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

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

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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)

**(I) PROPOSED CAPITAL REORGANISATION;
(II) PROPOSED RIGHTS ISSUE
ON THE BASIS OF EIGHT RIGHTS SHARES
FOR EVERY ADJUSTED SHARE HELD
ON THE RECORD DATE;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Underwriter of the Rights Issue

Chung Nam Securities Limited

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

VINC  **城高**

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

It should be noted that the Adjusted Shares will be dealt on an ex-rights basis from Wednesday, 23 March 2011. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 4 April 2011 to Monday, 18 April 2011 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Monday, 4 April 2011 to Monday, 18 April 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

A letter of advice from Vinco Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 55 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 34 to 35 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on 10 January 2011 is set out on pages 85 to 89 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfers office of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 25 to 26 of this circular. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 23 to 24 of this circular being fulfilled or waived (as applicable). If such conditions have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the time and dates specified therein, all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other save that all such reasonable costs, fees and other out of pocket expenses as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter (excluding the underwriting commission, sub underwriting fees and related expenses) shall, to the extent agreed by the Company, be borne by the Company. In such event, the Rights Issue will not proceed.

* For identification purpose only

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EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Rights Issue is set out below:

2011

Latest time for return of proxy form of EGM (not less than 48 hours prior to time of EGM)	9:00 a.m., Saturday, 8 January
Expected date and time of EGM	9:00 a.m., Monday, 10 January
Announcement of results of EGM	Monday, 10 January

The following events are conditional on the results of the EGM and the relevant Court hearings. The dates are therefore tentative.

Effective date of the Capital Reorganisation	after 4:00 p.m., Monday, 7 March
Commencement of dealings in Adjusted Shares	9:30 a.m., Tuesday, 8 March
Original counter for trading in Shares (in board lots of 10,000 Shares) to be closed	9:30 a.m., Tuesday, 8 March
Temporary counter for trading in Adjusted Shares in board lots of 1,000 Adjusted Shares (in form of existing share certificates) to be opened.	9:30 a.m., Tuesday, 8 March
Free exchange of existing share certificates for new share certificates for the Adjusted Shares commences.	Tuesday, 8 March
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	9:30 a.m., Tuesday, 22 March
Original counter for trading in Adjusted Shares (in board lots of 10,000 Adjusted Shares in the form of new share certificates for Adjusted Shares) to be re-opened	9:30 a.m., Tuesday, 22 March

EXPECTED TIMETABLE

Parallel trading in Adjusted Shares (in form of new certificate and existing certificate) begins	9:30 a.m., Tuesday, 22 March
Last day of dealings in Adjusted Shares on a cum-rights basis	Tuesday, 22 March
First day of dealings in Adjusted Shares on an ex-rights basis.	Wednesday, 23 March
Latest time for lodging transfers of Shares and/or Adjusted Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 24 March
Register of members to be closed.	Friday, 25 March to Thursday, 31 March (both dates inclusive)
Record date	Thursday, 31 March
Register of members to be re-opened.	Friday, 1 April
Prospectus Documents to be posted	Friday, 1 April
First day of dealings in nil-paid Rights Shares.	Monday, 4 April
Temporary counter for trading in Adjusted Shares in board lots of 1,000 Adjusted Shares (in form of existing share certificates) to be closed	4:00 p.m., Tuesday, 12 April
Parallel trading in Adjusted Shares (in form of new and existing certificate) ends	4:00 p.m., Tuesday, 12 April
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	4:00 p.m., Tuesday, 12 April
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Wednesday, 13 April

EXPECTED TIMETABLE

Free exchange of existing share certificates for new share certificates ends	4:00 p.m., Thursday, 14 April
Last day of dealings in nil-paid Rights Shares	Monday, 18 April
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Thursday, 21 April
Rights Issue expected to become unconditional	after 4:00 p.m. on Wednesday, 27 April
Announcement of results of acceptance and excess application of the Rights Issue	Wednesday, 4 May
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Thursday, 5 May
Certificates for fully-paid Rights Shares expected to be despatched on or before.	Thursday, 5 May
First day of dealings in the fully-paid Rights Shares	Monday, 9 May

All references to time in this circular are references to Hong Kong time.

Dates or deadlines specified in this circular are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be announced as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Acceptance Date”	4:00 p.m. on 21 April 2011 (or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment for, Rights Shares and application and payment for excess Rights Shares)
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued capital of the Company upon the Capital Reorganisation becoming effective
“Adjustment Proposal”	the proposed reduction of the nominal value of each issued Consolidated Share from HK\$1.00 to HK\$0.01 by canceling the paid-up capital to the extent of HK\$0.99 per issued Consolidated Share and the application of the credit arising from such capital reduction to set-off the accumulated deficit of the Company with the balance to be transferred to a distributable reserve called distributable capital reduction reserve account of the Company
“Announcement”	the announcement of the Company dated 25 November 2010 relating to, inter alia, the Capital Reorganisation and the Rights Issue
“associate(s)”	the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bond Options”	outstanding options which carry rights to subscribe in cash for Convertible Bonds in the aggregate principal amount of HK\$71.5 million convertible into 222,049,685 shares at the conversion price of HK\$0.322 per share subject to adjustments which options are exercisable on or before 16 December 2010
“Business Day”	a day (other than a Saturday and Sunday) on which banks are generally open for business more than five hours in Hong Kong
“Capital Reorganisation”	the proposed reorganization of the capital of the Company by way of (i) the Share Consolidation; (ii) the Adjustment Proposal; and (iii) the Share Subdivision as referred in this circular

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Law”	The Company Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Forefront Group Limited (Stock Code: 885), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	issued shares of HK\$1.00 each in the capital of the Company immediately following the Share Consolidation and prior to the Adjustment Proposal
“Conversion Price”	HK\$0.322 per Conversion Share (subject to adjustment in accordance with the terms and conditions of the Convertible Bonds)
“Convertible Bonds”	the zero coupon unsecured convertible notes in the outstanding principal amount of HK\$71.5 million to be issued by the Company on exercise of Bond Options, as disclosed in the Company’s circular and announcement dated 7 October 2009 and 17 December 2009 respectively
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application to be issued to the Qualifying Shareholders who wish to apply for excess Rights Shares

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held on Monday, 10 January 2011, at 9:00 a.m. at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong to consider and, if thought fit, approve the Capital Reorganisation and the Rights Issue
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Rights Issue
“Independent Shareholder(s)”	any Shareholder other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Issue Mandate”	the general mandate granted to the Directors to allot, issue and deal with the Shares up to a maximum of 20% of the aggregate amount of the share capital of the Company in issue as at the date of the annual general meeting of the Company held on 2 June 2010
“Last Trading Day”	22 November 2010, being the last full trading day before the suspension of the trading of the Shares, pending the release of the Announcement
“Latest Practicable Date”	13 December 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Non-Qualifying Shareholder(s)”	those Overseas Shareholders whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Option(s)”	option(s) to subscribe for Shares granted under the Share Option Scheme
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	1 April 2011 or such other date as the Underwriter may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Non-Qualifying Shareholders
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholders, whose name(s) appears on the register of members of the Company at the close of business on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	31 March 2011 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Rights Issue are expected to be determined

DEFINITIONS

“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Tengis Limited of 26/F., Tesbury Centre, 28 Queen’s Road East, Wan Chai, Hong Kong
“Rights Issue”	the proposed issue by way of rights of eight Rights Shares for every Adjusted Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	Adjusted Shares to be issued and allotted under the Rights Issue, being not less than 3,248,660,184 Shares but not more than 4,100,897,984 Shares
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon the exercise of all Share Options to be granted under the Share Option Scheme and any other share option schemes of the Company
“Settlement Date”	27 April 2011, being the second Business Day following the Acceptance Date (or such other time or date as the Underwriter and the Company may agree in writing)
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) in the issued and unissued capital of the Company, the par value of which being HK\$0.10 each prior to the Capital Reorganisation
“Share Consolidation”	the proposed consolidation of every ten issued Shares of par value of HK\$0.10 each into one Consolidated Share of par value of HK\$1.00 each
“Share Options”	the share options to subscribe for Shares under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 6 August 2007

DEFINITIONS

“Share Subdivision”	the proposed subdivision of every authorised but unissued Share of par value of HK\$0.10 each into ten Adjusted Shares of HK\$0.01 each
“Shareholder(s)”	holder(s) of Share(s) or Adjusted Share(s), as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.125 per Rights Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Chung Nam Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activities within the meaning of the SFO
“Underwriting Agreement”	the underwriting agreement dated 24 November 2010 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	not less than 3,248,660,184 and not more than 4,100,897,984 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a licensed corporation which is engaged in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and is the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise on the proposed Rights Issue
“%” or “per cent.”	percentage or per centum

In this circular, an exchange rate of HK\$7.80:US\$1.00 has been used for illustration purposes. No assurance is given that these currencies may be exchanged at these rates or at all.

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. 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

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

17 December 2010

To the Shareholders

Dear Sir/Madam,

**PROPOSED CAPITAL REORGANISATION
AND
PROPOSED RIGHTS ISSUE
ON THE BASIS OF EIGHT RIGHTS SHARES
FOR EVERY ADJUSTED SHARE
HELD ON THE RECORD DATE**

INTRODUCTION

On 25 November 2010, the Company announced that it proposes:

- (a) to put forward to Shareholders the Capital Reorganisation proposal comprising of (i) the consolidation of every ten (10) issued Shares of par value of HK\$0.10 each into one Consolidated Share of par value of HK\$1.00 each; (ii) a reduction in nominal

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LETTER FROM THE BOARD

value of all the issued Consolidated Shares from par value of HK\$1.00 each to par value of HK\$0.01 each by the cancellation of the paid-up capital to the extent of HK\$0.99 on each issued Consolidated Share; (iii) the application of the credit arising from such reduction to set-off the accumulated deficit of the Company and the balance (if any) to be transferred to a distributable reserve called the distributable capital reduction reserve account of the Company; and (iv) the share subdivision of each of the authorised but unissued Share of par value of HK\$0.10 each into ten (10) Adjusted Shares of par value of HK\$0.01 each; and

- (b) subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis of eight Rights Shares for every Adjusted Share held on the Record Date at the Subscription Price of HK\$0.125 per Rights Share, whereby raising approximately HK\$406.08 million before expenses (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and no Bond Options and conversion rights under the Convertible Bonds are exercised on or before the Record Date and no other issue of Shares) to approximately HK\$512.61 million before expenses (assuming full utilisation of the Issue Mandate, full exercise of the subscription rights attaching to the maximum number of Share Options to be granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date and no other issue of Shares) by issuing not less than 3,248,660,184 Rights Shares and not more than 4,100,897,984 Rights Shares to the Qualifying Shareholders.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue. Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you, among others, (i) further details about the Capital Reorganisation and the Rights Issue; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) the advice of Vinco Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (iv) a notice of the EGM at which resolutions will be proposed to consider and, if though fit, to approve the Capital Reorganisation and the Rights Issue.

PROPOSED CAPITAL REORGANISATION

The Directors propose to effect the Capital Reorganisation pursuant to which:

- (i) the proposed Share Consolidation whereby every ten (10) issued Shares of par value of HK\$0.10 each will be consolidated into one Consolidated Share of par value of HK\$1.00 each ;

LETTER FROM THE BOARD

- (ii) immediately following the Share Consolidation, the nominal value of each issued Consolidated Share will be reduced from par value of HK\$1.00 each to par value of HK\$0.01 each by cancellation of the paid-up capital to the extent of HK\$0.99 on each issued Consolidated Share;
- (iii) the credit arising from such capital reduction described in paragraph (ii) above will be applied to set-off the accumulated deficit of the Company and the balance (if any) will be transferred to a distributable reserve called the distributable capital reduction reserve account of the Company; and
- (iv) the proposed Share Subdivision whereby each of the authorised but unissued Share of par value of HK\$0.10 each will be subdivided into ten (10) Adjusted Shares of par value of HK\$0.01 each.

The steps referred to above in paragraphs (ii) and (iii) are referred to as the Adjustment Proposal.

EFFECTS OF THE CAPITAL REORGANISATION

Assuming that no further Shares are issued until the effective date of the Capital Reorganisation, the share capital of the Company immediately before the Capital Reorganisation becoming effective will consist of 4,060,825,233 Shares in issue and the aggregate nominal value of the issued share capital of the Company will be approximately HK\$406.08 million. As such, a credit of approximately HK\$402.02 million will arise in the books of the Company as a result of the Adjustment Proposal. Such credit will be applied to set-off the accumulated deficit of the Company and the balance (if any) will be transferred to a distributable reserve called the distributable capital reduction reserve account of the Company. The accumulated deficit of the Company was approximately HK\$475.68 million as shown in the audited financial statements of the Company for the year ended 31 December 2009. The existing authorised share capital of the Company is HK\$5,000,000,000 divided into 50,000,000,000 Shares. The existing issued share capital is HK\$406,082,523.30 divided into 4,060,825,233 Shares. The authorised share capital of the Company after the Capital Reorganisation becoming effective will be HK\$5,000,000,000 divided into 500,000,000,000 Adjusted Shares, of which approximately 406,082,523 Adjusted Shares will be in issue (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and no Bond Options and conversion rights under the Convertible Bonds are exercised on or before the Record Date and no other issue of Shares) and the aggregate nominal value of the issued share capital of the Company will become HK\$4,060,825.23.

LETTER FROM THE BOARD

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group.

