

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim and liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

**(1) MAJOR TRANSACTION – ACQUISITION OF THE NOTES
AND**

(2) CHANGE PART OF USE OF PROCEEDS FROM THE RIGHTS ISSUE

MAJOR TRANSACTION

The Company is pleased to announce that after trading hours on 20 January 2012, the Purchaser entered into the Agreement with the Vendor pursuant to which the Vendor had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase the Notes with an aggregate principal amount of HK\$300 million at a total consideration of HK\$265 million.

The Consideration has been/shall be satisfied by the Purchaser in the following manner: (i) HK\$26.5 million has been paid to the Vendor as refundable deposit, upon execution of the Agreement; and (ii) HK\$238.5 million, being the remaining balance of the Consideration, shall be paid to the Vendor or its nominee upon Completion.

As the applicable percentage ratios to the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under the Listing Rules. The Acquisition is subject to the approval of the Shareholders at the EGM.

* For identification purpose only

The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolutions to approve the Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Acquisition and the notice of the EGM, is expected to be dispatched to the Shareholders on or before 15 February 2012.

CHANGE PART OF USE OF PROCEEDS FROM THE RIGHTS ISSUE

As stated in the Company's previous disclosure relating to the rights issue completed in May 2011, the proposed net proceed would be used as general working capital of which approximately 10% of net proceeds will be applied for the payment of operating expenses; approximately 45% of net proceeds will be applied for the expansion of existing business operations, such as selling and distribution of Nissan motor vehicles, operation of Nissan 4S shops, provision of heavy motor vehicle repair and maintenance services in the PRC; provision of logistic services in Hong Kong and in the PRC; investment in forest interest, properties investments, securities trading and money lending business; and approximately 45% of net proceeds will be retained as cash for increasing the Group's financial flexibility and to finance any investment opportunities if arise.

In order to better utilize the remaining proceeds from the Rights Issue, the Company resolved to apply the remaining unutilised proceeds from the Rights Issue for financing the business expansion of the Group as well as any attractive investment opportunities if arise, such as the Acquisition.

MAJOR TRANSACTION

The Company is pleased to announce that after trading hours on 20 January 2012, the Purchaser entered into the Agreement with the Vendor pursuant to which the Vendor had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase the Notes with an aggregate principal amount of HK\$300 million at a total consideration of HK\$265 million.

Date: 20 January 2012 (after trading hours)

Parties:

Vendor: Quinella International Incorporated, a company incorporated in the British Virgin Islands with limited liability which principally engages in investment holdings

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Quinella International Incorporated and its ultimate beneficial owners are independent of the Company and its connected persons.

Purchaser: Sino Wealthy Limited, is a company incorporated in the British Virgin Islands with limited liability which principally engages in trading of securities and is an indirect wholly-owned subsidiary of the Company

Asset to be acquired

The Notes

The principal terms of the Notes are summarized as follows:

(1) Issuer

Mascotte

(2) Aggregate principal amount

HK\$300 million

(3) Maturity Date

The second (2nd) anniversary of the issue date of the Notes (the “Scheduled Maturity Date”) or, if Mascotte elects in its discretion to extend the term of the Notes, the seventh (7th) anniversary of the issue date of the Notes (the “Maturity Date”).

(4) Interest

Interest shall accrue daily on the principal amount of the outstanding Notes at 2.5% per annum in respect of the period up to and including the Scheduled Maturity Date and thereafter interest shall accrue daily on the principal amount of the outstanding Notes at 12.5% per annum. Interest is payable quarterly in arrears.

(5) Transferability

The Notes will be freely transferable (in integral multiple of HK\$1,000,000 or such lesser amount representing the entire outstanding principal amount of the Notes).

(6) Voting rights

The holders of Notes are not entitled to attend or vote at any meetings of Mascotte.

(7) Final Redemption

Unless previously redeemed or purchased and cancelled, Mascotte shall redeem the Notes at the redemption price as mentioned below on the Maturity Date.

(8) Early redemption at Mascotte's option

Mascotte may redeem the Notes in whole or in part, at the redemption price as mentioned below at any time before the Maturity Date by giving notice in writing to the holders of the Notes ("Early Redemption Notice"). Redemption shall take place on the first Business Day falling 30 days after the date of the Early Redemption Notice.

(9) Early redemption at option of the holders of the Notes

Each holder of the Notes shall be entitled, upon giving written notice to Mascotte, to require Mascotte to redeem all (but not part only) of the Notes at the Redemption Price (as mentioned below) within 30 days following (i) a change of control of Mascotte or (ii) a delisting of the shares of Mascotte from the Stock Exchange. A “change of control of Mascotte” means an offer is made for all or substantially all of the shares of Mascotte under the Takeovers Code and such offer becomes or is declared unconditional in all respects. Redemption shall take place on the 10th Business Day after notice of such holder of the Notes.

The holders of the Notes shall not be entitled to require the early redemption of the Notes under any other circumstances.

(10) Redemption price

The redemption price (the “Redemption Price”) shall be an amount in Hong Kong Dollars equal to:

- (a) 100% of the principal amount of the Notes; plus
- (b) all interest accrued up to the date of redemption.

