 million to the Group upon signing of the cancellation agreement.

BUSINESS REVIEW

The Company resumed the trading of its shares in the Stock Exchange of Hong Kong Limited on 18 April 2007 since the suspension of its trading from 14 May 2004.

As mentioned in the year 2006 annual report of the Company, on 7 December 2006 the Company entered into a subscription agreement with Wealth Style Limited under which the Company agreed to allot and issue not less than 51% and not more than 53.22% of the enlarged issue share capital of the Company, at a price per share of between HK\$0.213 and HK\$0.2293, thereby raising between HK\$100 million and HK\$104 million. The subscription was completed on 18 April 2007 and 488,447,736 shares were issued at HK\$0.213 per share. The Company received net proceeds of approximately HK\$98.5 million from the subscription for the Group's general working capital, to development of service centers and exhibition halls in PRC and possible development of an auto-leasing business in the PRC.

Since the resumption of trading of its shares and the aboard of the new management, the Company's shares were traded actively in the market with favorable prices, by taking this opportunity, the Company carried out a series of corporate exercises to increase the Group's general working capital and ability to invest on the Company's activities related investments and projects.

On 23 May 2007, by top-up placing, the Company through a placing agent to place 191,548,000 shares to independent investors at the placing price of HK\$0.26 per share, the placing completed on 4 June 2007, the Company received a net proceeds of approximately HK\$48.4 million from the subscription which were intended to be used for working capital and settlement of remaining balance of investment costs to complete the incorporation of a subsidiary in Shenzhen.

At an Extraordinary General Meeting of the shareholders of the Company held on 29 June 2007, shareholders, by special resolution, approved the change of the English company name from "Forefront International Holdings Limited" to "Forefront Group Limited" and adopt "福方集團有限公司" as its new Chinese name for identification purpose in order to align the Company's objective to further develop its motor vehicle business and reflect the management's genuine wish to enhance the fruitful results for the benefit of the shareholders.

At the same meeting, the shareholders of the Company also approved the increase in the authorized share capital of the Company from HK\$130,000,000 divided into 1,300,000,000 share to HK\$1,000,000,000 shares by the creation of additional 8,700,000,000 unissued share of HK\$0.1 each. The increase is to accommodate future expansion and growth of the Group.

On 3 July 2007, the Company entered into a placing agreement on a fully underwritten basis, through a placing agent, to place 229,856,000 shares to independent investors at placing price of HK\$0.38 per share, the 229,856,000 new shares were issued by the Company under the issue mandate. The subscription was completed on 12 July 2007. The Company received net proceed from the subscription of approximately HK\$85 million and would be used for general working capital and/or development of mass transit transportation, logistics and related business investments.

On 9 July 2007, the Company entered in to placing agreements through a placing agent to place, on underwritten basis, HK\$150 million and on best effort basis to place HK\$600 million convertible notes. The convertible notes mature dated on 3 December 2010 and at a conversion price of HK\$0.5 per share. These placings were approved by an Extraordinary General Meeting of the Company held on 6 August 2007, the Company issued HK\$150 million and HK\$600 million convertible notes on 10 August 2007 and 16 August 2007 respectively of which HK\$150 million had been converted into the Company's shares on 10 August 2007.

With the intention of the Group to widen its business in the PRC and further develop its automobile business. On 26 July 2007, Crown Creation Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to purchase entire issue share capital of Leapfly Limited at a consideration of HK\$39 million. Leapfly Limited is an investment holding company which holds an option to purchase 50% equity interest in registered capital of Tianjin Kai Sheng Automobile Service Co. Ltd and its scope of business includes provision of repair services for automobile and sales and distribution of Nissan motor vehicles. The option is exercisable at any time during a period of 2 years commencing on 1 September 2008 until 1 August 2010. However, the Stock Exchange of Hong Kong Limited considered that the Company's classification as a discloseable transaction with no shareholders' approval required and such classification is not in compliance with the Rule 14.75 of the Listing Rules. The Company therefore with the vendor's agreement cancelled the sales and purchase agreement by signing a cancellation agreement on 1 August 2007. The vendor fully refunded the deposit to the Group upon signing the cancellation agreement. Nevertheless, the Company may re-consider this proposed acquisition again in the future as and when the Company considers appropriate.