The Adjusted Shares will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

REASONS FOR THE CAPITAL REORGANISATION

The proposed Capital Reorganisation will reduce the total number of Shares currently in issue. As such, it is expected to bring about a corresponding upward adjustment in the trading price of the Adjusted Shares on the Stock Exchange, and reduce the overall transaction costs for dealings in the Adjusted Shares. In addition, the Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility for the issue of new Adjusted Shares in the future and the credit arising from the reduction of the issued share capital of the Company will be used to offset the accumulated deficit at the time (if any) of the Company. Accordingly, the Board is of the view that the Capital Reorganisation is beneficial to the Company and the Shareholders as a whole.

Trading Arrangement

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Adjusted Shares may be settled through CCASS. You should seek the advice of your stock broker or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

The Shares are currently traded in board lots of 10,000 Shares each and the market value per board lot of the Shares is HK\$930 based on the closing of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day. Assuming the Capital Reorganisation becomes effective, the Adjusted Shares will be traded in board lots of 10,000 Adjusted Shares and the estimated market value per board lot of the Adjusted Shares will be HK\$9,300, based on the closing price of HK\$0.93 per Adjusted Share (based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation).

LETTER FROM THE BOARD

Subject to the Capital Reorganisation becoming effective, the Shareholders may, during a period to be specified in the section headed “Expected Timetable” in this circular, submit certificates for the Shares to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for exchange, at the expense of the company, for certificates for the Adjusted Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of the higher of HK\$2.50 or such other amount as may from time to time be allowed by the Stock Exchange for each certificate issued or cancelled.

Certificates for the Shares will cease to be marketable and will not be acceptable for dealing purpose. Nevertheless, certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for Adjusted Shares at any time at the expense of the Shareholders.

It is expected that new certificates for the Adjusted Shares will be available for collection within a period of 10 Business Days after the submission of certificates for the Shares to the Company’s branch share registrar in Hong Kong for exchange. New share certificates for the Adjusted Shares will be pink in colour to distinguish them from the existing share certificates for the Shares which are yellow in colour.

Odd Lots Arrangements And Matching Services

In order to alleviate the difficulties arising from the existence of odd lots of Adjusted Shares, the Company has appointed Chung Nam Securities Limited to provide matching services for the sale and purchase of odd lots of Adjusted Shares arising from the Capital Reorganisation. Shareholders who wish to take advantage of this facility should contact Mr. Cecil Chan of Chung Nam Securities Limited at 26th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at telephone number (852) 3198 0888 during office hours. Shareholders should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed and will depend on there being adequate amounts of odd lots of Adjusted Shares available for such matching.

If you are in any doubt as to the above arrangements, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

LETTER FROM THE BOARD

EXPECTED EFFECTIVE DATE OF THE CAPITAL REORGANISATION

The Capital Reorganisation (which will be effected in accordance with the articles of association of the Company and the Companies Law) is conditional upon:–

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the EGM;
- (ii) approval by the Court of the Adjustment Proposal to the extent required under the laws of the Cayman Islands;
- (iii) compliance with any conditions imposed by the Court; and
- (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue upon the Capital Reorganisation becoming effective.

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 Adjusted Shares.

Upon the conditions mentioned above being fulfilled, the Capital Reorganisation will become effective immediately after the registration of the Court order confirming the reduction of issued share capital and the minutes approved by the Court at the Registrar of Companies in the Cayman Islands. An application will be made to the Court for the approval of the Adjustment Proposal as soon as practicable after the same is approved by the Shareholders by way of a special resolution or relevant resolutions (as appropriate) at the EGM.

Subject to the availability of the Court, it may take about two to three months to complete the Capital Reorganisation after EGM.

Further announcement(s) (if any) will be made to inform the Shareholders of the progress of the matter as and when appropriate.

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after and is conditional upon the Capital Reorganisation becoming effective.

Issue statistics

Basis of the Rights Issue	:	Eight Rights Shares for every Adjusted Share in issue and held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	4,060,825,233 Shares
Number of Adjusted Shares in issue assuming the Capital Reorganisation has become effective	:	406,082,523 Adjusted Shares (assuming no further issue of the Shares up to the effective date of the Capital Reorganisation)
Number of Rights Shares	:	Not less than 3,248,660,184 Rights Shares (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and no Bond Options and conversion rights under the Convertible Bonds are exercised on or before the Record Date and no other issue of Shares) and not more than 4,100,897,984 Rights Shares (assuming full utilisation of the Issue Mandate, full exercise of the subscription rights attaching to the maximum number of Share Options to be granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date and no other issue of Shares) (<i>Note</i>)
Subscription Price	:	HK\$0.125 per Rights Share with nominal value of HK\$0.01 each

LETTER FROM THE BOARD

Note:

As at the Latest Practicable Date:

- (a) there are outstanding Bond Options to subscribe for Convertible Bonds in an aggregate principal amount of HK\$71.5 million, which are convertible into 222,049,685 Shares at the conversion price of HK\$0.322 per Share (subject to adjustments). Assuming full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder on or before the Record Date, an additional 177,639,744 Rights Shares will be issued; and
- (b) there are unutilised Shares from the Issue Mandate and the Scheme Mandate Limit of up to 562,165,046 Shares and 281,082,523 Shares respectively, which were approved at the annual general meeting on 2 June 2010. If the Issue Mandate and Scheme Mandate Limit being fully utilised on or before the Record Date, an additional 449,732,032 Rights Shares and 224,866,016 Rights Shares will be issued, respectively.

Based on the above, the maximum number of Rights Shares under Rights Issue would be 4,100,897,984 Rights Shares.

Save for the Bond Options and the possible Convertible Bonds to be issued thereunder, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming that none of the Bond Options and conversion rights under the Convertible Bonds are exercised and converted, and neither the Issue Mandate nor the Scheme Mandate Limit are utilised on or before the Record Date, 3,248,660,184 nil-paid Rights Shares will be provisionally allotted representing approximately 800.00% of the Company's issued share capital (assuming that the Capital Reorganisation becomes effective) as at the Latest Practicable Date and approximately 88.89% of the Company's issued share capital after Capital Reorganisation as enlarged by the issue of the 3,248,660,184 Rights Shares.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders.

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. be a Qualifying Shareholder.

LETTER FROM THE BOARD

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares or Adjusted Shares (as the case may be) (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 24 March 2011.

Closure of register of members

The register of members of the Company will be closed from Friday, 25 March 2011 to Thursday, 31 March 2011, both dates inclusive for the purposes of ascertaining entitlements to the Rights Issue. No transfer of Shares or Adjusted Shares (as the case may be) will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

According to the register of members of the Company as at the Latest Practicable Date, there are three overseas Shareholders of the Company from PRC, Australia and Taiwan, which held 32,850 Shares, 100 Shares and 36,300 Shares respectively. These three overseas Shareholders in aggregate hold 69,250 Shares, representing less than 0.01% of the total issued shares of the Company as at the Latest Practicable Date.

The Company will make enquiries pursuant to Rule 13.36(2) of the Listing Rules regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.125 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 86.56% to the theoretical closing price of HK\$0.93 per Adjusted Share, based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (ii) a discount of approximately 41.59% to the theoretical ex-rights price of approximately HK\$0.214 per Adjusted Share, based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (iii) a discount of approximately 87.24% to the average theoretical closing price of approximately HK\$0.98 per Adjusted Share, based on the average closing price of HK\$0.098 per Share as quoted on the Stock Exchange from 16 November 2010 to 22 November 2010, both dates inclusive, being the last five consecutive trading days up to and including the Last Trading Date and adjusted taking into account the effect of the Capital Reorganisation; and
- (iv) a discount of approximately 67.11% to the theoretical closing price of HK\$0.38 per Adjusted Share, based on the closing price of HK\$0.038 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted taking into account the effect of the Capital Reorganisation.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The discount of Subscription Price would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their pro-rata shareholdings in the Company and participate in the future growth of the Group. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and no Bond Options and conversion rights under the Convertible Bonds are exercised on or before the Record Date and no other issue of Shares) will be approximately HK\$0.1202.

LETTER FROM THE BOARD

Basis of provisional allotment

The basis of the provisional allotment will be eight Rights Shares for every Adjusted Share in issue and held as at the close of business on the Record Date, being not less than 3,248,660,184 Rights Shares and not more than 4,100,897,984 Rights Shares at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders otherwise entitled thereto. All fractions of nil-paid Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market, if a premium (net of expenses) can be achieved, and the Company will retain the proceeds from such sale(s) for its benefit. Any unsold aggregate of fractions of nil-paid Rights Shares will be made available for excess application under the EAFs.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Adjusted Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Application for excess Rights Shares

Qualifying Shareholders will be given the right to apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

LETTER FROM THE BOARD

- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares; whereas Qualifying Shareholders applying for a larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive a higher number of Rights Shares) and with board lot allocations to be made on a best effort basis.

Investors with their Shares or Adjusted Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares or Adjusted Shares (as the case may be) held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares or Adjusted Shares (as the case may be) in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares or Adjusted Shares (as the case may be) are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for completion of the relevant registration by 4:30 p.m. on Thursday, 24 March 2011.

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Thursday, 5 May 2011. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 5 May 2011 by ordinary post to the applicants at their own risk.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on 9 May 2011.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

LETTER FROM THE BOARD

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 10,000), which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon certain conditions being fulfilled or waived which are summarised below:

- (i) the passing of the relevant resolutions at an extraordinary general meeting of the Company to approve the Rights Issue and the Capital Reorganisation;
- (ii) the delivery to the Stock Exchange and registration by Registrar of Companies in Hong Kong on or prior to the Posting Date of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance and all other documents required by law to be filed or delivered for registration;
- (iii) the posting on the Posting Date of the Prospectus Documents to the Qualifying Shareholders;
- (iv) compliance by the Company with certain obligations under the Underwriting Agreement;
- (v) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (where relevant) prior to commencement of dealings of the Rights Shares in nil-paid form and such listings and permission to deal not having been withdrawn or revoked on or before 4:00 p.m. on the Settlement Date;

LETTER FROM THE BOARD

- (vi) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (vii) the Underwriting Agreement not having been terminated; and
- (viii) the Capital Reorganisation becoming effective.

In the event that the above conditions (other than the conditions (i), (ii) and (v) which cannot be waived) have not been satisfied and/or waived in whole or in part by the Underwriter on or before the Posting Date or in the event that conditions (vi) and (vii) have not been satisfied on or before 4:00 p.m. on the Settlement Date (or, in each case, such later date as the Underwriter and the Company may agree), all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other save that all such reasonable costs, fees and other out of pocket expenses as have been properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter (excluding the underwriting commission, sub-underwriting fees and related expenses) shall, to the extent agreed by the Company, be borne by the Company.

The Underwriting Agreement

- Date : 24 November 2010
- Underwriter : Chung Nam Securities Limited, to the best of the Directors' knowledge and information, Chung Nam Securities Limited and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons
- Total number of Rights Shares being underwritten by the Underwriter : The Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis, being not less than 3,248,660,184 Rights Shares and not more than 4,100,897,984 Rights Shares, subject to the terms and conditions of the Underwriting Agreement

LETTER FROM THE BOARD

Commission : 3% of the aggregate Subscription Price of the Underwritten Shares as determined on the Record Date

The Board considers the terms of the Underwriting Agreement including the commission rate accord with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:-

- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) 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 thereof) of a political, military, financial, economic or 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 such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or

LETTER FROM THE BOARD

- (ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after certain matter or event referred to in the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall also be entitled (but not bound) by notice in writing issued by the Underwriter to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

Upon giving of notice pursuant to the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties to the Underwriting Agreement shall have any claim against the other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (but not the underwriting commission) referred to in the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

LETTER FROM THE BOARD

SHAREHOLDING IN THE COMPANY

Set out below is the shareholding structure of the Company assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue save for the exercise of subscription rights attaching to the Options granted pursuant to Scheme Mandate Limit, the utilisation of the Issue Mandate, the exercise of the Bond Options and conversion rights attached to it and the transactions contemplated under the Underwriting Agreement:

Scenario 1:

Assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and the Bond Options and conversion rights under the Convertible Bonds are not exercised on or before the Record Date:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue					
			Immediately after the Capital Reorganisation but before completion of the Rights Issue		All Shareholders take up all the Rights Shares at HK\$0.125 each		Underwriter underwrites the public Shareholders' portion of the Rights Shares at HK\$0.125 each	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Yeung Ming Kwong (<i>Note 1</i>)	4,421,047	0.11	442,104	0.11	3,978,936	0.11	442,104	0.01
Mr. Wen Louis (<i>Note 2</i>)	7,500	0.00	750	0.00	6,750	0.00	750	0.00
Mr. Lam Yick Sing (<i>Note 3</i>)	30,000,000	0.74	3,000,000	0.74	27,000,000	0.74	3,000,000	0.08
The Underwriter (<i>Note 4</i>)	0	0.00	0	0.00	0	0.00	3,248,660,184	88.89
Other public Shareholders	4,026,396,686	99.15	402,639,669	99.15	3,623,757,021	91.15	402,639,669	11.02
Total	4,060,825,233	100.00	406,082,523	100.00	3,654,742,707	100.00	3,654,742,707	100.00

LETTER FROM THE BOARD

Scenario 2:

Assuming full utilisation of the Issue Mandate and full exercise of the subscription rights attaching to the maximum number of Share Options granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of Convertible Bonds thereunder on or before the Record Date:

