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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)

(1) VERY SUBSTANTIAL ACQUISITION AND (2) RESUMPTION OF TRADING

THE ACQUISITION AGREEMENT

The Board announces that on 2 May 2014, after trading hours, the Purchaser entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser conditionally agrees to purchase and the Vendor conditionally agrees to sell the Sale Shares at the consideration of HK$253,466,000. The Consideration for the Acquisition is HK$253,466,000, which shall be payable to the Vendor in full on Completion.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

The Target Group is a specialist in the provision of a total solution for IT software and hardware (i.e. printers, terminals and POS electronic products) and related IT services to institutional clients under its own brand name "Start" in the PRC which requires high quality, accuracy and high efficiency. Please refer to paragraph headed "**Research and IT capabilities**" for further details. The Target Group is selling over 150 different kinds

* *For identification purpose only*

of products to a variety of institutional clients in the PRC. Major institutional clients come from the financial, insurance, governmental and other sectors. The major operating subsidiary of the Target Group in the PRC was established in 1995 and has nearly 20 years of experience in design, manufacturing and distribution of printers, terminals and point-of-sale (POS) electronic products and providing information technology services in the PRC. Its headquarter and operation base are located in Fuzhou and Jiangsu, the PRC. The Target Group has a nationwide coverage in the PRC. The Target Group is and continues to be one of the leading manufacturers and services providers in the information communication technology (ICT) sector in the PRC.

Upon Completion, the Company will be beneficially interested in the entire equity interests in the Target Company and the Target Group will become subsidiaries of the Company and the accounts of the Target Company will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to approval by Shareholders at the EGM pursuant to Chapter 14 of the Listing Rules.

The Acquisition Agreement and the Acquisition are subject to (among other conditions precedent), and shall take effect upon approval by the Shareholders at the EGM. The EGM will be convened and held for Shareholders to consider and, if thought fit, to approve the Acquisition Agreement and the Acquisition.

GENERAL

In connection with the EGM, a circular containing, among other things, (i) further details of the Acquisition Agreement and the Acquisition; (ii) the accountants' report of the Target Group; (iii) the pro forma financial information of the Enlarged Group as a result of the Acquisition; (iv) a notice convening the EGM; and (v) other information required to be disclosed under the Listing Rules is expected to be despatched to the Shareholders on or before 15 July 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As Completion is conditional upon satisfaction (or, if applicable, waiver) of the conditions precedent as set out under the section headed "Conditions precedent" in this announcement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

SUSPENSION OF TRADING AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 3:15 p.m. on 2 May 2014, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 5 June 2014.

THE ACQUISITION AGREEMENT

Date

2 May 2014 (after trading hours)

Parties to the Acquisition Agreement

Purchaser: the Company

Vendor: Most Joyful Limited

The Vendor, Most Joyful Limited, is a company incorporated in the British Virgin Islands and is an investment holding company. The Vendor currently holds 100% of the Target Company and it indirectly holds 83% equity interests in the PRC Company A. The PRC Company A holds 75% equity interests in the PRC Company B and 76.9231% equity interests in the PRC Company C respectively. The ultimate beneficial owner of the Vendor is Mr. Lee, who has substantial experience in investment and business management. Other than the information technology investment experience in the Target Company, Mr. Lee has over 30 years in experience in listed and unlisted shares and fixed income investment in real estate, production of cement, mining and trading in iron ore and other minerals. Mr. Lee is the sole director of the Vendor. Mr. Lee graduated from the University of Hong Kong in 1972 with a degree in Social Sciences. Thereafter, he has engaged in real estate developments and in the business of trading in Hong Kong. Since 2006 he joined a Hong Kong based conglomerate group which is principally engaged in real estate developments, coal mining and coal trading and mining in other materials such as nickel and zinc, etc. with its businesses in Greater China, India, Australia, Brazil, Peru, South Africa, Central Africa, South East Asia, North America and Western and Eastern Europe. Mr. Lee acted as a director and a member of its senior management team of this conglomerate group and has been involved in management of these projects of the group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties to the Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there was no prior business relationship between the Company and the Vendor. Mr. Lee was introduced by the financial adviser (Freeman Corporate Finance Limited) to the Company on or around 17 February 2014. Subsequent to the introduction of Mr. Lee to the Company, the Company started the preliminary assessment on the Target Group.

Other than the acquisition of 13.71% equity interest in the PRC Company A by Mr. Lee's wholly-owned subsidiary from Fujian Start (an Independent Third Party to the Company) in December 2013 at a cost of RMB34,275,000 (equivalent to HK$42,844,000), Mr. Lee and/or his associate has no other relationship, business, financial or otherwise with Fujian Start.

Other than the acquisition of 69.29% equity interest in the PRC Company A by Mr. Lee's wholly-owned subsidiary from Link Merit Venture Limited ("Link Merit") in February 2014 at a cost of HK$230,000,000, Mr. Lee and/or his associate has no other relationship business, financial or otherwise with Link Merit.

Link Merit is a company incorporated under the laws of the British Virgin Islands, whose ultimate beneficial owner is an Independent Third Party to the Company.

Mr. Lee originally intended to hold the Target Group long term with a view of floating the Target Group in the future in Hong Kong but since discussion with the Company went well and he is satisfied with the return on investment from disposing the Target Group, he decided to cash in by agreeing to sell the same to the Company.

Due diligence measures taken by the Company on the Target Group

Subsequent to the introduction of Mr. Lee to the Company in February 2014, the Company has conducted a series of due diligence measures on the Target Group before proceeding to the Acquisition Agreement including but not limited to:

- study of background of the Target Group such as its business model, revenue model, historical financial performance, prospects, the industry background, the customer base, major assets and liabilities;

- review of public information of the PRC Company A and its subsidiaries in the public domain;

- discussion with the senior management of the Target Group and site visits to the headquarter and operation base of the Target Group which are located in Fuzhou and Jiangsu;

- review of market comparables and the draft valuation report on the PRC Company A and its subsidiaries provided by the independent valuer; and

- engagement of and discussion with PRC legal counsel; review of PRC law governed documents by the PRC legal counsel.

The above mentioned due diligence work helped the Company to understand the business and the potential of the Target Group. As a result, the Company decided to proceed with further negotiation with the Vendor for the Acquisition and to formulate formal agreement. As the due diligence (including but not limited to all business, assets and liabilities, legal and financial matters), auditing and valuation of the Target Group have yet to be completed and the results of due diligence has been included as a conditions precedent to the Acquisition Agreement, the results of due diligence has not yet been completed as at the date of this announcement.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Vendor conditionally agrees to sell and the Purchaser conditionally agrees to purchase the Sale Shares, representing all the issued share capital of the Target Company. The Target Company indirectly holds 83% equity interests in the PRC Company A. The PRC Company A holds 75% equity interests in the PRC Company B and 76.9231% equity interests in the PRC Company C respectively.