With the anticipated need of office spaces of the PRC enterprise that may become the Company's partner to develop and operate the mass transit ticketing project as well as other railway transportation and logistics related business. On 3 August 2007, Hostbest Limited, an indirect wholly-owned subsidiary of the Company entered into two sale & purchase agreements with vendor to acquire Unit 1 to 3, 22/F., China United Centre, No.28 Marble Road, North Point, Hong Kong at a consideration of HK\$15,798,900 and Unit 5 to 9, 22/F., China United Centre, No.28 Marble Road, North Point, Hong Kong at a consideration of HK\$13,341,900. These purchases were completed on 27 August 2007.

On 21 August 2007, Great Journey Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to purchase the entire issued share capital of Natural Harvest Investments Limited. Natural Harvest Investments Limited effectively holds 49% equity interest in a PRC Joint Venture (China Railway Information and Technology Limited). China Railway Information and Technology Limited will focus on the development, management and operation of an e-ticketing system for railway passengers and related railway freight cargo services in the PRC by utilizing the China Railway Web Portal in the near future. The purchase was completed on 7 September 2007.

On 13 September 2007, an indirect wholly-owned subsidiary, Smart Oriental Limited, of the Company invested 40% of the enlarged issued share capital of Golden Fame International Investment Group Limited (the "GFIIGL"). The GFIIGL is a logistic group of companies which provides logistic services in Hong Kong and PRC.

With the Scania business, although the management expended great effort, at reversing deficiencies of the recent years, it has not been able to return the operation to profitability during the period under review. The main reason is that Hong Kong is losing its market position compared with Mainland China. The management will continue to concentrate efforts at reversing this trend.

During this period, only 32 units of tractors and trucks were sold. A part of the reasons was production limitations as well as the switch from Euro 3 to Euro 4 emission standard.

During this period, 7 units of coaches and chassis were sold and delivered. And 81 units were contracted for sales, a significant increase from last year, of which will be delivered at the later of this year and next year according to customers' schedule. Most of the contracts were made to the fleet operators who have previously used products from our European competitor.

With respect to the repairs and maintenance services, basic and structural improvements continued to take back business. Our initiatives included a Service van, Service representative, promotion of our Maintenance Contracts and Parts Exchange Program.

MANAGEMENT DISCUSSION AND ANALYSIS

Result for the period

For the six months ended 30 June 2007, the Group recorded a loss from operation of HK\$20.8 million (2006: loss of HK\$13.2 million) on turnover of HK\$39.9 million (2006: HK\$48.5 million).

The net loss attributable to shareholders for the period was HK\$21.4 million (2006:HK\$13.6 million).

The decrease in turnover was mainly a decline in vehicle business. The environment of the transportation market in Hong Kong went down trend during the past six months. Inevitably, the tractor market was affected. Although the Group has substantial orders of buses and chassis, most of which is expected to be delivered in the second half year and next year.

Although the sales volume dropped, the gross profit of the Group was continually improved. The gross profit margin was increased from 14.2% to 18.0% during the first half of 2007. This was resulted from better gross profit margin both in trading of motor vehicles and provision of repair and maintenance services.

Administrative expenses of this period included a success fee to A&M of HK\$7.1 million on share allotment basis and cost of share option granted to Mr. Jerry Liu of approximately HK\$1.6 million. A provision of success fee in cash payment of HK\$3.5 million was debited to the administrative expenses of the same period of last year. By excluded this one shot expenses, the administrative expenses of this period were stated at HK\$14.2 million.

Liquidity, financial resources, borrowing and gearing ratio

During the period under review, the Group financed its original operation largely through internal generated cash flows from its operations activities. During the period under review the Group settled approximately HK\$13 million due to Scania, which incur high outstanding interest rate, process from fund raising . As at the balance sheet date, the Group maintained cash and bank balances of approximately HK\$45.4 million (as at 31 December 2006: HK\$6.3 million) The increase in the cash balances was mainly due to the subscription of the Company's shares by Wealth Style Limited and placing exercise during the period. The Group's gearing ratio, calculated as total borrowings divided by total net assets, stated at 0%. The Group had no outstanding borrowings as at 30 June 2007.

As at 30 June 2007, the Group's net asset value amounted to approximately HK\$164.3 million (as at 31 December 2006 : HK\$24.7 million) with total assets approximately HK\$183.8 million (as at 31 December 2006: HK\$107.3 million) . Net current assets were approximately HK\$160.9 million (as at 31 December 2006: HK\$21.1 million) and the current ratio was 9.27 times (as at 31 December 2006: 1.26 times). The existing available cash and bank balance are considered adequate liquidity and capital resources for the Group's operation requirements.