	As at the Latest Practicable Date		Immediately after the Issue Mandate being fully utilised and Share Options granted under the Scheme Mandate being exercised in full and full exercise of Bond Options and full conversion of the Convertible Bonds thereunder, but before Capital Reorganisation				Immediately after completion of the Rights Issue			
			Immediately after the Capital Reorganisation but before completion of the Rights Issue		All Shareholders take up all the Rights Shares at HK\$0.125 each		Underwriter underwrites the public Shareholders' portion of the Rights Shares at HK\$0.125 each			
	Number of Shares	%	Number of Shares	%	Number of Adjusted Shares	%	Number of Adjusted Shares	%	Number of Adjusted Shares	%
Mr. Yeung Ming Kwong (Note 1)	4,421,047	0.11	4,421,047	0.09	442,104	0.09	3,978,936	0.09	442,104	0.01
Mr. Wen Louis (Note 2)	7,500	0.00	7,500	0.00	750	0.00	6,750	0.00	750	0.00
Mr. Lam Yick Sing (Note 3)	30,000,000	0.74	30,000,000	0.59	3,000,000	0.59	27,000,000	0.59	3,000,000	0.06
The Underwriter (Note 4)	0	0.00	0	0.00	0	0.00	0	0.00	4,100,897,984	88.89
Other public Shareholders										
New Shares issued under the Issue Mandate	0	0.00	562,165,046	10.97	56,216,504	10.97	505,948,536	10.97	56,216,504	1.22
Scheme Mandate Limit being fully utilised and Share Options granted thereafter fully exercised	0	0.00	281,082,523	5.48	28,108,252	5.48	252,974,268	5.48	28,108,252	0.61
Full exercise of Bond Options and full conversion of the Convertible Bonds thereunder	0	0.00	222,049,685	4.33	22,204,968	4.33	199,844,712	4.33	22,204,968	0.48
Others	4,026,396,686	99.15	4,026,396,686	78.54	402,639,670	78.54	3,623,757,030	78.54	402,639,670	8.73
Total	4,060,825,233	100.00	5,126,122,487	100.00	512,612,248	100.00	4,613,510,232	100.00	4,613,510,232	100.00

Notes:

- Mr. Yeung Ming Kwong is the acting chairman of the Company and executive Director.
- This represents the interests, being 7,500 Shares held by the spouse of Mr. Wen Louis, an executive Director.
- Mr. Lam Yick Sing is an executive Director.

LETTER FROM THE BOARD

4. In circumstances where the Rights Issue were to become unconditional and the Underwriter was obliged to underwrite the Rights Shares in their entirety, the underwriting commitment would extend to a stake of approximately 88.89% in the share capital of the Company as enlarged by the issue of the Rights Shares. The Underwriter confirmed to the Company that it has sub-underwritten its underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriter and the sub-underwriters (i) will be a third party independent of, not acting in concert with and will not be connected with the Directors, chief executive or substantial shareholders of the Company or their respective associates; (ii) will not, together with party(ies) acting in concert with each of them, hold in aggregate 29.9% or more of the voting rights of the Company upon completion of the Rights Issue; and (iii) will not immediately after the Rights Issue own or control 20% or more of the voting rights of the Company. The Underwriter further confirms that (a) the Underwriter will and will cause the sub-underwriters to procure independent places to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Rights Issue; (b) each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other; and (c) each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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

The gross proceeds of the Rights Issue will be not less than approximately HK\$406.08 million (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and the Bond Options and the conversion rights attached to it are not exercised on or before the Record Date and no other issue of Shares) but not more than approximately HK\$512.61 million (assuming full utilisation of the Issue Mandate and full exercise of the subscription rights attaching to the maximum number of Share Options granted pursuant to the Scheme Mandate Limit and the full exercise of Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date and no other issue of Shares). The estimated net proceeds from the Rights Issue will be not less than approximately HK\$390.51 million (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and no Bond Options and conversion rights under the Convertible Bonds are exercised on or before the Record Date and no other issue of Shares) but not more than approximately HK\$493.84 million (assuming full utilisation of the Issue Mandate, full exercise of the subscription rights attaching to the maximum number of Share Options to be granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date and no other issue of Shares) which are intended to be used as the general working capital of the Group.

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The net proceeds will be applied as intended 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 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 Latest Practicable Date, the Group has not yet identified any concrete expansion plans requiring funding by the Company, but the Group will continue to seek business opportunities with a cautious approach.

The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the future growth of the Group. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE OF THE COMPANY

The Company has conducted the following fund raising exercises in the 12 months immediately preceding the date of the Announcement up to and including the Latest Practicable Date:—

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
18 June 2010	Placing of 1,250,000,000 Shares at a price of HK\$0.10 per new Share, which was completed on 31 July 2010.	HK\$121.55 million	At the time of the Company's announcement dated 18 June 2010, the Company has indicated a non-binding interest to invest a maximum investment of US\$10,000,000 (HK\$78 million) in a private equity fund, which will in turn inject the funds in a group of companies engaged in the manufacture automotive component ("the Target Group"). The investment is intended to represent approximately 22.2% of the interests of the Target Group. Approximately HK\$43.55 million is for general working capital of the Group including possible further financing to the aforementioned private equity fund	As to approximately HK\$60.67 million (US\$7,777,777.78) has been invested as intended, approximately HK\$17.33 million (US\$2,222,222.22) is pending for call by private equity fund and approximately HK\$43.55 million is currently retained at bank and for general working capital of the Group including possible further financing to the aforementioned private equity fund
27 April 2010	Subscription of 60,988,080 new Shares by an individual investor	HK\$13.29 million	For general working capital	Used as intended

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Save as abovementioned, the Company has not conducted any fund raising exercise in the 12 months immediately preceding the date of the Announcement up to and including the Latest Practicable Date.

POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE BONDS AND THE SHARE OPTIONS

The conversion price and the number of shares to be issued under the Convertible Bonds (to be issued upon exercise of the Bond Options) and the exercise price and the number of Shares to be issued pursuant to the Share Options may be adjusted in accordance with the respective terms and conditions of the Convertible Bonds and the Share Option Scheme and the Listing Rules or guidelines issued by the Stock Exchange, upon the Capital Reorganisation being effective and the completion of the Rights Issue and from time to time. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms, or exercising any right attaching thereto, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

WARNING OF THE RISKS OF DEALING IN SHARES/ADJUSTED SHARES AND THE NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 23 March 2011. Dealings in the Rights Shares in the nil-paid form will take place from 4 April 2011 to 18 April 2011 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 4 April 2011 to 18 April 2011 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 4 April 2011 to 18 April 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue could not become unconditional or does not proceed.

LETTER FROM THE BOARD

EGM

No Shareholder is required to abstain from voting on the Capital Reorganisation at the EGM.

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional on the approval by the Shareholders by way of poll at the EGM, where the controlling Shareholder, or in the case that the Company has no controlling Shareholder, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, the Company did not have any controlling Shareholder and Mr. Yeung Ming Kwong and Mr. Lam Yick Sing, both being executive Directors, hold 4,421,047 Shares and 30,000,000 Shares, respectively, and the spouse of Mr. Wen Louis, an executive Director holds 7,500 Shares. They and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM in compliance with Rule 7.19(6) of the Listing Rules. As at the Latest Practicable Date, the Directors and their respective associates in aggregate held 34,428,547 Shares, representing approximately 0.85% of the total issued share capital of the Company.

Subject to the passing of the resolution approving the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents will be despatched to the Qualifying Shareholders, and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only, on the Posting Date.

The notice convening the EGM is set out on pages 85 to 89 of this circular. The EGM will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Monday, 10 January 2011 for the purpose of, considering and, if thought fit, approving the Capital Reorganisation and Rights Issue.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

In relation to the Rights Issue, you are advised to read carefully the letter from the Independent Board Committee and the letter from Vinco Capital set out on pages 34 to 35 and pages 36 to 55 respectively of this circular. The Independent Board Committee, having taken into account the advice of Vinco Capital, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the EGM.

The Directors believe that the Capital Reorganisation and the Rights Issue are in the interests of the Group and the Shareholders as a whole, and accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Forefront Group Limited
Yeung Ming Kwong
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue:



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

17 December 2010

To the Independent Shareholders

Dear Sirs or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF EIGHT RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company dated 17 December 2010 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of the Rights Issue are fair and reasonable insofar as the Shareholders are concerned. Vinco Capital has been appointed as the independent financial adviser to advise you and us in this respect.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal reasons and factors considered by, and the advice of, Vinco Capital as set out in its letter of advice to you and us on pages 36 to 55 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Chung Yuk Lun

Ms. Lam Yan Fong, Flora

Mr. Pak William Eui Won

Independent non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue which has been prepared for the purpose of incorporation in this circular:



Grand Vinco Capital Limited

Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

17 December 2010

*To the Independent Board Committee and
the Independent Shareholders of Forefront Group Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF EIGHT RIGHTS SHARES FOR EVERY ADJUSTED SHARE HELD ON THE RECORD DATE

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue, details of which are set out in the "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 17 December 2010 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 25 November 2010, the Company made an announcement (the "Announcement") to propose the Rights Issue on the basis of eight Rights Shares for every Adjusted Share held on the Record Date at the Subscription Price of HK\$0.125 per Rights Share, whereby raising from approximately HK\$406.08 million before expenses (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and no Bond Options and conversion rights under the Convertible Bonds are exercised on or before the Record Date and no other issue of Shares) to approximately HK\$512.61 million before expenses (assuming full utilisation of the Issue Mandate, full exercise of the subscription rights attaching to the maximum number of Share Options to be granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date). Accordingly, no less than 3,248,660,184 Rights Shares and no more than 4,100,897,984 Rights Shares will be allotted and issued to the Qualifying Shareholders.

LETTER FROM VINCO CAPITAL

As stated in the Letter of the Board, the estimated net proceeds of the Rights Issue will be not less than approximately HK\$390.51 million but not more than approximately HK\$493.84 million and the Company intends to utilise the entire net proceeds from the Rights Issue as the general working capital of the Group.

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional on the approval by the Shareholders by way of poll at the EGM, where the controlling Shareholder, or in the case that the Company has no controlling Shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favor of the Rights Issue. As at the Latest Practicable Date, the Company did not have any controlling Shareholder and Mr. Yeung Ming Kwong and Mr. Lam Yick Sing, both being executive Directors, hold 4,421,047 Shares and 30,000,000 Shares respectively, and the spouse of Mr. Wen Louis, an executive Director holds 7,500 Shares. They and their respective associates shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM in compliance with Rule 7.19(6) of the Listing Rules.

The Independent Board Committee, comprising Mr. Chung Yuk Lun, Ms. Lam Yan Fong, Flora and Mr. Pak William Eui Won, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Rights Issue. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Rights Issue are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of or against of the resolution to be proposed at the EGM to approve the Rights Issue.

LETTER FROM VINCO CAPITAL

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares or otherwise, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares or otherwise. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

LETTER FROM VINCO CAPITAL

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, we have considered the principal factors and reasons set out below:

1. Background information of the Company

The Company is an investment holding company, and through its subsidiaries and associated companies, is principally engaged 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; provision of logistic services in Hong Kong and the PRC; investment in forest interest, investment in limited partnership in relation to manufacturing of automotive components, properties investments; securities trading and money lending business. Based on the information set out in the unaudited interim report for the six-month period ended 30 June 2010 (“2010 Interim Report”) and the audited annual report for the year ended 31 December 2009 (“2009 Annual Report”), the financial results of the Company are summarised as below:

	For the six-month period ended 30 June		For the year ended 31 December	
	2010	2009	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	12,958	15,514	46,518	(71,564)
(Loss)/profit attributable to the equity holders of the Company	(88,364)	121,522	(61,612)	(274,302)
	As at 30 June		As at 31 December	
	2010	2009	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	936,766	562,821	521,461	270,355
Total Liabilities	27,200	60,383	113,064	45,080
Equity attributable to the equity holders of the Company	909,566	502,438	408,397	225,275

LETTER FROM VINCO CAPITAL

As shown in the table above, the Group recorded a profit for the six-month period ended 30 June 2009. However, it recorded losses for the year ended 31 December 2008 and 2009 and six-month period ended 30 June 2010. The loss attributable to the Shareholders of the Group was approximately HK\$88.36 million for the six-month period ended 30 June 2010, while the Group recorded a profit of HK\$121.52 million in the same period of last year. According to the 2010 Interim Report, we noted that the decrease was due to the unrealised losses of HK\$124.90 million arisen from securities portfolio held during the period. On the other hand, as set out in the 2009 Annual Report, the Group's loss attributable to the Shareholders of the Group for the year was approximately HK\$61.61 million as compared to that of the previous year (i.e. 2008: loss of approximately HK\$274.30 million) represents a decrease in loss of approximately 77.54%. The improvement was mainly attributed to the profits from securities trading transactions, recovery of doubtful debts and set off by cost of shares base payments in relation to the issuance of share options and the impairment on investment in an associate.

2. Reasons for the Rights Issue and proposed use of proceeds

As set out in the Letter from the Board, the Company intends to apply the net proceeds of the Rights Issue for 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 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 good investment opportunities if arise. As at Latest Practicable Date, the Group has not yet identified any concrete expansion plans requiring funding by the Company, but the Group will continue to seek business opportunities with a cautious approach. Also, the Board considered that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. If materialised, such increase in cash will enable the Group to strengthen its capital base, which will be beneficial to the Group in its possible acquisitions or investments in the future. On the other hand, in the event that the Group identifies a suitable investment opportunity and does not have sufficient cash resources on hand, and it fails to obtain loans on terms which the Directors consider acceptable to the Group or raise funds from the equity capital market, or it cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Group may lose its bid in an otherwise favourable investment. The net proceeds from the Rights Issue will therefore provide the Company with stronger capital base and additional flexibility in deciding the source of finance for any acquisition or investment opportunities that may arise in the future, as well as strengthening the competitiveness of the Group in terms of improving the existing business, which can benefit the future business development of the Company. We are of the view that the proposed use of proceeds from the Rights Issue is in line with the business development of the Group and in the interests of the Company and Independent Shareholders as a whole.