Consideration

The Consideration for the Acquisition is HK$253,466,000, which shall be payable to the Vendor in full on Completion.

The Consideration was determined after arm's length negotiations between the Company and the Vendor, and taking into account a number of factors including (i) the historical financial performance of the Target Group; (ii) the preliminary valuation on the PRC Company A and its non-wholly owned subsidiaries, i.e. the PRC Company B and the PRC Company C, which was prepared by an independent valuer, according to which the market value of 100% equity interests in the PRC Company A as at 28 February 2014 was HK$357 million (the "**Preliminary Valuation**"). Therefore, the market value attributable to 83% equity interests in the PRC Company A and its non-wholly owned subsidiaries is HK$296.31 million; (iii) the business prospects of the Target Group; (iv) loan payable to an Independent Third Party of the amount of RMB34,275,000 (HK$ equivalent to approximately HK$42,844,000) by one of the subsidiaries of the Target Group for the acquisition of 13.71% equity interest in the PRC Company A; and (v) the adjustment mechanism of the Consideration.

The Valuation Report and the Preliminary Valuation is yet to be finalized. In the event that the Valuation shall be less than the amount of HK$357 million, the Consideration will be adjusted on a dollar to dollar basis as stated in paragraph under the "Adjustment to Consideration" below.

Basis of Preliminary Valuation/Valuation

The Preliminary Valuation is prepared based on guideline public company method, which is one of the market approaches. The Preliminary Valuation is determined with reference to the unaudited consolidated financial performance of PRC Company A for the year ended 31 December 2013, and the valuation multiples including price to earnings (P/E multiple) and enterprise value to earnings before interest, tax, depreciation and amortization(EV/EBITDA multiple) of comparable companies as of 28 February 2014.

The following major assumptions have been adopted in arriving at the Preliminary Valuation:

- There will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of PRC Company A and its subsidiaries;

- The conditions in which the businesses are being operated and which are material to revenue and costs of businesses will remain unchanged;

- The information have been prepared on a reasonable basis after due and careful consideration by the management of PRC Company A and its subsidiaries;

- Competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of PRC Company A and its subsidiaries;

- All licenses and permits that is essential for the operation of PRC Company A and its subsidiaries can be obtained and are renewable upon expiry; and

- There are no hidden or unexpected conditions associated with the companies valued that might adversely affect the Valuation. Further, it is assumed that no responsibility for changes in market conditions after the valuation date of the Valuation Report.

Since the Preliminary Valuation/Valuation was not prepared based on discounted cash flows or projections of profits, earnings or cash flow of the Target Group, it is not regarded as a profit forecast according to Rule 14.61 of the Listing Rules.

The comparable companies used in determining the Valuation are Jolimark Holdings Limited (2028.HK), Lenovo Group Limited (992.HK), PAX Global Technology Limited (327.HK), Leo Systems Inc. (5410.TT), Partner Tech Corp. (3097.TT) and Seiko Epson Corporation (6724.JT). They are companies either listed on stock exchanges of Hong Kong, Taiwan or Japan, and are engaged in the sales of printers, or computers and terminals, or point-of-sale (POS) electronic products and related services. Median P/E multiple and EV/EBITDA multiple of comparable companies of 14.2 and 7.0 respectively as of 28 February 2014 are applied to the unaudited consolidated net profit after tax and non-controlling interests and earnings before interest, tax, depreciation and amortization (EBITDA) of the PRC Company A and its subsidiaries in deriving the Preliminary Valuation/Valuation, which are HK$28,864,000 and HK$53,699,000 respectively for the year ended 31 December 2013. The values determined with reference to P/E and EV/EBITDA are weighted evenly, after which marketability discount of 24% and control premium of 31% are applied in deriving the Preliminary Valuation.

The cash Consideration is intended to be funded by the internal resources of the Group. It is the Company's current intention that the Consideration will be satisfied by the Group's existing cash resources and additional funds to be generated from partial disposal of the Group's securities trading portfolio and/or from repayments of loan receivables. As at the date of this announcement, the Company does not have any fund raising plan.

Taking into account the above factors, the Directors are of the view that the Consideration is fair and reasonable.

Conditions precedent

Completion is conditional upon the following conditions having been fulfilled or waived (as the case may be):–

(a) The Purchaser having received a legal opinion on PRC laws (in such form and substance to the Purchaser's reasonable satisfaction) covering the following major issues:–

(i) each of the PRC Subsidiaries having been duly established and validly subsisting;

(ii) the legality of the operation and business of the Operating Subsidiaries in all material respects;

(iii) each of the Operating Subsidiaries having obtained the permits for their operation and business and all such permits being in full force and effect;

(iv) each of the Operating Subsidiaries (if applicable) having obtained the rights to use and occupy the properties leased to or by each of them;

(v) the legality and validity of the material contracts entered into by the Operating Subsidiaries; and

(vi) the intellectual properties of the Target Group are valid and subsisting and owned by the relevant Target Group's company free from encumbrances.

(b) the Purchaser having conducted and completed due diligence on all business, assets and liabilities, legal and financial matters and all such other matters as deemed necessary by the Purchaser in its absolute discretion, in relation to the Target Group, and the Purchaser being satisfied with the results of such due diligence in its absolute discretion;

(c) the Purchaser having received the Valuation Report in form and substance satisfactory to the Purchaser and the Valuation as stated in the Valuation Report shall be not less than HK$357 million;

(d) the EGM having been duly convened at which resolutions shall have been passed by the shareholders of the Purchaser, by way of a poll to approve the Acquisition Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;

(e) if applicable, the obtaining of all consents from any relevant government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Acquisition Agreement and any of the transactions contemplated thereunder; and

(f) the Purchaser being satisfied that on or before Completion the Vendor's warranties under the Acquisition Agreement remain true and accurate in all material respects and are not misleading or in breach in any material respect.

Conditions (a), (b), (c) and (f) above may be waived by the Purchaser at its sole discretion in whole or in part. However, the Purchaser does not have any current intention to waive any of the conditions.