(11) Event of default

Events of default for a transaction include cross default.

(12) Status

The Notes, when issued, will constitute general, unsecured and unsubordinated obligations of Mascotte and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of Mascotte, except for obligations accorded preference by mandatory provisions of applicable law.

(13) Application for listing

No application will be made for the listing of, or permission to deal in, the Notes on the Stock Exchange, or any other stock exchange.

(14) Negative pledge

So long as any of the Notes remains outstanding, save for any security interests which have been created in favour of others and remain outstanding as at the date of issue of the Notes, Mascotte will not, and will procure that none of its subsidiaries will, create or have outstanding any mortgage, charge, pledge or other security interest upon the whole or any part of its property or assets, present or future to secure any Relevant Indebtedness or any guarantee of or indemnity in respect of any such Relevant Indebtedness, in each case without the written consent of the holders of the Notes holding 51% or more of the principal amount of Notes outstanding, unless, at the same time or prior thereto Mascotte's obligations under the Notes are secured equally and rateably therewith.

Notwithstanding the foregoing, Mascotte is only required to notify holders of the Notes in writing in advance in respect of any renewal or extension of any security interest for any Financial Indebtedness existing as at the date of issue of the Notes and no prior consent of any of the holders of the Notes is required in such cases.

“Relevant Indebtedness” means any future indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement). For the avoidance of doubt, Relevant Indebtedness shall not include any present indebtedness of Mascotte or any of its subsidiaries, any future indebtedness of Mascotte or any of its subsidiaries in the form of bank borrowings, trade debts, or other types of indebtedness incurred in the ordinary course of business of Mascotte or any of its subsidiaries.

“Financial Indebtedness” means any indebtedness for or in respect of moneys borrowed and debit balances with financial institutions.

Consideration:

The total consideration for the Acquisition being HK\$265 million, shall be paid in the following manner:

- (a) the Purchaser or its nominee, shall pay HK\$26.5 million as refundable deposit to the Vendor or its nominee upon execution of the Agreement; and
- (b) the Purchaser or its nominee, shall pay HK\$238.5 million, being the remaining balance of the Acquisition, to the Vendor or its nominee upon Completion.

The Company intends to finance the Acquisition by its internal resources. As at the date of this announcement, the Company has already paid HK\$26.5 million to the Vendor.

The Consideration represents a discount of approximately 11.67% to the aggregate principal amount of the Notes. The Consideration was agreed between the Purchaser and the Vendor after arm's length negotiations.

Having considered the interest income and the aforementioned discount to the aggregate principal amount of the Notes, the Directors consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

As has been widely covered across local and international financial media, global financial market are continuing experience significant levels of volatility, driven largely from the worsening sovereign debt crisis in Europe increased risk of recession in Europe, pressure on banks and exacerbated concerns in respect of slowing growth in the economy of China. Given the adverse market sentiments as mentioned, the Company is in the process of reviewing its securities investment strategies and money lending policies. The Company is currently in consideration of disposing certain of its securities investment portfolio and loan portfolio to interested parties if opportunities arise, in order to provide the Company more cash buffer against adverse market sentiment as well as more financial flexibility for financing attractive business opportunities (such as the Acquisition).

Conditions precedent:

The Agreement to sell and purchase the Notes is conditional upon the following conditions being satisfied or waived:

- (a) the passing by the Shareholders in an extraordinary general meeting of a resolution to approve the Agreement and the transactions contemplated herein, in accordance with the Listing Rules and the Purchaser's bye-laws or memorandum and articles of association, whichever is applicable; and
- (b) all necessary waivers, consents, licences and approvals, as applicable, from government or regulatory authorities and other third parties for the Purchaser to purchase the Notes have been obtained.

The Purchaser has no current intention to waive the above conditions as at the date of this announcement.

Completion:

Completion shall take place within five (5) Business Days after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

If any of the above conditions have not been satisfied or waived on or before the Long Stop Date, then the Agreement shall lapse and have no further effect, the Vendor shall forthwith return all monies paid by the Purchaser and the parties shall be released from all obligations.

Information on Mascotte

Mascotte is a company incorporated in Bermuda with limited liability and its issued shares are listed on the Stock Exchange. Mascotte is an investment holding company and together with its subsidiaries are principally engaged in the business of manufacturing solar grade polysilicon in Taiwan, investments and trading of securities, provision of financing, property investment and manufacturing of accessories for photographic and multimedia products.

Set out below is a summary of consolidated financial information of Mascotte for the two years ended 31 March 2011 and the six months ended 30 September 2011 (as extracted from the annual reports and interim report of Mascotte):

	For the financial year		For the
	ended 31 March		six months
	2011	2010	ended
	<i>Appr. HK\$</i>	<i>Appr. HK\$</i>	30 September
	<i>million</i>	<i>million</i>	2011
	(audited)	(audited)	<i>Appr. HK\$</i>
			<i>million</i>
			(unaudited)
Turnover	103	242	57
Net (loss)/profit before taxation	(241)	111	(349)
Net (loss)/profit after taxation	(244)	109	(351)

Financial effect arise from the Acquisition

Upon Completion, the Notes will be accounted as other investment under non-current assets of the Group.