LETTER FROM VINCO CAPITAL

The Rights Issue, which is on a fully underwritten basis, will remove a certain degree of uncertainty on its completion as compared to best-efforts placing. In addition, obtaining additional bank borrowings may increase the Group's current gearing ratio and it is also difficult to obtain facilities from banks in light of the current financial position of the Group. As such, we are of the view that the Rights Issue is a preferred source of financing over the aforementioned alternatives.

We have also considered that the Rights Issue will (i) strengthen the Group's capital base and enhance its financial position, so as to allow the Group to seize good business opportunities in possible investment in the future with immediately available fund if and when appropriate opportunity arises; (ii) allow the Qualifying Shareholders to maintain their respective pro rata shareholding interest and an equal opportunity to participate in the enlargement of the capital base of the Company; and (iii) be a preferred source of financing over other alternative fund-raising methods. Accordingly, we are of the view that raising funds by means of the Rights Issue is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

3. Pricing for the Rights Issue

The Subscription Price for the Rights Shares is HK\$0.125 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 86.56% to the theoretical closing price of HK\$0.93 per Adjusted Share, based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (ii) a discount of approximately 41.59% to the theoretical ex-rights price of approximately HK\$0.214 per Adjusted Share, based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;
- (iii) a discount of approximately 87.24% to the average theoretical closing price of approximately HK\$0.98 per Adjusted Shares, based on the average closing price of HK\$0.098 per Share as quoted on the Stock Exchange from 16 November 2010 to 22 November 2010, both dates inclusive, being the last five consecutive trading days up to and including the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation; and

LETTER FROM VINCO CAPITAL

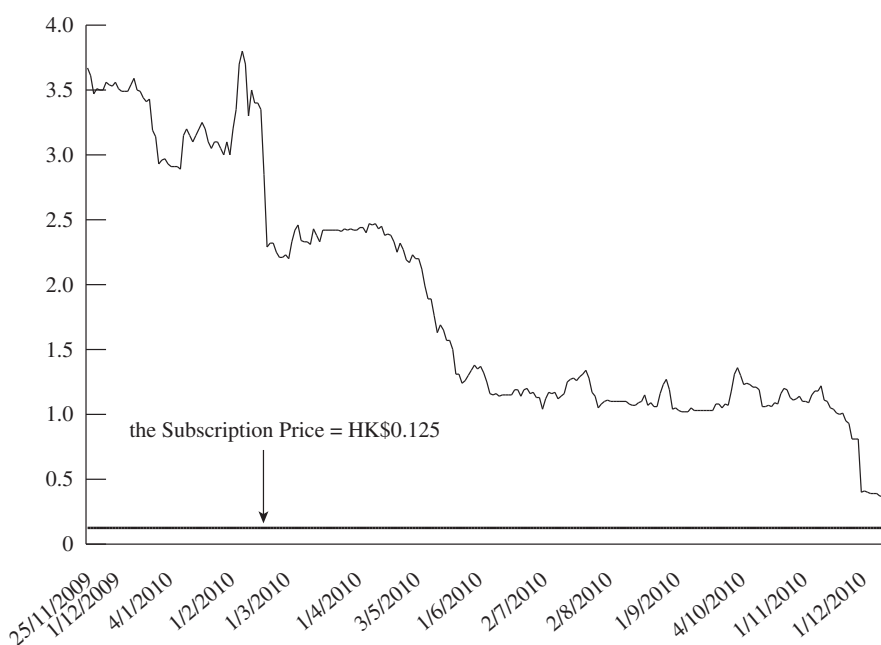
- (iv) a discount of approximately 67.11% to the theoretical closing price of HK\$0.38 per Adjusted Share, based on the closing price of HK\$0.038 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted taking into account the effect of the Capital Reorganisation.

As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The discount of Subscription Price would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their pro-rata shareholdings in the Company and participate in the future growth of the Group. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and no Bond Options and conversion rights under the Convertible Bonds are exercised on or before the Record Date and no other issue of Shares) will be approximately HK\$0.1202.

Historical closing prices and trading liquidity of the Company

For the purpose of assessing the fairness and reasonableness of the level of the Subscription Price, we have reviewed the closing prices and the trading liquidity of the Shares traded on the Stock Exchange during the twelve-month period preceding the date of the Underwriting Agreement up to and including the Latest Practicable Date (the "Review Period"). The Review Period covers the period where terms of the Subscription Price were finalised. We therefore believe that it is appropriate to analyse the Subscription Price relative to the performance of the Shares during the Review Period.

Share price movement



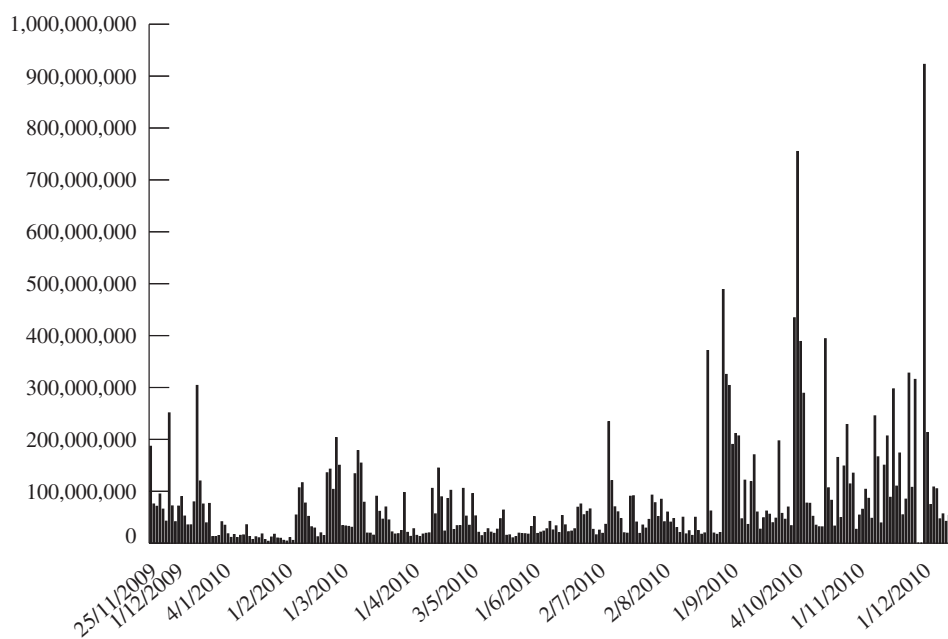
Source: Stock Exchange

LETTER FROM VINCO CAPITAL

Note: The trading of Shares was suspended from 24 November 2010 to 25 November 2010 (both days inclusive).

After taking into account the effect of the Capital Reorganisation, the chart above indicated that the lowest closing price was HK\$0.81 per Adjusted Share recorded on 23 November 2010 and the highest closing price was HK\$3.80 per Adjusted Share recorded on 5 February 2010. The average closing price of the Shares for the Review Period was approximately HK\$1.92 per Adjusted Share. During the Review Period, the closing price of the Shares fluctuated in a range of HK\$0.81 per Adjusted Share to HK\$3.80 per Adjusted Share. The Subscription Price of HK\$0.125 represents a discount over the closing price of the Shares during the Review Period and falls below the average closing price of the Shares of the Review Period.

Trading volume



Source: Stock Exchange

LETTER FROM VINCO CAPITAL

Month	Highest daily turnover	Lowest daily turnover	Average daily turnover	Number of trading days with turnover lower than 30 million	Percentage of average daily turnover over total number of Shares in issue (Note 1)	Percentage of average daily turnover over total number of Shares held by the Independent Shareholders (Note 2)
	<i>(in number of Shares)</i>	<i>(in number of Shares)</i>	<i>(in number of Shares)</i>	<i>(in days)</i>	<i>(%)</i>	<i>(%)</i>
2009						
November	186,565,500	70,915,000	106,859,873	0	0.05	0.03
December	303,783,500	12,463,500	71,862,525	4	0.16	0.02
2010						
January	35,324,250	3,468,000	12,047,015	19	0.02	0.00
February	203,217,793	5,145,781	73,255,772	5	0.04	0.02
March	178,190,531	12,932,061	53,357,756	11	0.03	0.01
April	144,573,857	12,694,800	58,291,283	6	0.02	0.01
May	63,667,000	10,126,902	24,387,711	16	0.01	0.01
June	75,310,000	15,888,000	36,426,089	12	0.01	0.01
July	233,918,000	18,630,000	64,903,063	4	0.02	0.02
August	488,598,324	14,770,000	107,372,795	11	0.03	0.03
September	754,556,006	26,780,000	143,775,183	1	0.04	0.04
October	393,830,350	26,531,000	109,611,499	1	0.03	0.03
November	922,428,675	0	173,298,213	2	0.04	0.04
December	108,060,500	41,825,500	68,461,604	0	0.02	0.02

Notes:

1. Based on the total number of issued Shares of the Company as at the end of each month.
2. Based on the total number of issued Shares of 4,026,396,686 Shares as at the Latest Practicable Date

During the Review Period, a trading volume of lower than 30 million was recorded on 92 trading days on the Stock Exchange. As illustrated in the table above, the trading volume of the Shares during the Review Period has been thin. During the Review Period, the highest average daily trading volume was approximately 173.30 million Shares in November, 2010, representing approximately 0.04% of the total number of issued Shares and approximately 0.04% of the total number of Shares held by the Independent Shareholders. While within the Review Period, the average daily trading volume was approximately 81.68 million Shares, representing merely 0.03% of the total number of issued Shares and approximately 0.02% of the total number of Shares held by the Independent Shareholders. We therefore consider the liquidity of the Shares was thin during the Review Period.

LETTER FROM VINCO CAPITAL

Comparison with other rights issues

We have attempted to further assess the Subscription Price, we therefore conducted a comparative analysis of 30 rights issues conducted by other listed companies on the Stock Exchange. We have identified all rights issue (the “Comparables”) announced by listed companies on either the Main Board or the Growth Enterprise Market of the Stock Exchange within the six-month period preceding the date of the Announcement up to the Latest Practicable Date as follows:

Date of announcement	Companies	Stock code	Basis of entitlement	Premium/	Premium/	Maximum dilution	Underwriting Commission	Application for excess rights shares
				(discount) of subscription price over/ (to) the closing price on the Last Trading Day	(discount) of subscription price over/ (to) the theoretical ex-rights price			
				%	%	%		
28 April 2010	China Trends Holdings Limited	8171	4 for 1	(89.61)	(63.30)	80.00	2.00	Yes
17 May 2010	TCC International Holdings Limited	1136	1 for 2	(27.08)	(19.85)	33.33	2.25	Yes
6 June 2010	Bank of Communication Co., Ltd.	3328	1.5 for 10	(37.20)	(34.00)	13.04	Information not available	Yes
10 June 2010	Radford Capital Investment Limited	901	4 for 1	(61.54)	(24.24)	80.00	2.50	Yes
11 June 2010	Playmates Toys Limited	869	1 for 2	(38.14)	(29.08)	33.33	2.50	Yes
11 June 2010	Wang Sing International Holdings Group Limited (Note 2)	2389	3 for 2	(35.62)	(18.03)	60.00	1.50	No
14 June 2010	Global Bio-Chem Technology Group Company Limited	809	2 for 5	(50.33)	(41.86)	28.57	3.00	Yes
6 July 2010	San San Tong Holdings Limited	8200	6 for 1	(83.33)	(41.18)	85.71	2.50	Yes
6 July 2010	Great World Company Holdings Limited	8003	1 for 1	(61.54)	(44.44)	50.00	3.00	Yes
8 July 2010	China Star Entertainment Limited	326	1 for 2	(12.28)	(8.26)	33.33	1.00	Yes
21 July 2010	Ruyan Group (Holdings) Limited	329	20 for 1	(90.83)	(32.06)	95.24	3.00	Yes
27 July 2010	Unity Investment Holdings Limited	913	8 for 1	(73.13)	(23.22)	88.89	2.50	Yes
9 August 2010	Wai Yuen Tong Medicine Holdings Limited	897	5 for 1	(83.10)	(35.91)	85.71	2.50	Yes
11 August 2010	China CITIC Bank Corporation Limited	998	2.2 for 10	Information not available	Information not available	18.03	Information not available	Yes
13 August 2010	Polyard Petroleum International Group Limited	8011	1 for 2	(28.10)	(20.60)	33.33	1.50	Yes
20 September 2010	New Smart Energy Group Limited	91	2 for 1	(26.32)	(10.40)	66.67	2.50	Yes