In the event that any of Conditions (a), (b), (c) and (f) above is not satisfied, the Purchaser would only consider to grant waiver for the non-satisfaction on and subject to such terms and conditions as are determined by the Purchaser which are in the best interest of the Company and the Shareholders as a whole, and such terms and conditions may include, for instance, the non-satisfaction does not relate to a matter of material nature and/or the consequence of the non-satisfaction may be satisfactorily compensated, remedied or indemnified by the Vendor. In any event, the Company would not consider granting any waiver if such waiver is not, in the view of the Directors, in the best interest of the Company and the Shareholders as a whole.

If the conditions above have not been waived (where applicable) or fulfilled on or before the Long Stop Date for whatever reason, the Acquisition Agreement shall cease and determine, and neither party shall have any obligations and liability towards each other hereunder save for any antecedent breaches of the terms hereof.

Adjustment to Consideration

If the Valuation as stated in the Valuation Report shall be less than the amount of HK$357 million as stated in the condition precedent (c) and the Purchaser elects at its sole discretion to waive the condition precedent (c) as stated above, then a downward adjustment (the "**Adjustment**") shall be made to the Consideration and the amount of Adjustment shall be deducted from the Consideration payable by the Purchaser as follows:

Adjustment = (a – b) x 83%

Whereas:

a being the amount specified under condition precedent (c); and

b being the Valuation as stated in the Valuation Report.

For avoidance of doubt, no adjustment of the Consideration is required if the Valuation as stated in the Valuation Report is equal or above the amount of HK$357 million. There is no limit on the downward Adjustment to Consideration.

Completion

Completion shall take place on the third Business Day after the date on which the above-mentioned conditions shall have been satisfied or, if applicable, waived by the Purchaser or such other date as the Purchaser and the Vendor may agree in writing.

Upon Completion, the Company will be beneficially interested in the entire equity interests in the Target Company and the Target Group will become subsidiaries of the Company and the accounts of the Target Company will be consolidated into the financial statements of the Group.

The Company intends to retain the current management team of the Target Group upon Completion and suitable candidates in the Target Group will be appointed as and when appropriate. No such suitable candidates has been identified or needed by the Target Group currently. However, suitable candidates will be appointed in view of their attributes and expertise namely, profound management experience in IT industry; excellent organizational and coordination skills; and good interpersonal and leadership skills. For the major management of the Target Group's biographies, please refer to the paragraph headed "**INFORMATION OF THE TARGET GROUP**".

The Company intends to appoint one or more director(s) who possess(es) strong IT background, knowledge and experience to the Board. Such appointment is intended to strengthen the credentials of the Board in the IT sector as well as enable the Board to effectively supervise, monitor and guide the future business development of the Target Group after the Acquisition. As at the date of this announcement, the Company has not yet identified any potential appointees to the Board, but will continue its search for appropriate candidates. Furthermore, as at the date of this announcement, the Company does not have any intention to appoint any directors or senior management of the Target Company (including Mr. Lee) as the Directors.

The terms of the Acquisition Agreement were determined after arm's length negotiations and on normal commercial terms. The Directors consider the terms and conditions of the Acquisition Agreement to be on normal commercial terms, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

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; properties investments; securities trading and money lending business. The Company implemented a diversification strategy aimed at identifying suitable investment opportunities including diversifying the Group's revenue stream in order to enhance Shareholders' value.

As stated in the annual report 2013 of the Company, the Group's audited consolidated net loss for the year was approximately HK$107.99 million for the year ended 31 December 2013. The net asset value of the Group was approximately HK$924.86 million as at 31 December 2013 with total assets of approximately HK$992.43 million. Net current assets were approximately HK$832.27 million.

As stated in the annual report 2013 of the Company, as at 31 December 2013, the Group's cash and bank balance and financial assets at fair value through profit or loss were approximately HK$62.25 million and HK$629.31 million respectively. The Group is at an advantageous position to take on new investments when opportunities arise.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by the Vendor. The Target Company is an investment holding company which indirectly holds 83% equity interests in the PRC Company A. The PRC Company A is a sino-foreign joint venture company which is owned as to 69.29%, 13.71% and 17.00% by the Wealth Global, Qingdao Jiahuasheng and Fujian Start respectively. The PRC Company A is principally engaged in design, manufacturing and distribution of printers, terminals and computers and point-of-sale (POS) electronic products and provision of related services under its own brand name “Start” in the PRC.

The PRC Company A is interested in the PRC Company B and the PRC Company C as to 75% and 76.9231% respectively. The PRC Company B is principally engaged in computer software and hardware technology development, application systems integration; development and production of network communications products, information systems consulting services. The PRC Company C is principally engaged in software and technology development and printing outsourcing services in the PRC.

Business nature and business model of the Target Group

The Target Group is principally engaged in design, manufacturing and distribution of printers, terminals and point-of-sale (POS) electronic products and providing information technology services in the PRC. The Target Group is a specialist in the provision of a total solution for IT software and hardware (i.e. printers, terminals and POS electronic products) and related IT services to institutional clients under its own brand name “Start” in the PRC which requires high quality, accuracy and high efficiency. The Target Group is selling over 150 different kinds of products to a variety of institutional clients in the PRC. Major institutional clients come from the financial, insurance, governmental and other sectors.

The major operating subsidiary of the Target Group in the PRC, i.e. the PRC Company A, was established in 1995 and has nearly 20 years of experience in design, manufacturing and distribution of printers, terminals and point-of-sale (POS) electronic products and providing information technology services in the PRC. Its headquarter and operation base are located in Fuzhou and Jiangsu, the PRC. The Target Group has a nationwide coverage in the PRC. The Target Group is and continues to be one of the leading specialists in the information communication technology (ICT) sector in the PRC.

As at the date of this announcement, except for the PRC Company A, the PRC Company B and the PRC Company C, all other companies in the Target Group are investment holding companies, whose principal activity are their holding of the shareholding or equity interest of their respective subsidiary.

Core business of the Target Group

Printer business:

In traditional industries like finance, insurance, communications sector, the Target Group is committed to providing these customers with total printing solutions and related data/report processing. The major products include report printers, receipt printers, passbook printers, specialty printers (micro), line printers and printing solutions (integrated into the printers).

Terminal business:

The Target Group's major terminal products are thin client terminal products, counter computer equipment for financial institutions, XPE terminal, intelligent terminal, integrated computer and equipment, and cloud-based computer terminals. Meanwhile, other terminal products also include ancillary products like terminal display, cables, identity discern equipment.

POS business:

With the growing popularity of bank card and rapid growth in electronic payment system development, POS business of the Target Group focused on development and manufacturing POS equipment for banking sector, ancillary equipment and supporting software development. Major products include POS, Phone POS, Multi-media POS, Multi-purpose POS, etc..