Charge on Group assets

As at 30 June 2007 the Group deposited approximately HK\$558,000 (as at 31 December 2006: HK\$558,000) as collateral to satisfy contingent warranty and delivery obligations in relation to certain sales contracts.

Exchange rate exposure

The Group is subject to foreign currency exposure since its purchases are mainly denominated in US dollars, while the income mainly derived from the sales of vehicle and provision of after sale services are mainly denominated in Hong Kong dollars. Exchange rates between US dollars and Hong Kong dollars were relatively stable during the period under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

OUTLOOK

Scania has entered into a co-operation with Higer Bus Company Limited of Suzhou, China to product a range of luxury coaches. The products, in both the Right Hand Drive and Left Hand Drive versions, are intended for the China market and for export to Hong Kong and elsewhere. The products expected to come out towards the end this year, The Group has right of marketing these new products in our markets

Further, Scania has developed a purpose-built, Euro 4 double-decker bus and the first two prototypes are undergoing field tests in Hong Kong. The product is very suitable for the Hong Kong market and, through our Scania distributorship, the company will serve as the services and parts supplier to any customers in Hong Kong purchase these types of buses.

On 7th September, 2007, the Group completed the purchase of Natural Harvest Investments Limited, this investment represents an expansion of the Group's transportation business in the PRC to provide mass transit transportation ticketing using the China Railway's Web Portal and the Group with a better understanding and an opportunity for the future expansion of other peripheral and related business.

On 13 September 2007 , an indirect wholly-owned subsidiary , Smart Oriental Limited , of the Company invested 40% of the enlarged issued share capital of the GFIIGL. The GFIIGL is a logistic group of companies which provides logistic services in Hong Kong and PRC. The GFIIGL is beneficially owed and established by Mr. Steve W.F. Lo, Professor JP (“**Mr. Steve Lo**”) who has over 20 years experience in logistic business in Hong Kong and PRC. Through this investment, the Company expected to leverage the extensive logistics experience of Mr. Steve Lo and to tie in with the Company expansion plan in the logistic industry as well as accelerating the mass transit transportation ticking project of the Company.

DISCLOSURE OF OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2007 (six months ended 30 June 2006: NIL).

EMPLOYEES

As at 30 June 2006, the Group had approximately 99 employees in Hong Kong and Mainland China. Remuneration packages including basic salary, bonus and benefits in kind are structured by reference to market terms and individual merit and are reviewed on annual basis based on performance.

SHARE OPTIONS

On 30 March 2007, a share option was approved by independent shareholders to grant to Mr. Jerry Liu, the former senior advisor of the Company, to subscribe for 10,894,300 new shares at an exercise price of HK\$0.213 per share. On 17 April 2007, the share option was granted to Mr. Jerry Liu at an exercise price of HK\$0.213 per share. The share price at the date of grant is HK\$0.57 per share. The share price at the date of grant is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the option. At the balance sheet date, no option has been exercised. The share option was fully exercised on 6 August 2007.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealing in securities of the Company by the directors. All directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period.

REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the CG Code. The Remuneration Committee comprises three Independent Non-executive Directors and an Executive Director.

AUDIT COMMITTEE

The unaudited interim financial report of the Group for the six months ended 30 June 2007 have been reviewed by the Audit Committee of the Company. At the request of the Directors, the Company's external auditor, Messrs. Mazars CPA Limited, have carried out a review of the unaudited interim financial report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity", issued by the HKICPA.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The electronic version of this announcement will be published on the website of the Stock Exchange at <http://www.hkex.com.hk> and the website of the Company at www.forefront.com.hk under "Investor Relations" "Press Releases". An interim report for the six months ended 30 June 2007 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange and the Company in due course.

As at the date of this announcement, the Board comprise eight executive Director, namely, Ms. Yau Shum Tek, Cindy, Mr. Ting Wing Cheung, Sherman, Ms. Lo Oi Kwok, Sheree, Mr. Yeung Ming Kwong, Mr. Louis Wen, Mr. Zhou Qi Jin, Mr. Lam Kwan Sing and Mr. Zhuang You Dao; and four independent non-executive Directors, namely Mr. Chung Yuk Lun, Mr. Kwong Wai Tim, William, Ms. Lam Yan Fong, Flora and Ms. Kristi L. Swartz.

By Order of the Board
Yeung Ming Kwong
Executive Director

Hong Kong 21 September 2007