
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Forefront Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

PLACING OF NEW SHARES UNDER A SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Placing Agent



KINGSTON SECURITIES LIMITED

A notice convening the EGM to be held on Friday, 23 July 2010 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. is set out on pages 12 to 13 of this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Shareholders so wish.

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
NOTICE OF EGM	12

DEFINITIONS

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

“Announcement”	the announcement dated 18 June 2010 issued by the Company in relation to the Placing
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong
“Company”	Forefront Group Limited (Stock Code: 885), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the board of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Friday, 23 July 2010 at 9:00 a.m. or any adjournment thereof for the purpose of approving the Placing Agreement and the grant of the specific mandate to the Directors for the issue of the Placing Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	30 June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	has the meaning ascribed to such term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the main board of the Stock Exchange

DEFINITIONS

“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of an aggregate of 1,250,000,000 new Shares, on a fully underwritten basis, pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on business in type 1 regulated activity (dealing in securities)
“Placing Agreement”	a conditional agreement entered between the Company and the Placing Agent dated 18 June 2010 in relation to the Placing
“Placing Price”	HK\$0.10 per Placing Share
“Placing Share(s)”	an aggregate of 1,250,000,000 Shares to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

Executive Directors:

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

Independent non-executive Directors:

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

Registered office:

P.O. Box 309, Uglan House
South Church Street, George Town
Grand Cayman, Cayman Islands
British West Indies

*Head office and principal place of
business in Hong Kong:*

Room 1103, 11/F.,
China United Centre
28 Marble Road
North Point
Hong Kong

6 July 2010

To the Shareholders

Dear Sir/Madam,

PLACING OF NEW SHARES UNDER A SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to the placing of an aggregate of 1,250,000,000 Placing Shares, on a fully underwritten basis, at the Placing Price of HK\$0.10 per Placing Share. The purpose of this circular is to provide you with further details of the Placing and the notice of EGM.

* For identification purpose only

LETTER FROM THE BOARD

THE PLACING AGREEMENT

Date

18 June 2010 (after trading hours)

Parties

- (i) The Company, as the issuer; and
- (ii) Kingston Securities Limited, as the placing agent.

Placing Agent

The Placing Agent has conditionally agreed to place an aggregate of 1,250,000,000 Placing Shares on a fully underwritten basis and will receive a placing commission of 2.5% on the gross proceeds of the number of Placing Shares being placed. The Directors (including the independent non-executive Directors) are of the view that the placing commission of 2.5% is fair and reasonable. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Placees

The Placing Agent agreed to place the Placing Shares on a fully underwritten basis, to not fewer than six Placees who and whose ultimate beneficial owners are to be third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company. Immediately after completion of the Placing, none of the Placees are expected to become a substantial Shareholder (as defined in the Listing Rules).

A number of investors have expressed their interest in the Placing Shares. In circumstances where the Placing Agent is required to take up the Placing Shares in their entirety, the Placing Agent will procure sub-placing agents to fulfill its underwriting obligations in accordance with the terms in the Placing Agreement, and the Placing Agent will from time to time ensure the Placing will comply with the relevant laws and regulations.

Placing Price

The Placing Price of HK\$0.10 represents (i) a discount of approximately 11.50% to the closing price of HK\$0.113 per share as quoted on the Stock Exchange on the Latest Practicable Date; (ii) a discount of approximately 15.97% to the closing price of HK\$0.119 per Share as quoted on the Stock Exchange on the date of the Announcement; and (iii) a discount of approximately 13.04% to the average closing price of approximately HK\$0.115 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Announcement.

LETTER FROM THE BOARD

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent on the date of the Placing Agreement with reference to the prevailing market price of the Share. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The Placing Shares

The 1,250,000,000 Placing Shares represent (i) approximately 44.47% of the existing issued share capital of the Company of 2,810,825,233 Shares as at the Latest Practicable Date; and (ii) approximately 30.78% of the issued share capital of the Company of 4,060,825,233 Shares as enlarged by the Placing upon completion of the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$125,000,000.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Conditions of the Placing

The Placing is conditional upon:

- (a) the passing of a resolution by the Shareholders approving the allotment and issue of the Placing Shares at the EGM;
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment and/or despatch of certificates for the Placing Shares) the listing of, and permission to deal in all of the Placing Shares; and
- (c) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provisions regarding force majeure events.

Mandate to issue the Placing Shares

The Placing Shares to be issued under the Placing Agreement will be issued pursuant to a specific mandate to be obtained at the EGM.