Provision of printing outsourcing service and other related information technology services:

The provision of data processing and printing outsourcing services to clients including data processing on insurance policy and letters, data processing and reporting, billing production for the securities industry, delivery of policy and letters to customers, intelligent scanning and image file management and information system development.

Research and IT capabilities

The research and technology department of the Target Group is principally responsible for research, design and development of IT products and IT solutions. The registered IT products and solutions include:

- Patents in IT products and IT solutions: currently has over 40 active patents;
- IT Software: over 20 software copyright;
- Trademark: around 70 registered trademark

Major patents for design and manufacturing of printers, terminals, terminal peripherals and point-of-sale (POS) electronic products and the provision of printing outsourcing service and other information technology services include design on integrated circuit board, control software, production software, management software, application software and driver software for different types of printers, terminals, terminal peripherals and POS devices.

Major trademarks include brandname "Start" registered in different categories for better protection of its brandname and intellectual property of the Target Group.

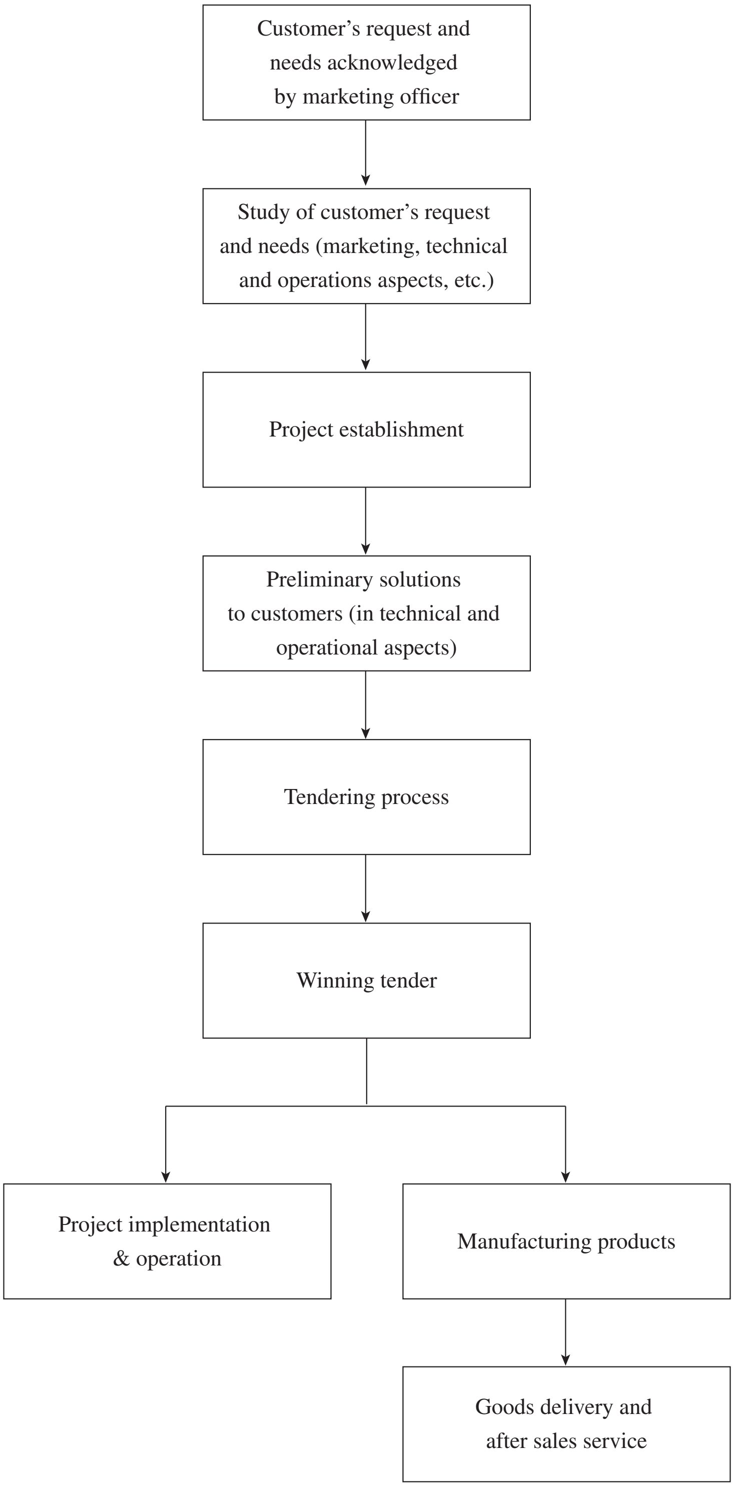
The PRC Company A and its subsidiaries have participated in many IT programs under the China Torch Program (國家火炬計劃重點項目) which is a landmark technology program implemented under the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部). The program led to newly invented products like START multi-function POS TCR—200, START LQ—1900KPro/K general printer and START WT—5000 Windows Terminal.

The PRC Company A and its subsidiaries has carried out many technological projects and data processing research at both provincial-level and municipal level. It is one of the pioneer IT specialists in data processing for the financial and insurance sector and was recognized as the high-technology company in the Fujian province and as the first intellectual properties recognized enterprise (第一批國家級知識產權優勢企業) by the State Intellectual Property Office of the PRC (國家知識產權局).

The Target Group has about 219 research and development staffs, including 24 senior engineers and 48 immediate-level engineers.

As at the financial year date of the Target Group (i.e. 31 December 2013), the number of staff is approximately 1,036.