LETTER FROM VINCO CAPITAL

Date of announcement	Companies	Stock code	Basis of entitlement	Last Trading Day	Premium/ (discount) of subscription price over/ (to) the closing price on the ex-rights price	Premium/ (discount) of subscription price over/ (to) the theoretical price	Maximum dilution <i>(Note 1)</i>	Underwriting Commission	Application for excess rights shares
				%	%	%			
22 September 2010	21 Holdings Limited	1003	10 for 1	(87.66)	(39.30)	90.91	2.13 <i>(Note 4)</i>	Yes	
27 September 2010	Oriental City Group Holdings Limited	8325	1 for 2 <i>(Note 5)</i>	(84.44)	(71.13)	50.00	2.50	Yes	
27 September 2010	Hua Xia Healthcare Holdings Limited	8143	1 for 3	(36.10)	(29.50)	25.00	6.00	Yes	
4 October 2010	Hengli Properties Development (Group) Limited	169	3 for 5	(71.43)	(60.98)	37.50	2.50	No	
7 October 2010	Century City International Holdings Limited	355	1 for 10	(30.40)	(28.50)	9.09	2.50	Yes	
12 October 2010	China Gogreen Assets Investment Limited	397	9 for 1	(67.67)	(17.31)	90.00	2.50	Yes	
13 October 2010	Standard Chartered PLC	2888	1 for 8	(32.93)	(30.38)	11.11	2.15 <i>(Note 6)</i>	No	
20 October 2010	Ching Hing (Holdings) Limited	692	8 for 1	(81.82)	(33.33)	88.88	2.50	Yes	
27 October 2010	Aptus Holdings Limited	8212	3 for 1	(69.70)	(37.50)	75.00	2.50	Yes	
28 October 2010	Bank of China Limited	3988	1 for 10 <i>(H shares)</i>	(41.20)	(38.98)	9.09	Information not available	Yes	
29 October 2010	Inno-Tech Holdings Limited	8202	10 for 1	(72.31)	(19.28)	90.91	3.00	Yes	
2 November 2010	China Construction Bank Corporation	939	0.7 for 10 <i>(H shares)</i>	(42.70)	(41.00)	6.54	Information not available	Yes	
10 November 2010	Industrial and Commercial Bank of China Limited	1398	0.45 for 10 <i>(H shares)</i>	(47.36)	(46.22)	5.66	Information not available	Yes	
16 November 2010	Dah Sing Financial Holdings Ltd.	440	1 for 8	(39.97)	(37.18)	11.11	2.25	Yes	
	Maximum			(12.28)	(8.26)	95.24	6.00		
	Minimum			(90.83)	(71.13)	5.66	1.00		
	Mean			(55.30)	(33.86)	49.53	2.51		
	The Company	885	8 for 1	(86.56)	(41.59)	88.89	3.00	Yes	

Source: Stock Exchange

LETTER FROM VINCO CAPITAL

Notes:

1. Maximum dilution effect of each rights issue is calculated as: (number of rights shares and (if any) bonus shares to be issued under the basis of entitlement)/(number of existing shares for the entitlement for the rights shares under the basis of entitlement + number of rights shares and (if any) bonus shares to be issued under the basis of entitlement) x 100%.
2. The name of the company had been changed to Genvon Group Limited on 22 June 2010.
3. As set out on the announcement of Wai Yuen Tong Medicine Holdings Limited dated 9 August 2010, the proposed rights issue was on the basis of five rights shares for every one adjusted share held by qualifying shareholders on the record date with bonus issue on the basis of one bonus share for every five rights shares taken up under the rights issue.
4. As set out on the announcement of 21 Holdings Limited dated 22 September 2010, the rights issue were fully underwritten by Get Nice Securities Limited with 2.25% underwriting commission and Emperor Securities Limited with 2.0% underwriting commission. For calculation purposes, the average of 2.125% underwriting commission will be used for the calculation of the average of the underwriting commission of the Comparables.
5. As set out on the announcement of Oriental City Group Holdings Limited dated 27 September 2010, the proposed rights issue was on the basis of one rights share for every two existing shares held by qualifying shareholders on the record date with bonus issue on the basis of one bonus share for every rights share taken up under the rights issue.
6. As set out on the announcement of Standard Chartered PLC dated 13 October 2010, the company shall pay to the underwriters a commission of 2.15% per cent on the aggregate value at the Issue Price of the total number of new ordinary shares, except that in relation to the number of new ordinary shares acquired by Dover Investments Pte Ltd, a wholly owned subsidiary of Temasek Holdings (Private) Limited, and Cavanagh Investments Pte Ltd, the company shall pay to the underwriters a commission of 1.5% per cent on the aggregate value at the issue price of the number of such new ordinary shares and no commission shall be payable to the underwriters in relation to new ordinary shares to which the directors are entitled under the rights issue.

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Based on the above table, we noted that (i) the subscription prices of the rights shares to the closing prices of the shares of the Comparables on the last trading days prior to the release of the respective announcements ranged from a discount of approximately 12.28% to 90.83%, with a mean at discount of approximately 55.30%. The discount of the Subscription Price of the Rights Issue to the closing price of the Shares (after adjusting for the Capital Reorganisation) on the Last Trading Day is approximately 86.56%, which represents a discount that falls within the range of the Comparables and above the mean thereof; and (ii) the subscription prices of the right shares to the theoretical ex-rights prices of the shares of the Comparables ranged from a discount of 8.26% to 71.13%, with a mean at discount of approximately 33.86%. The discount of the Subscription Price of the Rights Issue to the theoretical ex-rights price of the shares (after adjusting for the Capital Reorganisation) is approximately 41.59%, which represents a discount falls within the range of the Comparables and above the mean thereof.

Having considered (i) the common practice adopted by the Comparables to set their subscription prices of their rights issues at a discount rate to the prevailing market prices of the relevant shares before the relevant announcements of the rights issues; (ii) the Subscription Price lies within the range of the market Comparables; and (iii) the Subscription Price was determined at after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market conditions, we are of the view that the Subscription Price is fair and reasonable so far as the Company and Independent Shareholders are concerned.

4. Application for excess Rights Shares

As stated in the Letter from the Board, Qualifying Shareholders will be given the right to apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

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- (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares; whereas Qualifying Shareholders applying for a larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive a higher number of Rights Shares) and with board lot allocations to be made on a best effort basis.

Investors with their Shares or Adjusted Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares or Adjusted Shares (as the case may be) held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares or Adjusted Shares (as the case may be) in the name of the beneficial owner(s) prior to the Record Date.

After reviewing the circulars of the Comparables, we noted that the above practices are in line with market practice. Based on the foregoing, we are of the view that such arrangement is fair and reasonable to the Company and the Independent Shareholders as a whole.

5. Underwriting Agreement

The Rights Issue is subject to the Underwriting Agreement. The Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis, being not less than 3,248,660,184 Rights Shares and not more than 4,100,897,984 Rights Shares, subject to the terms and conditions of the Underwriting Agreement.

In addition, based on the Underwriting Agreement, the Company will pay the Underwriter an overall underwriting commission of 3% of the aggregate Subscription Price. The underwriting commission of the Comparables ranged from 1% to 6% with a mean of 2.15%. On this basis, we noted the underwriting commission charged by the Underwriter to the Company is higher than the mean of the Comparables and within the range of the commission of the Comparables. As such, we are of the view that the underwriting commission charged by the Underwriter is under normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

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6. Termination of the Underwriting Agreement

It also should be noted that the Rights Issue would not proceed if the Underwriter exercise their termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are included in the Letter from the Board. After reviewing the circulars of the Comparables, we consider such provisions are on normal commercial terms and in line with the market practice.

7. Dilution effect of the Rights Issue on shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

For those Qualifying Shareholders who do not exercise their rights to subscribe for the Rights Shares in full, depending on the extent that they accept their entitlements, their shareholding interests will be diluted respectively which depend on the assumption set out below. However, it should be noted that such Shareholders will have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares (the “Nil-Paid Rights”) in the market during the dealing of Nil-Paid Rights on the Stock Exchange, subject to the then prevailing market conditions.

Meanwhile, Qualifying Shareholders who wish to increase their shareholdings in the Company through the Rights Issue may, subject to availability, acquire additional Nil-Paid Rights in the market. The Qualifying Shareholders may also apply for excess Rights Shares.

We are of the view that the arrangement for the Rights Issue is in line with recent market practice for rights issue and are able to cater for different objectives of the Qualifying Shareholders.

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The shareholding structure before and after the Rights Issue is illustrated as below:

Scenario 1

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue		All Shareholders take up all the Rights Shares at HK\$0.125 each		Immediately after completion of the Rights Issue		Underwriter underwrites all Shareholders' portion of the Rights Shares at HK\$0.125 each	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Yeung Ming Kwong (Note 1)	4,421,047	0.11	442,104	0.11	3,978,936	0.11	442,104	0.11	442,104	0.01
Mr. Wen Louis (Note 2)	7,500	0.00	750	0.00	6,750	0.00	750	0.00	750	0.00
Mr. Lam Yick Sing (Note 3)	30,000,000	0.74	3,000,000	0.74	27,000,000	0.74	3,000,000	0.74	3,000,000	0.08
The Underwriter (Note 4)	-	0.00	-	0.00	-	0.00	3,248,660,184	0.00	3,248,660,184	88.89
Independent Shareholders	4,026,396,686	99.15	4,026,396,669	99.15	3,623,757,021	99.15	4,026,396,669	99.15	4,026,396,669	11.02
Total	4,060,825,233	100.00	4,060,825,233	100.00	3,654,742,707	100.00	3,654,742,707	100.00	3,654,742,707	100.00

Scenario 2

	As at the Latest Practicable Date		Immediately after the Issue Mandate being fully utilised and Share Options granted under the Scheme Mandate being exercised in full and full exercise of Bond Options and full conversion of the Convertible Bonds before Capital Reorganisation		Immediately after the Capital Reorganisation but before completion of the Rights Issue		All Shareholders take up all the Rights Shares at HK\$0.125 each		Immediately after completion of the Rights Issue		Underwriter underwrites the public Shareholders' portion of the Rights Shares at HK\$0.125 each	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Yeung Ming Kwong (Note 1)	4,421,047	0.11	4,421,047	0.09	442,104	0.09	3,978,936	0.09	442,104	0.09	442,104	0.01
Mr. Wen Louis (Note 2)	7,500	0.00	7,500	0.00	750	0.00	6,750	0.00	750	0.00	750	0.00
Mr. Lam Yick Sing (Note 3)	30,000,000	0.74	30,000,000	0.59	3,000,000	0.59	27,000,000	0.59	3,000,000	0.59	3,000,000	0.07
The Underwriter (Note 4)	-	0.00	-	0.00	-	0.00	-	0.00	4,100,897,968	0.00	4,100,897,968	88.89
Other public Shareholders												
New Shares issued under the Issue Mandate	-	0.00	562,165,046	10.97	56,216,504	10.97	505,948,536	10.97	56,216,504	10.97	56,216,504	1.22
Share Options fully granted and exercised	-	0.00	281,082,523	5.48	28,108,252	5.48	252,974,268	5.48	28,108,252	5.48	28,108,252	0.61
Full exercise of Bond Options and full conversion of the Convertible Bonds	-	0.00	222,049,685	4.33	22,204,968	4.33	199,844,712	4.33	22,204,968	4.33	22,204,968	0.48
Others	4,026,396,686	99.15	4,026,396,686	78.54	4,026,396,670	78.54	3,623,757,030	78.54	4,026,396,670	78.54	4,026,396,670	8.72
Total	4,060,825,233	100.00	5,126,122,487	100.00	5,126,122,487	100.00	4,613,510,232	100.00	4,613,510,232	100.00	4,613,510,232	100.00

Notes:

- 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.
- Mr. Lam Yick Sing is an executive Director.

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4. In circumstances where the Rights Issue were to become unconditional and the Underwriter was obliged to underwrite the Rights Shares in their entirety, the underwriting commitment would extend to a stake of approximately 88.89% in the share capital of the Company as enlarged by the issue of the Rights Shares. The Underwriter confirmed to the Company that it has sub-underwritten its underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriter and the sub-underwriters (i) will be a third party independent of, not acting in concert with and will not be connected with the Directors, chief executive or substantial shareholders of the Company or their respective associates; (ii) will not, together with party(ies) acting in concert with each of them, hold in aggregate 29.9% or more of the voting rights of the Company upon completion of the Rights Issue; and (iii) will not immediately after the Rights Issue own or control 20% or more of the voting rights of the Company. The Underwriter further confirms that (a) the Underwriter will and will cause the sub-underwriters to procure independent places to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Rights Issue; (b) each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert with each other; and (c) each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons of the Company.

The figures for Scenario 1 above were calculated on the assumption that (i) the Issue Mandate is not utilised; (ii) no Share Options are granted or exercised; and (iii) the Bond Options and conversion rights under the Convertible Bonds are not exercised on or before the Record Date. The aggregate shareholding of the Independent Shareholders will decrease from approximately 99.15% to approximately 11.02% upon completion of the Rights Issue.

The figures for Scenario 2 above were calculated on the assumption that (i) full utilisation of the Issue Mandate; (ii) full exercise of the subscription rights attaching to the maximum number of Share Options granted pursuant to the Scheme Mandate Limit; and (iii) full exercise of the Bond Options and full conversion of Convertible Bonds on or before the Record Date. The aggregate shareholding of the other public Shareholders will decrease from approximately 99.15% to approximately 8.72% upon completion of the Rights Issue.

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If the Independent Shareholders, who are Qualifying Shareholders, decide to subscribe for all their provisional allotment entitlements of the Rights Shares, there would not be any dilution effect on their interests in the Company. However, we would like to draw the Independent Shareholders' attention to the fact that, for those Independent Shareholders who do not wish to take up all or part of their provisional allotment entitlements to the Rights Shares, their corresponding interest in the Company will be diluted. In case all the Qualifying Shareholders (other than the Underwriter) decide not to take up the provisional allotments of the Rights Issue and the Underwriter has taken up all the provisional allotments in its capacity as the Underwriter, the respective maximum dilution will be approximately 88.13% and approximately 90.43%.