LETTER FROM THE BOARD

Completion of the Placing

The conditions set out in the Placing Agreement is expected to be fulfilled on or before 31 July 2010, or such later date as may be agreed by the Company and the Placing Agent and the completion of the Placing will take place on or before the fourth business day or such other dates being agreed between the Company and the Placing Agent after the Placing Agreement becoming unconditional.

Reasons for the Placing and use of proceeds

The aggregate gross proceeds and net proceeds from the Placing will be approximately HK\$125 million and HK\$121.55 million, respectively, and are intended to be used for future potential investment as mentioned below and working capital purposes. The net price to be raised per Share upon completion of the Placing will be approximately HK\$0.097 per Share.

The Company from time to time considers investment which the Directors consider to be in the interest of the Company. The Company has entered into a non-disclosure agreement on 8 June, 2010 and is studying the feasibility to co-invest with a private equity fund (“PE Fund”) or other professional investors to invest in a group of companies (the “Target Group”).

Under the investment, the Company being the co-investor, will partner with the PE Fund and other institutional investors to subscribe for interest(s) in the Target Group.

The PE Fund is prominent in the Asian buyout market and has an established track record across the Asia-Pacific region. To the best knowledge of the Company, the PE Fund was originally founded in 1999. Currently, the PE Fund has around 30 professionals across Asia Pacific Region and Australia focusing on various direct investment/buyout/restructuring projects that include companies from various industries like retail, branded customer products and industrial manufacturing & services. The total fund size being managed by the PE Fund is approximately US\$4 billion.

On 18 June, 2010, the Company has indicated a non-binding interest to the PE Fund that the Company will commit a maximum investment in the Target Group of US\$10,000,000 (approximately HK\$78,000,000) representing approximately 22.2% interests of the Target Group.

LETTER FROM THE BOARD

The fund injection and formal agreement to be signed is expected to be performed on or before 9 July, 2010, which is subject to, among others, the following conditions precedent: (1) satisfactory result of financial and legal due diligence on the Target Group; (2) the execution of formal investment management and shareholders agreement with the PE Fund and/or other institutional investors to the Company's satisfaction. Further announcement will be made to update the Shareholders on the status of this investment and the use of proceeds.

The investment is intended to keep as investments held for sale. The PE Fund will be responsible for the disposal of interests, an initial public offering or the sale of all or part of the shares or assets pursuant to the formal investment management and shareholders agreement.

As at the Latest Practicable Date, no agreement or term sheet has been entered into by the Company. If such investment does not materialize, the Company will apply the net proceeds from the Placing for use in other potential investment opportunities and working capital.

The Directors consider that the Placing Agreement represent an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Placing Agreement is in the interest of the Company and the Shareholders as a whole.

Termination and force majeure

The Placing Agreement may be terminated by the Placing Agent if at any time before 10:00 a.m. on the date of completion of the Placing Agreement, if in its absolute opinion, the success of the Placing would be materially and adversely affected by any force majeure events:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely

LETTER FROM THE BOARD

prejudices the success of the Placing of the Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which would materially affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

The Placing Agreement may also be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the date of completion of the Placing Agreement, if:

- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under this Placing Agreement; or
- (ii) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to this Placing Agreement or any circulars relating to the Placing; or
- (iii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in this Placing Agreement was, when given, untrue or inaccurate in any material respect or would in any material respect be untrue or inaccurate if repeated the Placing Agent shall, at its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under this Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with this Placing Agreement, save for any antecedent breaches.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months immediately before the Announcement and up to the Latest Practicable Date:

Date of announcement	Event	Net proceeds (approx.)	Intended use of proceeds	Actual use of proceeds
27 April 2010	Subscription of new Shares	HK\$13.29 million	– for general working capital	Not yet utilized and has been maintained into bank
17 September 2009	Placing of convertible bonds and granting of optional bonds	HK\$107 million had been raised upon completion of the placing of the convertible bonds	– for general working capital of the Group – for future investments	Used as intended
		As at the Latest Practicable Date, HK\$38.5 million options have been exercised and converted into shares and HK\$71.5 million options have not been exercised.		Not yet utilized and has been maintained into bank
20 August 2009	Placing of new Shares	HK\$36.16 million	– for general working capital of the Group	Used as intended
12 August 2009	Rights issue	HK\$297.58 million	– for the general working capital of the Group – to replenish the loss in capital of the Company – for future strategic Investments	As to approximately HK\$286.17 million has been utilized as general working capital of the Group, the remaining balance of approximately HK\$11.41 million has not been utilized and has been maintained into bank as at the Latest Practicable Date.
18 June 2009	Placing of new Shares	HK\$55.33 million	To be used for the general working capital of the Group	Used as intended