Simplified business model of the Target Group's business

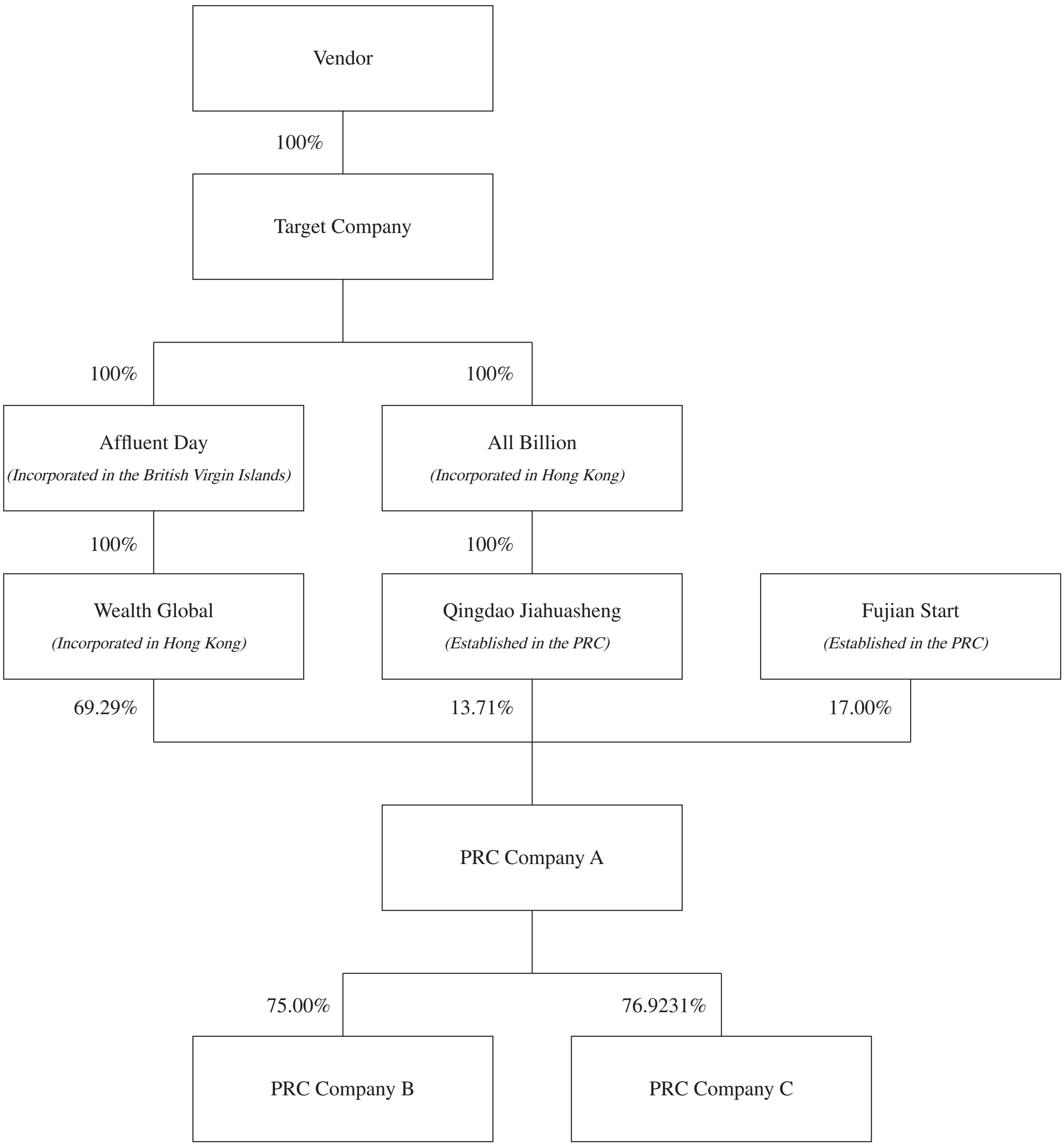


Upon Completion, the Target Group will become subsidiaries of the Company and the accounts of the Target Group will be consolidated into the financial statements of the Group.

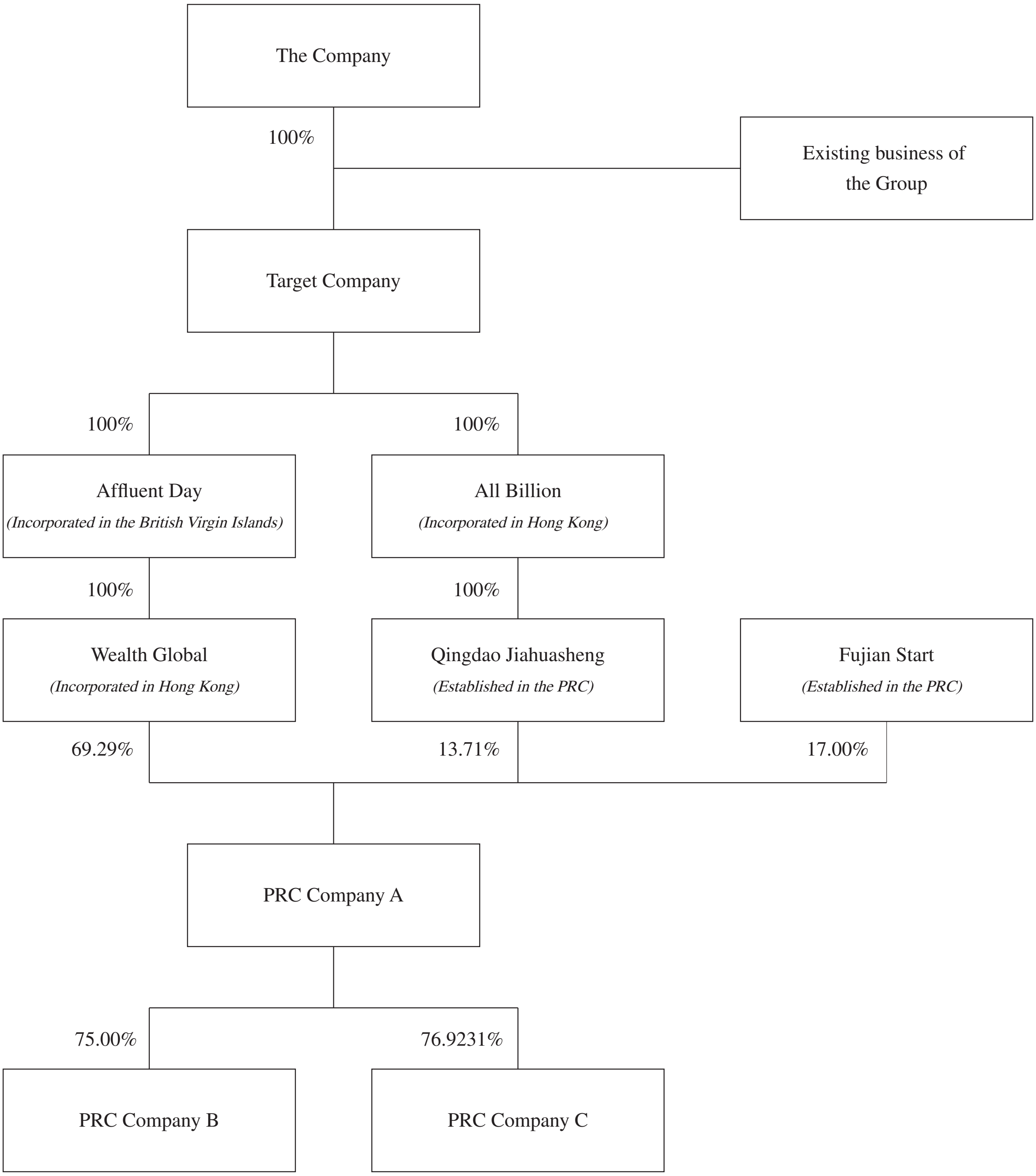
Trading prospects of the Target Group

Taking into account the steady GDP growth in the PRC; continuous information technology infrastructure development in the financial sector; governmental promotion of electronic administration in second and third tiers cities and at the county level; fiscal bills and invoice computerization; the rapid development of e-commerce, internet and mobile internet; diversification of means of electronic payments, etc. in the recent decades, the ICT players in the PRC face huge business opportunities. Thus, it is believed that demand for the Target Group's products like printers, commercial computers and terminals, POS products will continue to play an important role in information technology market and its demand will continue to grow in the coming years.