Given the Rights Issue is offered to all Qualifying Shareholders on the same basis, Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Rights Issue in full. Having taking into consideration that (i) a lower subscription price which represents discounts to the Last Trading Day and to the theoretical ex-entitlement price may likely to attract the Qualifying Shareholders to participate in the Rights Issue given the loss making performance of the Group for the six months ended 30 June 2010; (ii) the inherent dilutive nature of rights issue in general; and (iii) the Rights Issue are on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company, and should the Qualifying Shareholders decide not to take up their entitlements under the Rights Issue, they can sell the Nil-Paid Rights in the market for economic benefit, we are of the view that the potential dilution effect on the shareholding which may only happen to the Qualifying Shareholders who decide not to accept the Rights Issue to be acceptable and the dilution effect is not prejudicial to the Independent Shareholders' interests in the Company if they choose to subscribe for all their entitlements of the Rights Shares under the Rights Issue.

8. Arrangement of the Overseas Shareholders

We have reviewed the arrangements of the Non-Qualifying Shareholders regarding the Rights Issue. We noted that the Directors are of the opinion that it would be necessary or expedient, on account of either the legal restrictions under the laws of the relevant place(s) or the requirement of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be available to such Overseas Shareholders and no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Non-Qualifying Shareholders. As such, the Company will send the Prospectus to the Non-Qualifying Shareholders only for information only, but will not send any PAL and EAF to them on the Posting Date.

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9. Financial effects of the Rights Issue

(a) Net assets value

With reference to the 2009 Annual Report, the audited net assets value of the Group was approximately HK\$408.40 million as at 31 December 2009. After taking the net proceeds from the Rights Issue into account, the net assets of the Group will increase by not less than HK\$390.51 million to not more than HK\$493.84 million. We noted that the proposed Rights Issue should enhance the net asset value of the Group. However, the Shareholders should note that the total number of shares after the Rights Issue shall be increased from 406,082,523 Adjusted Shares to not less than 3,654,742,707 Adjusted Shares (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and the Bond Options and the conversion rights under the Convertible Bonds are not exercised on or before the Record Date) and not more than 4,613,510,232 Adjusted Shares (assuming the Issue Mandate is fully utilised, Share Options are fully granted and exercised, Bond Options and the conversion right under the Convertible Bonds are fully exercised on or before the Record Date). Thus the net asset value per Adjusted Shares will be decreased from approximately HK\$1.01 to approximately HK\$0.219 and approximately HK\$0.196 respectively.

(b) Gearing ratio (total borrowings/net assets)

According to the 2009 Annual Report, the gearing ratio of the Group was approximately 20.68%. Immediately after completion of the Rights Issue, the total borrowings of the Group would remain unchanged whereas the net assets of the Group would increase by not less than HK\$390.51 million to not more than HK\$493.84 million. Hence, the gearing ratio of the Group would be improved as a result of the Rights Issue.

(c) Working capital

With reference to the 2009 Annual Report, the working capital of the Group was approximately HK\$454.56 million as at 31 December 2009. Immediately after completion of the Rights Issue, the working capital of the Group would increase by not less than HK\$390.51 million to not more than HK\$493.84 million. In this regard, we are of the view that the Rights Issue will improve the liquidity position of the Group.

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Based on the foregoing, the Rights Issue will enhance the net assets value of the Group, reduce the indebtedness and improve the liquidity position of the Group. Hence, we are of the view that the Rights Issue is in the interest of the Company and the Independent Shareholders as a whole.

D. CONCLUSION

Having taken into consideration of the above principal factors and reasons, we are of the view that the terms of Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2007, 2008 and 2009 are disclosed in the annual reports of the Company for the years ended 31 December 2007 (pages 28 to 90), 2008 (pages 35 to 122) and 2009 (pages 34 to 114) respectively, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.forefront.com.hk). The auditor's reports as set out in the annual reports of the Group for the year ended 31 December 2007 was qualified and that for the year ended 31 December 2008 (the "Annual Report 2008") and 31 December 2009 (the "Annual Report 2009") were unqualified.

Please see below quick link to the Annual Report 2009:

<http://www.hkexnews.hk/listedco/listconews/sehk/20100429/LTN20100429614.pdf>

Please see below quick link to the Annual Report 2008:

<http://www.hkexnews.hk/listedco/listconews/sehk/20090421/LTN20090421379.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2007 has also been set out in the comparative column of the Annual Report 2008 of the Company. Please refer to quick link to the Annual Report 2008 above for more details.

2. UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2010 together with the relevant notes to the accounts are disclosed in the interim report (the "Interim Report 2010") of the Company for the six months ended 30 June 2010 (pages 4 to 39), which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.forefront.com.hk).

Please see below quick link to the Interim Report 2010:

<http://www.hkexnews.hk/listedco/listconews/sehk/20090923/LTN20090923220.pdf>

3. INDEBTEDNESS

At the close of business on 31 October 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has pledged all its investments held for trading with margin value to the extent of HK\$237,424,745 to secure margin financing facilities obtained from a regulated securities dealer. No part of the facilities was utilised as at 31 October 2010.

On 17 December 2009, the Company issued HK\$110,000,000 of convertible bonds (“First Convertible Bonds”). Under the terms of the First Convertible Bonds, options were granted to the converting bondholders on any conversion of the First Convertible Bonds effected within one year from their date of issue (the “Options”). The Options would entitle the converting bondholders to subscribe, in cash at 100% of the principal amount, for further convertible bonds equal to the principal amount of the First Convertible Bonds (“Optional Bonds”). All First Convertible Bonds had been converted into the Company’s shares and the Options were issued on 11 February 2010, which entitled the holders of Options to subscribe for HK\$110,000,000 Optional Bonds. The bondholders of the Optional Bonds have the rights to convert the bonds into the Company’s shares at the adjusted conversion price of HK\$0.339 per share. Pursuant to the terms and conditions of the Optional Bonds, the conversion price was further adjusted from HK\$0.339 per share to HK\$0.322 per share as a result of the completion of the placing of the Company’s shares on 29 July 2010. As at 31 October 2010, the Options to subscribe HK\$38,500,000 Optional Bonds had been exercised and converted into the Company’s shares and the Options to subscribe HK\$71,500,000 Optional Bonds with maturity date of 16 December 2010 have yet to be exercised.

There is a contingent liability potentially arising from an alleged claim from Mr. Lo Chia Yu (“Mr. Lo”) against Forefront Automotive Services Company Limited (“FAS”), a wholly-owned subsidiary of the Company, whereby Mr. Lo alleged that FAS has agreed to purchase and Mr. Lo has agreed to sell 13% of the share capital of Global Travel Holdings Limited (“Global Travel”) at a consideration of HK\$7,800,000. FAS’s position is that the agreement was subject to it conducting due diligence on Global Travel to its satisfaction. As requested, FAS paid a deposit of HK\$2,000,000 to Mr. Lo. Subsequently, the accounting firm employed by FAS reported unsatisfactory due diligence, therefore FAS did not elect to proceed with the alleged agreement. Mr. Lo has filed proceedings claiming HK\$7,800,000 together with alternative damage and FAS has lodged a counter claim to Mr. Lo for the return of the HK\$2,000,000 deposit paid. A contingent liability netting off the counter claims as set out above amounting to HK\$5,800,000 are alleged to be due from FAS to Mr. Lo. The matter has not progressed after an initial hearing and was adjourned to a further date to be determined by the court subject to its receipt of sufficient documents from the two parties. The Group has not received any notice in relation to any specific dates for any further hearing.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 October 2010, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities.”

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources and the estimated net proceeds from the Rights Issue, in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

5. MATERIAL ADVERSE CHANGE

Save as disclosed in the Company's announcement dated 27 July 2010, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS**Business review**

The Group has the following major business activities during the period ended 30 June 2010:

Tianjin Motor Business

The Company through its indirect wholly-owned subsidiary, Crown Creation Limited, acquired 50% of the equity interest in 天津市凱聲汽車維修有限公司 (Tianjin Kai Sheng Automobile Service Co., Ltd.) ("Tianjin Kai Sheng"). Tianjin Kai Sheng and its subsidiaries engaged 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. During the period under review, the overall operations of Tianjin Kai Sheng improved due to increase in sale volume as well as successful cost control. Tianjin Kai Sheng contributed a profit of HK\$0.59 million to the Group's interim result.

Logistic Services

The Group through its indirect wholly-owned subsidiary invests 40% issued share capital of Golden Fame International Investments Group Limited (“GFIIGL”) since 13 September 2007. GFIIGL provides various logistics services in Hong Kong and the PRC including third party logistics, freight forwarding, airline general sales agency, supply chain management, river trade shipping and terminal stevedoring. During the reporting period under review, the overall profits of GFIIGL increased along with a steady global economic recovery and an increase in cargo throughput and contribute HK\$3.51 million to the results of the Group. Subject to the market trends and conditions remain unchanged, GFIIGL is expected to continue with a relatively strong performance for the remaining second half of year.

On 8 November 2010, the Company was informed by GFIIGL in relation to its proposed listing on the growth enterprise market of Stock Exchange.

Trading of securities

The Group invested its surplus cash in Hong Kong’s listed securities as short-term investments. During the first half of the year, the Group recorded an realised profits of HK\$9.17 million from the disposal of certain securities and an unrealised losses of a HK\$124.90 million on the portfolio.

Money lending business

The Group used part of its surplus cash through its indirect wholly-owned subsidiary, Forefront Finance Co., Ltd, to provide short-term loans to various borrowers. Those short-term loans normally carried interest rate of 2% to prime rate plus 2% per annum. During the first half of the year, Forefront Finance Co., Ltd contributed profit of HK\$1.35 million to the results of the Group.

Property Investments

On 19 May 2010, the Group indirect wholly-owned subsidiary, Loyal Castle Investments Limited, completed its acquisition of Perfect Time Investments Limited at a consideration of HK\$100 million. The consideration was satisfied by an issue of 400,000,000 shares of the Company to Willie International Holdings Limited. Perfect Time Investments Limited and its wholly-owned subsidiary holds a 20-storey composite building located at Guangzhou City, the PRC. At the date of completion, the 400,000,000 consideration shares valued at HK\$60 million were issued. On 26 May 2010, the Group completed its disposal of Perfect Time Investments Limited to an independent third party at HK\$85 million. The acquisition and disposal contributed a profit of HK\$ 25 million to the Group’s results.

Forest Interest Business

On 26 April 2010, the Group' indirectly wholly-owned subsidiary, Regent Square Limited, completed its acquisition of Richful Zone International Limited at a consideration of HK\$79.2 million. The consideration was satisfied by an issue of 330,000,000 shares of the Company at an issue price of HK\$0.24 per Share to Mascotte Holdings Limited. Richful Zone International Limited and its subsidiary holds 50% interest in a concession rights and interest in forestry contracts in respect of a forest land. The forest land is located in Simao District, Pure City, Yunnan Province, the PRC, with a total site area of approximately 36,735 Chinese Mu.

Carbon Fiber Business

As disclosed in the announcement dated 14 April 2010 and last annual report dated 23 April 2010, the directors of Excel Way Investments Ltd. ("Excel Way"), an indirect wholly-owned subsidiary of the Group and holds an aggregate of 42.86% in Tinhua Excel Way Special Fiber (Xintai) Co., Ltd. resolved to place Excel Way into voluntary liquidation pursuant to Section 228A of the Companies Ordinance of Hong Kong. Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of Ferrier Hodgson Limited, were appointed provisional liquidators of Excel Way on the same day to preserve and ascertain the residual value of the Company's investment in Excel Way. The impairment loss of HK\$158.50 million regarding the investment had been made in the last year financial statements of the Group.

PROSPECT

On 17 August 2010, the Company's indirect wholly-owned subsidiary of the Company, Pan Fortune Investments Limited entered into the investors' subscription agreement to invest a total of US\$10,000,000 into a co-investment vehicle established for the purpose of acquiring control of equity securities and loan receivables of a investee group which is a supplier of automotive components, supplying both original equipment manufacturers and the aftermarket. The investment was approved by independent shareholders at the extraordinary general meeting of the Company on 27 September 2010. The Company intends to keep the investment as investment held for sale. Details of the investment was stated on the announcement and the circular of the Company dated 17 August 2010 and 9 September 2010 respectively. As at the Latest Practicable Date, approximately HK\$60.67 million (US\$7,777,777.78) has been invested and the remaining balance of approximately HK\$17.33 million (US\$2,222,222.22) is pending for call by the private equity fund.

1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an unaudited pro forma statement of consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Capital Reorganisation and the Rights Issue as if they had been undertaken and completed on 30 June 2010. This statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group on the completion of the Capital Reorganisation and the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 June 2010 <i>(Note iii)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note iv and v)</i> <i>HK\$'000</i>	Unaudited pro forma consolidated net tangible assets of the Group attributable to the Shareholders after the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets per Share as at 30 June 2010 <i>(Note vi)</i> <i>HK\$</i>	Unaudited pro forma consolidated net tangible assets per Adjusted Share after the Capital Reorganisation and the Rights Issue <i>(Note vii)</i> <i>HK\$</i>
Rights Issue of 3,248,660,184 Rights Shares <i>(Note i)</i>	827,066	390,507	1,217,573	0.29	0.33
Rights Issue of 4,100,897,984 Rights Shares <i>(Note ii)</i>	827,066	565,341	1,392,407	0.29	0.30

Notes:

- (i) The Rights Issue of 3,248,660,184 Rights Shares is based on 406,082,523 Adjusted Shares held on the Record Date.
- (ii) The Rights Issue of 4,100,897,984 Rights Shares is based on 512,612,248 Adjusted Shares, representing the total of 406,082,523 Adjusted Shares in issue upon the Capital Reorganisation becoming effective, 22,204,968 Adjusted Shares which may be issued and allotted to the holders of Bond Options on or before the Record Date and 84,324,756 Adjusted Shares which may be issued and allotted pursuant to the Scheme Mandate Limit and the Issue Mandate, which were approved by the annual general meeting on 2 June 2010, up to the date of this Circular.
- (iii) The unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 June 2010 is derived from the 2010 interim report of the Company.