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing is set out as below:

	As at the		Immediately after	
	Latest Practicable Date		completion of the Placing	
	<i>Number</i>	<i>Approximate</i>	<i>Number</i>	<i>Approximate</i>
	<i>of Shares</i>	<i>%</i>	<i>of Shares</i>	<i>%</i>
Mr. Yeung Ming Kwong (<i>Note 1</i>)	4,420,147	0.16	4,420,147	0.11
Mr. Wen Louis (<i>Note 2</i>)	7,500	0.00	7,500	0.00
Mascotte Holdings Limited (Stock Code: 136) (<i>Note 3</i>)	330,000,000	11.74	330,000,000	8.13
Willie International Holdings Limited (Stock Code: 273) (<i>Note 4</i>)	480,711,000	17.10	480,711,000	11.84
Public:				
Places	–	–	1,250,000,000	30.78
Other public Shareholders	<u>1,995,686,586</u>	<u>71.00</u>	<u>1,995,686,586</u>	<u>49.14</u>
Total	<u><u>2,810,825,233</u></u>	<u><u>100.00</u></u>	<u><u>4,060,825,233</u></u>	<u><u>100.00</u></u>

Note:

- Mr. Yeung Ming Kwong is the acting chairman of the Company and an executive Director.
- This represents the interests, being 7,500 Shares, held by the spouse of Mr. Wen Louis, an executive Director.
- Mascotte Holdings Limited (Stock code: 136), a company whose shares are listed on the main board of the Stock Exchange is interested in 330,000,000 shares of the issued share capital of the Company.
- Willie International Holdings Limited (stock code: 273), a company whose shares are listed on the main board of the Stock Exchange, is interested in 480,711,000 shares of the issued share capital of the Company of which 80,711,000 shares are beneficially owned through, its wholly-owned subsidiary, Pearl Decade Limited and 400,000,000 shares are beneficially owned by CW Financing Limited. CW Financing Limited is indirectly owned by Cordoba Homes Limited. Willie International Holdings Limited holds 55.27% of equity interest of Cordoba Homes Limited.

LETTER FROM THE BOARD

EGM

The notice convening the EGM is set out on pages 12 to 13 of this circular for the purpose of considering and, if though fit, passing the ordinary resolution set out therein.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend and vote at the EGM, you are requested to complete and return the enclosed form of proxy to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

The voting of the Shareholders at the EGM must be taken by way of poll. To the best knowledge of the Directors, none of the Shareholders has a material interest in the transaction contemplated under the Placing Agreement who will be required to abstain from voting at the EGM in respect of the resolution relating to the Placing.

GENERAL

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

RECOMMENDATION

The Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the ordinary resolution approving the Placing at the EGM.

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

NOTICE OF EGM



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that a extraordinary general meeting (the “**Meeting**”) of Forefront Group Limited (the “**Company**”) will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Friday, 23 July 2010 at 9:00 a.m. or any adjournment thereof for the purpose of considering, and if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the conditional placing agreement (the “**Placing Agreement**”) dated 18 June 2010 between the Company and Kingston Securities Limited (the “**Placing Agent**”) pursuant to which, inter alia, the Company agrees to place, through the Placing Agent, on a fully underwritten basis, an aggregate of 1,250,000,000 new shares of the Company at a price of HK\$0.10 per share (the “**Placing Shares**”) (a copy of which has been produced to the Meeting marked “A” and initialled by the Chairman of the Meeting for identification purpose) be and is hereby approved, ratified and confirmed;
- (b) the allotment and issue of the Placing Shares pursuant to and in accordance with the terms and conditions of the Placing Agreement be and is hereby approved; and

* For identification purpose only

NOTICE OF EGM

- (c) the directors of the Company (the “**Directors**”) be and is hereby authorised to exercise all the powers of the Company and take such actions or execute such documents to effect the allotment and issue of the Placing Shares and to do such other things and to take all such action the Directors may consider necessary or desirable for the purpose of giving effect to the Placing Agreement.”

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

Hong Kong, 6 July 2010

Registered office:

P.O. Box 309, Uglan House
South Church Street, George Town
Grand Cayman, Cayman Islands
British West Indies

*Head office and principal place of
business in Hong Kong:*

Room 1103, 11/F.,
China United Centre
28 Marble Road
North Point
Hong Kong

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above Meeting or any adjournment thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.