Set out below is the shareholding structure of the Target Group before the Acquisition:–



Set out below is the shareholding structure of the Target Group upon Completion:–



Major management of the Target Group's biographies:

Mr. Qin Fenyong

Mr. Qin, aged 46, is the General Manager of the PRC Company A. Mr. Qin joined the PRC Company A since 2012 and he holds a Bachelor's Degree in Computer Management from the Fujian Normal University (福建師範大學). Mr. Qin has over 20 years of profound experience in the management, marketing and sales management in the IT industry. Prior joining to the PRC Company A, Mr. Qin has been the Deputy General Manager of a subsidiary of Fujian Star-net Communication Co., Ltd. (福建星網銳捷通訊股份有限公司) which is a company listed on Shenzhen Stock Exchange (002396) from 2002 to 2012 specializing in marketing and sales function and introduction of IT products and enlargement of market share. Mr. Qin is responsible for overseeing the whole operation and performance of the PRC Company and its subsidiaries. His specialties are sales, marketing and people management in the ICT industry and the Company considers that his rich experience in the ICT industry is valuable to the future business development of the Target Group and to retain him as a senior management of the Target Group.

Mr. Ceng Kaizhong

Mr. Ceng, aged 46, is the Deputy General Manager of the PRC Company A. Mr. Ceng has joined the PRC Company A since 1993 and he holds a Bachelor's Degree in Biomedical Engineering and Instrument from the Xian Jiaotong University (西安交通大學) and is a Senior Engineer. Mr. Ceng has over 20 years of profound experience in the marketing management in the IT industry. Mr. Ceng has been recognized as an "Outstanding Staff of Start" in 2000. Mr. Ceng is responsible for day-to-day operation of printer business and his major role in the Target Group is sales and marketing and research and products development in the printer business. The Company considers that his seasoned experience in the ICT industry is valuable to the future business development of the Target Group and to retain him as a senior management of the Target Group.

Mr. Zhang Darong

Mr. Zhang, aged 51, is the Chief Engineer of the PRC Company A; Chairman and General Manager of the PRC Company B. Mr. Zhang joined the PRC Company A in 1995 and he holds a Bachelor's Degree in Computer Technology from Fuzhou University（福州大學）and is a Senior Engineer. Mr. Zhang has over 20 years of experience in the management of research and development in the IT industry and is an expert in the printer field. Mr. Zhang has also been the Secretary-General of the Printer branch of China Computer Federation. Mr. Zhang has been receiving expert subsidies from the State Council since 2002 and has been recognized as the top 10 outstanding staff by the provincial committee for the duties of directly affiliated departments (獲省直工委十佳優秀職工稱號). During his tenure, Mr. Zhang has taken charge of various research and development projects, has been awarded 1 second-class annual provincial prize and 5 third-class annual provincial prizes for progress in science and technology, as well as 1 second-class annual municipal prize and 6 third-class annual municipal prizes for progress in science and technology（年省科技進步二等獎一次、三等獎五次，市科技進步二等獎一次、三等獎六次）, and has completed 9 national projects, 9 provincial projects and 3 municipal science and technology projects（國家級項目9項、省級項目9項、市科技計劃項目3項). His major role in the Target Group is research and products development, IT infrastructure establishment and management and ISO maintenance. His specialties are leading the China Torch Program and Chief Engineer of the Target Group. The Company considers that his seasoned experience in the ICT industry is valuable to the future business development of the Target Group and to retain him as a senior management of the Target Group.

Mr. Pan Changqin

Mr. Pan, aged 50, is the Chairperson and General Manager of the PRC Company C. Mr. Pan joined the PRC Company A since 1995 and he has over 20 years of profound experience in technical, sales and marketing management in the IT industry. During his tenure with the PRC Company C, Mr. Pan solved many technical problems on behalf of the customers and achieved excellent sales record. Mr. Pan participated in and graduated from the EMBA CEO training program of Shanghai Jiao Tong University（上海交通大學）between 2012 and 2013. His specialties are excellent sales and marketing power with his strong engineering background and Mr. Pan is responsible for day-to-day operation of IT services provision and printing services. The Company considers that his seasoned experience in the ICT industry is valuable to the future business development of the Target Group and to retain him as a senior management of the Target Group.

FINANCIAL INFORMATION ON THE TARGET GROUP

A summary of the unaudited consolidated financial statements of the Target Group (Note 1) for the period commencing from the date of its incorporation of the Target Company to 31 December 2013 are as follows:

	Period from 9 January 2013 (date of incorporation) to 31 December 2013 *HK$* (unaudited)
Net loss before and after tax	(3,000)

	As at 31 December 2013 *HK$* (unaudited)
Net liabilities	(5,000)

The accounts as summarized above have been prepared in accordance with HKFRS.

Note 1: The unaudited consolidated financial statements of the Target Group includes the financial information of the Target Company, 100% interest in All Billion, 100% interest in Qingdao Jiahuasheng and 13.71% interest in PRC Company A and its subsidiaries (which was acquired in December 2013). The 69.29% interest in PRC Company A and its subsidiaries was subsequently acquired in February 2014 through the acquisition of Affluent Day and its subsidiaries by the Target Company. Thus, the above financial information has not consolidated the financial statements of Affluent Day and its subsidiaries as at 31 December 2013.