As the Consideration is at discount to the total aggregate principal of the Notes, the Company expects to realise an acquisition gain upon Completion and accordingly, the total assets of the Group is expected to be increased. Further, the interest income to be received is expected to provide regular income to the Group.

Reasons for and benefits of the Acquisition

The Acquisition enhances the return of the Group's surplus cash reserves as it offers an interest rate of 2.5% per annum on the outstanding principal amount, payable quarterly which is higher than the saving rate offered by other commercial banks in the market. The Acquisition also provides stable interest income for the Group.

The Company noted that Mascotte being the issuer of the Notes, had just completed a very substantial acquisition in relation to manufacturing solar grade polycrystalline silicon in Taiwan. The Company has been seeking acquisition of new businesses and assets including renewable energy, where suitable opportunities arise. The Company believes that the Acquisition may help provide potential business opportunities between the Company and Mascotte. However, as at the date of this announcement, the Company and Mascotte have no discussion and there is no agreement and arrangement of any kind in relation to any business potentials between the Company and Mascotte. As at the date of this announcement, the Company indirectly owns 17,672,000 shares of Mascotte, representing approximately 0.39% of the existing issued share capital of Mascotte. The Company holds the aforementioned shares of Mascotte as short term investments.

The Directors consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

General

The Company is an investment holding company, and through its subsidiaries and associated company, is principally engaged in the business of provision of logistic services in Hong Kong and in the PRC; investment in forest interest; properties investments; securities trading and money lending business.

As the applicable percentage ratios to the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under the Listing Rules. The Acquisition is subject to the approval of the Shareholders at the EGM.

The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolutions to approve the Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Acquisition and the notice of the EGM, is expected to be dispatched to the Shareholders on or before 15 February 2012.

CHANGE PART OF USE OF PROCEEDS FROM THE RIGHTS ISSUE

As stated in the Company's previous disclosure relating to the rights issue completed in May 2011 (the "Rights Issue"), the proposed net proceeds would be applied as general working capital, of which approximately 10% of net proceeds will be applied for the payment of operating expenses; approximately 45% of net proceeds will be applied for the expansion of existing business operations, such as selling and distribution of Nissan motor vehicles, operation of Nissan 4S shops, provision of heavy motor vehicle repair and maintenance services in the PRC; provision of logistic services in Hong Kong and in the PRC; investment in forest interest, properties investments, securities trading and money lending business; and approximately 45% of net proceeds will be retained as cash for increasing the Group's financial flexibility and to finance any investment opportunities if arise. As at the date of this announcement, the Company had already used approximately HK\$301.94 million, being approximately 77.32% of the actual net proceeds of the Rights Issue in the following manner:–

- approximately 4.66% of the actual net proceeds has been applied for operating expenses;
- approximately 45% of the actual net proceeds has been applied for expansion of the existing business operations; and
- approximately 27.66% of the actual net proceeds has been applied for financing the subscription of shares in a financial services group as announced by the Company in September 2011.

Accordingly, approximately HK\$88.57 million of the actual proceeds from the Rights Issue remained unutilized, and of which, approximately HK\$20.84 million was intended to use for operating expenses, and approximately HK\$67.73 million was intended to be retained as cash for increasing the Group's financial flexibility and to finance any investment opportunities if arise, under the Company's previous disclosure. In order to better utilize the remaining proceeds from the Rights Issue, the Company resolved to apply all the remaining unutilized balance of the net proceeds for financing the business expansion of the Group as well as any attractive investment opportunities if arise, such as the Acquisition.

DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Notes by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the note purchase agreement entered into between the Purchaser and Vendor in relation to the Acquisition
“Business Day(s)”	day(s) (other than a Saturday, Sunday and public holiday) on which the licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Board”	the board of Directors
“Company”	Forefront Group Limited (Stock Code: 885), a company incorporated in Cayman Island with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	the consideration payable to the Vendor for the Acquisition
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, pass the resolutions to approve the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	29 June 2012
“Mascotte”	Mascotte Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange (Stock code: 136)
“Notes”	2.5% unsecured bonds due 2014 in the aggregate principal amount of HK\$300 million issued by Mascotte
“PRC”	the People’s Republic of China
“Purchaser”	Sino Wealthy Limited, is a company incorporated in the British Virgin Islands with limited liability which principally engages in trading of securities and is an indirect wholly-owned subsidiary of the Company, being the purchaser of the Agreement
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

“Vendor” Quinella International Incorporated, a company incorporated in the British Virgin Islands with limited liability, principally engages in investment holdings

“%” per cent

By order of the Board of
FOREFRONT GROUP LIMITED
Yeung Ming Kwong
Chairman

Hong Kong, 20 January 2012

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

Executive Directors

Mr. Yeung Ming Kwong (*Chairman*)
Ms. Lo Oi Kwok, Sheree
Mr. Lam Yick Sing
Mr. Wen Louis
Mr. Zhuang You Dao

Independent Non-executive Directors

Mr. Chung Yuk Lun
Ms. Lam Yan Fong, Flora
Mr. Pak William Eui Won