- (iv) As at the Latest Practicable Date, the Company does not have any intention to utilise the Scheme Mandate Limit and the Issue Mandate.

Further, as (i) the exercise price of the share options to be granted under the Scheme Mandate Limit is subject to adjustments resulting from the proposed Capital Reorganisation and the then market prices of the Adjusted Share; and (ii) the determination of the subscription and/or placing price of the Adjusted Shares to be issued under the Issue Mandate is also subject to the then market prices of the Adjusted Share and arm's length negotiation between the Company and/or the relevant placing agent/subscriber(s), uncertainties resulting from the aforementioned factors make it impracticable for the Company to estimate the proceeds arising from the issue of new Adjusted Shares under the Issue Mandate and the Scheme Mandate Limit.

- (v) The estimated net proceeds from the Right Issue is calculated as follows:

	Rights Issue of 3,248,660,184 Rights Shares HK\$'000	Rights Issue of 4,100,897,984 Rights Shares HK\$'000
Proceeds from the issue of Rights Shares at the Subscription Price of HK\$0.125 per Rights Share	406,083	512,612
Less: estimated related expenses	(15,576)	(18,771)
Proceeds from the exercise and conversion of Bond Options into 22,204,968 Adjusted Shares	(Note) —	71,500
Estimated net proceeds from the Rights Issue	<u>390,507</u>	<u>565,341</u>

Note: As at the Latest Practicable Date, the Company has not received any notice from the bondholders as to whether they will exercise the Bonds Options and convert the Bond Options into Shares accordingly and the Bond Options will be expired on 16 December 2010. However, for illustration purposes, the net proceeds arising from the Option Bonds of HK\$71.5 million have been included in the calculation of the net tangible assets for the purpose of this pro forma financial information.

- (vi) The calculation of the unaudited consolidated net tangible assets per Share is based on 2,810,825,233 Shares in issue as at 30 June 2010.
- (vii) The calculation of the unaudited pro forma consolidated net tangible assets per Adjusted Share after the Capital Reorganisation and the Rights Issue is based on (a) 3,654,742,707 Shares which represent the sum of 406,082,523 Adjusted Shares and 3,248,660,184 Rights Shares expected to be issued on the completion of the Capital Reorganisation and the Rights Issue, or (b) 4,613,510,232 Shares which represent the sum of 512,612,248 Adjusted Shares and 4,100,897,984 Rights Shares expected to be issued on the completion of the Capital Reorganisation and the Rights Issue.

**2. LETTER ON THE UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP**

The following is the text of a report received from the auditor of the Company, Mazars CPA Limited, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.



MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.com.hk
Website 網址: www.mazars.com.hk

17 December 2010

The Directors
Forefront Group Limited
Room 1103, China United Centre
28 Marble Road
North Point
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Forefront Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 61 to 62 under the heading of unaudited pro forma statement of consolidated net tangible assets of the Group of the Company’s circular dated 17 December 2010 (the “Circular”) in connection with the proposed capital reorganisation (the “Capital Reorganisation”) and the proposed rights issue (the “Rights Issue”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only to provide information about how the Capital Reorganisation and the Rights Issue might have affected the financial information of the Group as at 30 June 2010. The basis of preparation of the pro forma financial information is set out on pages 61 to 65 to the Circular.

**RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING
ACCOUNTANTS**

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

OPINION

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Mazars CPA Limited

Certified Public Accountants

Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and no Bond Options and conversion rights under the Convertible Bonds are exercised on or before the Record Date and no other issue of Shares); and (iii) immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (assuming full utilisation of the Issue Mandate and full exercise of the subscription rights attaching to the maximum number of Share Options to be granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date and no other issue of Shares) were as follows:

(i) As at the Latest Practicable Date

HK\$

Authorised:

<u>50,000,000,000</u>	Shares	<u>5,000,000,000.00</u>
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Issued and fully paid:

<u>4,060,825,233</u>	Shares	<u>406,082,523.30</u>
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- (ii) Immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (assuming the Issue Mandate is not utilised and no Share Options are granted or exercised and no Bond Options and conversion rights under the Convertible Bonds are exercised on or before the Record Date and no other issue of Shares)

HK\$

Authorised:

500,000,000,000	Adjusted Shares of HK\$0.01 each immediately after the Capital Reorganisation becoming effective	5,000,000,000.00

Issued and to be issued:

406,082,523	Adjusted Shares in issue immediately after the Capital Reorganisation becoming effective but before completion of the Rights Issue	4,060,825.23
3,248,660,184	Rights Shares to be allotted and issued under the Rights Issue	32,486,601.84
3,654,742,707	Adjusted Shares in issue immediately after completion of the Rights Issue	36,547,427.07

- (iii) **Immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (assuming full utilisation of the Issue Mandate and full exercise of the subscription rights attaching to the maximum number of Share Options to be granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date and no other issue of Shares)**

HK\$

Authorised:

500,000,000,000	Adjusted Shares of HK\$0.01 each immediately after the Capital Reorganisation becoming effective	5,000,000,000.00
<u>500,000,000,000</u>		<u>5,000,000,000.00</u>

Issued and to be issued:

512,612,248	Adjusted Shares in issue immediately after the Capital Reorganisation becoming effective but before completion of the Rights Issue	5,126,122.48
4,100,897,984	Rights Shares to be allotted and issued under the Rights Issue	41,008,979.84
<u>4,613,510,232</u>	Adjusted Shares in issue immediately after completion of the Rights Issue	<u>46,135,102.32</u>

All the Rights Shares to be issued will rank pari passu with the Adjusted Shares in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Adjusted Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save for the Bond Options and the possible Convertible Bonds to be issued thereunder, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Yeung Ming Kwong	Beneficial owner	4,421,047	0.11%
Wen Louis (<i>Note</i>)	Interest attributable by spouse	7,500	0.00%
Lam Yick Sing	Beneficial owner	30,000,000	0.074%

Note:

These Shares are held by Ms. Warphon Suwannahong, who is the spouse of Mr. Wen Louis.

(b) Long positions in shares or registered capital of associated corporations

Name of Director	Name of associated corporation	Capacity	Number of shares or amount of registered capital on associated corporations	Approximate percentage of shareholding or registered capital
Zhuang You Dao	Tianjin Kai Sheng Automotive Service Co. Ltd.	Corporate interest	RMB7,500,000	50%
Zhuang You Dao	Tianjin Jinri Automobile Sale & Service Co. Ltd.	Beneficial interest	RMB6,750,000	45%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(a) Long positions in the Adjusted Shares

Name of Shareholder	Long position/ Short position	Capacity/Types of interests held (personal, corporate, family, other)	Number of Shares held/ involved and name of company in which interests are held	Number of underlying shares (unlisted equity derivatives of the Company) held/involved	Approximate % of the issued share capital of the Company (Note 1)
Underwriter (Note 2)	Long Position	Beneficial owner	4,100,897,984	NIL	88.89%
Get Nice Holdings Limited (Note 3)	Long position	Interest of controlled corporations	1,366,960,000 (Note 5)	NIL	29.63%
Get Nice Incorporated (Note 3)	Long position	Interest of controlled corporations	1,366,960,000 (Note 5)	NIL	29.63%
Get Nice Securities Limited (Note 3)	Long position	Beneficial owner	1,366,960,000 (Note 5)	NIL	29.63%
Chu Yuet Wah (Note 4)	Long position	Interest of controlled corporations	1,366,960,000 (Note 5)	NIL	29.63%
Active Dynamic Limited (Note 4)	Long position	Interest of controlled corporations	1,366,960,000 (Note 5)	NIL	29.63%
Eagle Mission Limited (Note 4)	Long position	Interest of controlled corporations	1,366,960,000 (Note 5)	NIL	29.63%
Galaxy Sky Investments Limited (Note 4)	Long position	Interest of controlled corporations	1,366,960,000 (Note 5)	NIL	29.63%
Kingston Securities Limited (Note 4)	Long position	Beneficial owner	1,366,960,000 (Note 5)	NIL	29.63%

Note:

- The percentage of shareholding in the Company is calculated on the assumption that Capital Reorganisation has been effective and the Rights Issue is completed on the basis that full utilisation of the Issue Mandate and full exercise of the subscription rights attaching to the maximum number of Options granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date and no other issue of Shares.
- These are the Rights Shares which the Underwriter has underwritten in respect of the Rights Issue (assuming full utilisation of the Issue Mandate and full exercise of the subscription rights attaching to the maximum number of Options granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date and no other issue of Shares). The Underwriter is Chung Nam Securities Limited.
- Based on the filings under the SFO, Get Nice Securities Limited is wholly-owned by Get Nice Incorporated, which in turn is wholly-owned by Get Nice Holdings Limited.
- Based on the filings under the SFO, Kingston Securities Limited is wholly-owned by Galaxy Sky Investments Limited, which in turn is wholly-owned by Eagle Mission Limited, and in turn is owned as to 80% by Active Dynamic Limited. Active Dynamic Limited is wholly-owned by Chu Yuet Wah.

5. These are the Rights Shares which the sub-underwriters have agreed to sub-underwrite in respect of the Rights Issue (assuming full utilisation of the Issue Mandate and full exercise of the subscription rights attaching to the maximum number of Options granted pursuant to the Scheme Mandate Limit and full exercise of the Bond Options and full conversion of the Convertible Bonds thereunder, on or before the Record Date and no other issue of Shares).

(b) Other members of the Group

Name of subsidiary	Name of shareholder	Approximate percentage of shareholding
Talenteam Development Limited	China Railway Investments Group (Hong Kong) Limited	38.75%
Forerunner (China) Development Co. Ltd.	Shenzhen Sinotrans Storage and Transportation Co. Ltd.	36.25%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (i) As disclosed in the announcement and circular of the Company dated 17 August 2010 and 9 September 2010 respectively, a put option was granted by Mr. Yeung Ming Kwong, an executive Director, in favour of the Company which will entitle the Company to require Mr. Yeung to acquire from the Company the investment or the entire issued shares of Pan Fortune Investments Limited under the put option agreement dated 17 August 2010. Save as disclosed herein, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.
- (ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

6. EXPERTS

The following is the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Vinco Capital	a corporation licensed to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance respectively) regulated activities under the SFO
Mazars CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Group, or any right (whether legal enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to the Company or any of their respective subsidiaries, respectively, since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company within a year without payment of any compensation (other than statutory compensation)).

8. LITIGATION

As at the Latest Practicable Date, save as referred to in the section headed “Indebtedness” in Appendix I to this circular, there were no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of the Latest Practicable Date and are or may be material:

- (1) an settlement agreement dated 6 March 2009 entered into between Forefront International (Hong Kong) Limited (“Forefront International”), The Kowloon Motor Bus Company (1933) Limited (“KMB”), Sun Bus Limited and Scania (Hong Kong) Limited in relation to, among others, the High Court Action No. 1217/2008 brought by Forefront International against KMB and the counterclaim made by KMB;
- (2) a settlement deed entered into on 3 April 2009 between the Company, the provisional liquidators, Tack Fat Group International Limited, Hansom Finance Limited, Radford Developments Limited and Merrier Limited whereby Merrier Limited agreed to transfer 700 ordinary shares of Ever Century Holdings Limited to Tack Fat Group International Limited;
- (3) the subscription agreement dated 26 August 2008 and supplemental subscription agreement dated 6 April 2009 entered into between Ready Capital Limited, Excel Way Investments Limited and Mr. Yeung Ming Kwong under which Ready Capital Limited agreed to subscribe for 15,300 new shares in Excel Way Investments Limited for a cash consideration of US\$7.5 million;
- (4) the conditional sale and purchase agreement dated 6 April 2009 entered into by Mr. Yeung Ming Kwong, Mr. Zhang Hua and Harvest Peace Limited in relation to the sale by Mr. Yeung Ming Kwong and Mr. Zhang Hua and purchase by Harvest Peace Limited of 10,000 shares in Shinning Global Worldwide Limited at a consideration of HK\$100 million satisfied by the issue of non interest bearing convertible note in the principal amount of HK\$100 million issued by the Company;
- (5) an agreement dated 18 June 2009 entered into between the Company and Get Nice Securities Limited regarding the placing of 227,270,000 new shares at HK\$0.25 per share to independent investors;
- (6) a litigation funding agreement dated 10 July 2009 entered into between Forefront Finance Co., Limited and Potter Industries Limited to fund litigation against a third party relating to a purported share transfer;