Set out below is the unaudited consolidated net profit/(loss) before tax and after tax and non-controlling interests of the PRC Company A and its subsidiaries for the year ended 31 December 2012 and 31 December 2013 and the unaudited net assets of the PRC Company A and its subsidiaries as at 31 December 2013 based on the consolidated financial statements of the PRC Company A and its subsidiaries as prepared under the HKFRS:

	For the year ended 31 December	
	2013	**2012**
	HK$	*HK$*
	(unaudited)	(unaudited)
	(note 1)	*(note 1)*
Net profit/(loss) before tax	36,361,000	(65,834,000)
Net profit/(loss) after tax and non-controlling interests	28,864,000	(75,218,000)

	As at 31 December 2013
	HK$
	(unaudited)
	(note 1)
Net assets	214,767,000

Note 1: The consolidated financial statements of the PRC Company A and its subsidiaries for the years ended 31 December 2012 and 2013 were prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises established in the PRC ("PRC GAAP") and were audited by the certified public accountants, registered in the PRC. However, the consolidated financial statements of the PRC Company A and its subsidiaries for the years ended 31 December 2012 and 2013 have not been audited in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Therefore, the above financial information of the PRC Company A and its subsidiaries was prepared based on unaudited consolidated financial statements. There is no significant difference between the unaudited financial information prepared under HKFRS and the audited financial information prepared under PRC GAAP for the years ended 31 December 2012 and 2013.

In the two financial years ended 31 December 2012 and 2013, the Target Group has experienced an extensive scale of restructuring with an aim to streamline the operation and increase operational efficiency and profitability in the long run. As a result of relatively inefficient operation and management as well as restructuring program taken place in 2012, there was a net loss incurred in the financial year ended 31 December 2012. The net loss in 2012 was mainly due to decrease in turnover, compensation expenses incurred due to the lay-offs of employees, increase in the cost of goods sold, selling expenses and general and administrative expenses and decrease in value of stock during the year, etc.

The PRC Company A and its subsidiaries have taken a series of reform measures which led to a significant performance turnaround in 2013. The major reform measures implemented in 2013 focused on two aspects:

(1) The operating system of the PRC Company A and its subsidiaries was restructured in a scientific manner, namely that: (i) the organization structure and deployment of staff were adjusted from a corporate perspective, redundant back-office and assisting staffs were laid off, separate assessments of each product line were conducted and the performance assessment system was refined; (ii) the company's procurement system and procedures were restructured; and (iii) sales management tools were introduced in order to improve the expertise and professional ethics of the sales team and to formulate a scientific and equitable assessment system.

(2) The operating efficiency of the PRC Company A and its subsidiaries was enhanced, namely that: (i) the product lines were streamlined in early 2013 according to the competition strategy, a three-year goal was identified, the marketing strategies of each product line were formulated and the implementation of such strategies were monitored/adjusted through regular monthly marketing meetings; (ii) the sales regions were redefined and the staffs were redeployed; (iii) to lay down the foundation of growth in 2014 and increased its investment in 2013 according to the marketing strategies of each product line for major accounts; (iv) the restructuring of the after-sale service model was basically completed and the cost of services was effectively lowered; (v) an initial research and development management system was established by introducing research and development management systems; (vi) digitalized management systems were developed or improved according to the management needs of the company and departments; and (vii) introduced and operated new surface mount technology (SMT) production lines which enhanced the production capacity.

During 2013, the Target Group has changed its customer mix to focus on the customers with high sales volume or profit margin and expand its distribution network. Firstly, the Target Group won the tender from one of the major institutional customers, for bulk sales of the terminals, which contributed HK$88.30 million to the sales in 2013. Secondly, the Target Group has co-operated with the distributors to expand its sales network. During 2013, the Target Group signed a distribution agreement with a distributor for selling certain models of printers. The sales to this distributor contributed HK$60.09 million to the sales in 2013, compared with only HK$2.77 million in 2012. Overall, the sales increased by approximately HK$56.15 million or 9.26% from HK$606.34 million in 2012 to HK$662.49 million in 2013.

While the cost of sales in 2013 (HK$480.19 million) remained at the similar level as 2012 (HK$470.41 million), the gross profit in 2013 was increased by approximately HK$46.37 million or 34.11% to HK$182.30 million from HK$135.93 million in 2012.

As mentioned above, the PRC Company A and its subsidiaries have changed its organization structure and deployment of staff was adjusted from a corporate perspective, redundant back-office and assisting staff were laid off. As over 200 staff were laid off since the end of 2012, the total staff cost in 2013 decreased significantly. As a result, staff cost decreased by approximately HK$19.20 million or 21.26% from HK$90.32 million to HK$71.12 million in 2013.

Due to the restructuring program was carried out from the end of 2012, the system on the impairment assessment of inventories was enhanced. The management of the Target Group has carried out a thorough impairment assessment on the inventories based on the timely market information, market trend and the customers' preference at the end of 2012 and write down of inventories of HK$26.79 million to its net realizable value was recognized in 2012. Regular impairment review by the management was implemented. Based on the impairment assessment performed by the management of the Target Group, a write down of inventories of HK$8.59 million was recognized in 2013, representing a decrease of 67.94% from 2012.

Leverage on results of the restructuring program taken place in 2012 and 2013, the efficiency and effectiveness of the management team of the Target Group has been enhanced and the financial performance for the year ended 31 December 2013 has reflected such improvement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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; properties investments; securities trading and money lending business.

As part of its investment strategy, the Group has been identifying and exploring suitable projects and/or investments with good profit potential for acquisition so as to diversify the Group's business and bring return to the Shareholders. In the past financial years, the Group has accumulated investment experience in the business of selling and distribution of Nissan motor vehicles, operation of the Nissan 4S shops, provision of heavy motor vehicle repair and maintenance services in the PRC; the provision of logistics services in Hong Kong and the PRC. As stated in the annual report 2013 of the Company, the Group is at an advantageous position to take on new investments when opportunities arise. While focusing on its principal business of properties investments; securities trading and money lending business through its subsidiaries and provision of logistic services in Hong Kong and the PRC through its associated company, the Board considers that (i) the Acquisition is in line with the Group's investment strategy and would allow the Group to tap into ICT business in the PRC with growth potential; and (ii) the Target Group is one of leading ICT business players with a solid asset base and source of income and upon Completion, the Group is able to consolidate the revenue, profits and assets of the Target Group and the financial performance and position of the Group could be improved. Therefore, the Board considers that the Acquisition would enable the Company to gain an opportunity to share the returns generated from the Target Group and further strengthen the Group's revenue base as a whole. Following Completion of the Acquisition, the Company intends to retain its existing business and the Target Group's ICT business will also become one of the principal businesses of the Enlarged Group.

Save for the Acquisition Agreement, as at the date of this announcement, the Company has not entered or proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to acquire any new assets/businesses/companies and/or to dispose of the existing business, investments and/or assets of the Group save for actions taken in the ordinary course of business of the Group and to be taken in connection with payment of Consideration (as referred under paragraph headed "**Basis of Preliminary Valuation/ Valuation**").

In view of the above, the Directors believe the Acquisition is in the best interests of the Company and its Shareholders as a whole. In addition, the Directors consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to approval by Shareholders at the EGM pursuant to Chapter 14 of the Listing Rules.

The Acquisition Agreement and the Acquisition are subject to (among other conditions precedent), and shall take effect upon approval by the Shareholders at the EGM. The EGM will be convened and held for Shareholders to consider and, if thought fit, to approve the Acquisition Agreement and the Acquisition. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition. As such, no Shareholders would be required to abstain from voting on the resolution(s) approving the Acquisition at the EGM.

GENERAL

In connection with the EGM, a circular containing, among other things, (i) further details of the Acquisition Agreement and the Acquisition; (ii) the accountants' report of the Target Group; (iii) the pro forma financial information of the Enlarged Group as a result of the Acquisition; (iv) a notice convening the EGM; and (v) other information required to be disclosed under the Listing Rules is expected to be despatched to the Shareholders on or before 15 July 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended from 3:15 p.m. on 2 May 2014 at the request of the Company pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 5 June 2014.

As Completion is conditional upon satisfaction (or, if applicable, waiver) of the conditions precedent as set out under the section headed "Conditions precedent" in this announcement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

"Acquisition"	the acquisition of the entire issued share capital of the Target Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement entered into between the Purchaser and the Vendor on 2 May 2014 in respect of the Acquisition

"Affluent Day"	Affluent Day Limited, a company incorporated in the British Virgin Islands with limited liability on 10 January 2012, which is wholly owned by the Target Company
"All Billion"	All Billion Development Limited, a company incorporated in the Hong Kong with limited liability on 31 January 2013, which is wholly owned by the Target Company
"Board"	the board of Directors
"Business Day(s)"	means a day on which banks in Hong Kong are open for business other than (i) a Saturday or (ii) a "general holiday" as defined in Section 2 of the General Holidays Ordinance Cap.149, or one of the days specified from time to time in the schedule to that Ordinance as being "general holidays" under Section 3 thereof or (iii) a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon and "**Business Days**" shall be construed accordingly
"Company"	Forefront Group Limited (Stock Code: 885), a company incorporated in Cayman Islands with limited liability, the Shares are listed on the main board of the Stock Exchange
"Completion"	the completion of the Acquisition Agreement
"Consideration"	the consideration of the Acquisition
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group and the Target Group upon Completion
"Fujian Start"	福建實達集團股份有限公司 (Fujian Start Group Company Limited), a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange in the PRC. The principal business of Fujian Start is real estate business and non-ferrous metals trading business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Fujian Start and its ultimate beneficial owner are Independent Third Parties
"Group"	the Company and its subsidiaries
"HKFRS"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	person(s) or company(ies) who/which is/are not connected with the Company, any of the director, chief executive or substantial shareholders (as defined under the Listing Rules)

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 October 2014 or such later date as the Purchaser and the Vendor may agree in writing
"Mr. Lee"	Mr. Lee Tai Hay, being the ultimate beneficial owner of the Vendor
"Operating Subsidiaries"	means PRC Company A, PRC Company B and PRC Company C
"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
"PRC Company A"	福建實達電腦設備有限公司 (Fujian Start Computer Equipment Co. Limited), a sino-foreign equity joint venture company established in the PRC on 12 May 1995, which is owned as to 69.29%, 13.71% and 17.00% by the Wealth Global, Qingdao Jiahuasheng and Fujian Start respectively, the registered capital of which is RMB148.1818 million. Both Wealth Global and Qingdao Jiahuasheng are indirect wholly-owned subsidiaries of the Target Company
"PRC Company B"	福建實達資訊科技有限公司 (Fujian Start Information Technology Co. Ltd.), a sino-foreign equity joint venture company established in the PRC on 13 May 2004, which is owned as to 75% and 25% by PRC Company A and Interstar Holdings Limited (實達國際控股有限公司) respectively. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the ultimate beneficial owners of Interstar Holdings Limited (實達國際控股有限公司) are third parties independent of and not connected with the Company and its connected persons

“PRC Company C”	江蘇實達迪美數據處理有限公司, a company established in the PRC on 19 January 2009, which is owned as to 76.9231%, 6.5385%, 3.8462%, 5.7692%, 5.7692% and 1.1538% by the PRC Company A and five other shareholders of the PRC Company C respectively. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of the shareholders of the PRC Company C other than the PRC Company A is an individual and is a third party independent of and not connected with the Company and its connected persons
"PRC Subsidiaries"	means Qingdao Jiahuasheng and the Operating Subsidiaries
“Purchaser”	the Company
“Qingdao Jiahuasheng”	青島嘉華盛投資顧問有限公司 (Qingdao Jiahuasheng Investment Consulting Co. Ltd.), a company established in the PRC on 21 November 2013, which is wholly owned by All Billion
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	one (1) ordinary share of par value US$1.00 issued by the Target Company to the Vendor and one (1) ordinary share of par value US$1.00 to be issued and allotted by the Target Company to the Vendor on or before Completion for capitalization of the whole of existing shareholder’s loan in the sum of HK$786,326.20 due from the Target Company to the Vendor, which will immediately prior to Completion be legally and beneficially owned by the Vendor and to be bought and sold on the terms of the Acquisition Agreement
“Share(s)”	ordinary shares with par value of HK$0.001 each in the share capital of the Company

"Shareholders"	holders of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"Target Company"	Smart Express Development Limited, a company incorporated in the British Virgin Islands on 9 January 2013, being a wholly-owned subsidiary of the Vendor
"Target Group"	the Target Company and its subsidiaries
"Valuation"	the valuation of the market value of 100% equity interest in the PRC Company A and its subsidiaries as at 28 February 2014 and expressed in HK$
"Valuation Report"	the valuation report prepared by the independent valuer, i.e. Cushman & Wakefield Valuation Advisory Services (HK) Limited, which will be set out in the circular
"Vendor"	Most Joyful Limited, a company incorporated in the British Virgin Islands with limited liability on 2 January 2013, which is wholly-owned by Mr. Lee
"Wealth Global"	Wealth Global Investment Limited（世康投資有限公司）, a company incorporated in Hong Kong with limited liability on 13 July 2012, which is wholly-owned by Affluent Day
"%"	per cent

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

Hong Kong, 4 June 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. Wen Louis
Mr. Tsang To
Ms. Ng Si Wai

Independent Non-executive Directors
Mr. Chung Yuk Lun
Ms. Lam Yan Fong, Flora
Mr. Pak William Eui Won

\# *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*