- (7) an underwriting agreement dated 11 August 2009 entered into between the Company and Get Nice Securities Limited in relation to the underwriting arrangement in respect of 1,098,461,165 rights shares at a subscription price of HK\$0.28 per rights share;
- (8) an agreement dated 20 August 2009 entered into between the Company and Get Nice Securities Limited regarding the placing of a maximum of 337,988,721 new shares at HK\$0.11 per Share to independent investors;
- (9) an agreement dated 17 September 2009 (as amended by the supplement agreements dated 15 December 2009 and 17 December 2009) entered into between the Company and Chung Nam Securities Limited regarding the placing of convertible bonds with options up to an aggregate principal amount of HK\$220 million to certain subscribers (“Subscribers”) together with the subscription agreements between the Company and each of the Subscribers;
- (10) an agreement dated 14 December 2009 entered into between Crown Creation Limited, an indirect wholly-owned subsidiary of the Company, and 天津市凱聲汽車維修有限公司 (Tianjin Kai Sheng Automobile Service Company Limited), an associated company of the Company in respect of which the Company indirectly owns 50% equity interest, pursuant to which Crown Creation Limited agreed to lend HK\$12,500,000 to 天津市凱聲汽車維修有限公司 (Tianjin Kai Sheng Automobile Service Company Limited) for financing its business operation in the PRC;
- (11) a supplemental agreement dated 29 January 2010 entered into between Crown Creation Limited, an indirect wholly-owned subsidiary of the Company, 天津市凱聲汽車維修有限公司 (Tianjin Kai Sheng Automobile Service Company Limited) and Mr. Zhuang You Dao, an executive director of the Company and the guarantor of the loan regarding the amendment of the loan agreement dated 14 December 2009;
- (12) a termination agreement dated 5 February 2010 entered into between Crown Creation Limited, an indirect wholly-owned subsidiary of the Company, 天津市凱聲汽車維修有限公司 (Tianjin Kai Sheng Automobile Service Company Limited) and Mr. Zhuang You Dao, an executive director of the Company and the guarantor of the loan regarding the termination of loan agreement dated 14 December 2009, the supplemental agreement dated 29 January 2010 and the release the deed of personal guarantee;

- (13) a conditional sale and purchase agreement dated 24 March 2010 entered into between the Company and Grace Shine Investments Limited, a non-wholly owned subsidiary of Willie International Holdings Limited (Stock code: 273) in relation to the sale and purchase of shares in Perfect Time Investments Limited and the shareholder's loan at a consideration of HK\$100,000,000 satisfied by the issue of 400,000,000 shares of the Company at HK\$0.25 each;
- (14) a settlement deed entered into on 9 April 2010 between Forefront Finance Co., Limited, Mr. Fok Hei Yu and Mr. Roderick John Sutton as the provisional liquidators, Tack Fat Group International Limited, Hansom Finance Limited, Radford Developments Limited and Merrier Limited whereby Merrier Limited agreed to transfer 700 ordinary shares of Ever Century Holdings Limited to Tack Fat Group International Limited;
- (15) a conditional sale and purchase agreement dated 9 April 2010 entered into between Regent Square Limited, an indirect wholly owned subsidiary of the Company and Mascotte Holdings Limited in relation to the sale and purchase of shares in Richful Zone International Limited at a consideration of HK\$79,200,000 by issue of 330,000,000 shares of the Company at HK\$0.24 each;
- (16) a deed of variation dated 26 April 2010 entered into between Regent Square Limited, an indirect wholly owned subsidiary of the Company and Mascotte Holdings Limited in relation to the amendment of the sale and purchase agreement dated 9 April 2010;
- (17) a subscription agreement dated 27 April 2010 entered into between the Company and Mr. Kwong Kai Sing, Benny under which Mr. Kwong Kai Sing, Benny agreed to subscribe for 60,988,080 subscription shares in the Company at a subscription price of HK\$0.22 per subscription share;
- (18) a deed of assignment dated 19 May 2010 entered into between Loyal Castle Investments Limited, an indirect wholly-owned subsidiary of the Company, Grace Shine Investments Limited, a non-wholly owned subsidiary of Willie International Holdings Limited (Stock code: 273) and Perfect Time Investments Limited in relation to the transfer of the shareholder's loan of Perfect Time Investments Limited;
- (19) a sale and purchase agreement dated 26 May 2010 entered into between Loyal Castle Investments Limited, an indirect wholly-owned subsidiary of the Company, Lang Sheng Limited in relation to the sale and purchase of shares in Perfect Time Investments Limited and the shareholder's loan at a cash consideration of HK\$85,000,000;

- (20) a deed of assignment dated 2 June 2010 entered into between Loyal Castle Investments Limited, an indirect wholly-owned subsidiary of the Company, Lang Sheng Limited and Perfect Time Investments Limited in relation to the transfer of the shareholder's loan of Perfect Time Investments Limited;
- (21) an agreement dated 18 June 2010 entered into between the Company and Kingston Securities Limited regarding the placing on fully underwritten basis of 1,250,000,000 new shares at HK\$0.10 per share to independent investors;
- (22) an investors' subscription agreement for AITS L.P. dated 17 August 2010 entered into between (i) Pan Fortune Investments Limited, a subsidiary of Forefront Group Limited; (ii) the general partner of AITS L.P. from time to time (which is currently AITS Cayman Limited); (iii) Asia Opportunity Fund III L.P. and its affiliated funds as the lead investor; (iv) the special limited partner of AITS L.P. from time to time; and (v) certain third party investors, whereby Pan Fortune Investments Limited (an indirect wholly-owned subsidiary of the company) agreed to invest a total of US\$10 million into a co-investment vehicle;
- (23) a limited partnership agreement relating to AITS L.P. as amended and restated from time to time;
- (24) a deed of adherence dated 17 August 2010 entered into between Pan Fortune Investments Limited, an indirect wholly-owned subsidiary of the Company and the General Partner;
- (25) a document escrow agreement dated 27 July 2010 in relation to delivery of the investors' subscription agreement, limited partnership agreement and a deed of adherence as mentioned above (22), (23) and (24) respectively;
- (26) a put option agreement dated 17 August 2010 entered into between the Company and Mr. Yeung Ming Kwong ("Mr. Yeung") under which Mr. Yeung agreed to grant the put option in favour of the Company; and
- (27) the Underwriting Agreement.

10. CORPORATION INFORMATION

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	Room 1103, 11/F China United Centre 28 Marble Road North Point Hong Kong
Branch share registrar and transfer office of the Company in Hong Kong	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorised representatives	Mr. Yeung Ming Kwong Room 1103, 11/F China United Centre 28 Marble Road North Point Hong Kong Mr. Chui Kark Ming Room 1103, 11/F China United Centre 28 Marble Road North Point Hong Kong

Company secretary	Mr. Chui Kark Ming, <i>FCCA</i>
Legal advisers to the Company	<i>(As to Hong Kong Law)</i> Richards Butler in association with Reed Smith LLP 20th Floor, Alexandra House 16-20 Chater Road, Central Hong Kong <i>(As to Cayman Islands Law)</i> Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Auditor	Mazars CPA Limited Certified Public Accountants 42nd Floor, Central Plaza, 18 Harbour Road Wanchai Hong Kong
Principal bankers	Standard Chartered Bank 15th Floor Standard Chartered Bank 388 Kwun Tong Road Kwun Tong Hong Kong

Directors***Particulars of Directors*****Name****Address****Executive Directors**

Mr. Yeung Ming Kwong

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

Ms. Lo Oi Kwok, Sheree

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

Mr. Lam Yick Sing

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

Mr. Wen Louis

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

Mr. Zhuang You Dao

No. 160, Zhangguizhuang Road,
Hedong District, Tianjin, PRC

Name	Address
Independent non-executive Directors	
Mr. Chung Yuk Lun	Room 2101, 21/F China United Centre 28 Marble Road North Point Hong Kong
Ms. Lam Yan Fong, Flora	Room A, 19/F Harbour Commercial Building, No. 122-124 Connaught Road, Central Hong Kong
Mr. Pak William Eui Won	31/F China United Centre 28 Marble Road North Point Hong Kong

Executive Directors:

Mr. Yeung Ming Kwong, aged 52, joined the Company on 26 April 2007. Mr. Yeung is the Acting Chairman of the Company, formerly executive director and CEO of Kai Yuan Holdings Limited, stock code: 1215 (formerly known as Wah Lee Resources Holdings Limited) and executive director of Goldwiz Holdings Limited (delisted on 8 September 2008, stock code: 586). He has over 20 years of experience in import and export trading and investment business in the PRC.

Ms. Lo Oi Kwok, Sheree, aged 42, joined the Company on 26 April 2007. She holds an EMBA from Cheung Kong Graduate School of Business and a Bachelor's Degree of Arts from York University, Canada. She has over 10 years of experience in business development and investment. She was an executive director of Goldwiz Holdings Limited (delisted on 8 September 2008, stock code: 586) from May 2006 to January 2007.

Mr. Lam Yick Sing, aged 51, joined the Company on 4 June 2010. He had been a civil servant in Hong Kong for over 20 years. Mr. Lam was a senior administrative manager of Forefront International (Hong Kong) Limited, which is a wholly-owned subsidiary of the Company, from June 2007 to May 2008. He was an executive director of Tack Fat Group International Limited (Provisional Liquidators Appointed) (stock code: 928) ("Tack Fat").

Mr. Wen Louis, aged 76, joined the Company on 1 September 2006. He holds a Bachelor of Engineering degree from City University of New York. An Executive Director of Forefront International (Hong Kong) Limited (“FIHK”) from 1993 to 1997 and General Manager of FIHK since August 2005. Mr. Wen has extensive experience in engineering, marketing and advertising from previous position at J. Walter Thompson Co. and Dow Jones International Marketing Service in the United States. Mr. Wen is also an independent non-executive director of Willie International Holdings Limited (stock code: 273) effective from 22 April 2009.

Mr. Zhuang You Dao, aged 57, joined the Company on 29 August 2007. He graduated from The Institute of Operation Management of China (中國經營管理學院) majoring in corporate management. Mr. Zhuang has over 30 years of experience in the automobile industry. He is the Chairman of Tianjin Kai Sheng Automobile Service Co., Ltd (天津凱聲汽車維修有限公司) and general manager of Tianjin Jinri Automobile Sale & Service Company Limited (天津津日汽車維修有限公司). Mr. Zhuang is a senior consultant of Shenzhen Lan-you Technology Co., Ltd. (深圳聯友科技有限公司), a developer of automobile industry management software. Mr. Zhuang is an executive of the Chamber of Industry and Commerce of Tianjin Xiqing District, a special procurator of the First Branch of the People’s Procuratorate of Tianjin Municipality and a representative of the 14th Session of People’s Congress of Tianjin Hedong District.

Independent non-executive Directors:

Mr. Chung Yuk Lun, aged 50, joined the Company on 26 April 2007. He is a fellow member of the Association of Chartered Certified Accountants, a member of The Hong Kong Institute of Certified Public Accountants and an Associated Chartered Accountants (England and Wales). Mr. Chung has over 20 years of experience in finance and project investment. He is an executive director and Chairman of Radford Capital Investment Limited (Stock code: 901), an executive director of Ming Fung Jewellery Group Limited (Stock code: 860) and an independent non-executive director of Heritage International Holdings Limited (stock code: 412) and Dragonite International Limited (stock code: 329).

Ms. Lam Yan Fong, Flora, aged 35, joined the Company on 18 May 2007. She holds a Bachelor Degree in Law from the University of Hong Kong in 1999 and a Postgraduate Certificate in Laws in 2001. Ms. Lam is a practicing solicitor in Hong Kong.

Mr. Pak William Eui Won, aged 31, joined the Company on 28 December 2009. He is currently a director of Hennabun Capital Group Limited. He holds a Master of Laws degree in U.S. taxation from the University of Washington School of Law, a Juris Doctor's degree from the University of British Columbia Faculty of Law and an Economics and Commerce degree from the University of British Columbia Faculty of Arts. Mr. Pak is an attorney licensed by the New York State Bar and is a member of the New York State Bar Association and the American Bar Association. He was a lawyer in the investment funds practice at White & Case's New York and Hong Kong offices. He has substantive experience in the establishment and representation of both U.S. and international private investment funds including private equity funds, hedge funds, real estate funds, distressed funds and hybrid funds.

11. MISCELLANEOUS

The English text of this circular shall prevail over their Chinese text in case of inconsistencies.

12. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$15.58 million on the basis of 3,248,660,184 Rights Shares to be issued or approximately HK\$18.77 million on the basis of 4,100,897,984 Rights Shares to be issued, and will be payable by the Company.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Room 1103, 11/F., China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 of the Company;
- (c) the letter of advice from Vinco Capital, the text of which is set out on pages 36 to 55 of this circular;

- (d) the letter on the unaudited pro forma financial information of the Group issued by Mazars CPA Limited set out in appendix II to this circular;
- (e) the material contracts disclosed in the section headed “Material Contracts” in this Appendix;
- (f) the written consents from the experts as referred to in the section headed “Experts” in this Appendix;
- (g) the circular of the Company dated 4 January 2010 in relation to the provision of a loan in the principal amount of HK\$12.5 million to an associated company of the Company, which constitutes a discloseable and connected transaction for the Company;
- (h) the circular of the Company dated 13 April 2010 in relation to, inter alia, the proposed acquisition of the entire interest in Perfect Time Investments Limited, which constitutes a discloseable transaction for the Company;
- (i) the circular of the Company dated 9 September 2010 in relation to a drag right under investment in AITS L.P., which constitutes a major transaction for the Company; and
- (j) this circular.

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 IS HEREBY GIVEN that an 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 at 9:00 a.m. on 10 January 2011 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as a special resolution and an ordinary resolution respectively:–

SPECIAL RESOLUTION

1. “**THAT** conditional upon (i) approval of the Capital Reduction (as defined below) by the Grand Court of the Cayman Islands (the “**Court**”); (ii) registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Capital Reduction (as defined below) and the minute approved by the Court containing the particulars required under the Companies Law of the Cayman Islands in respect of the Capital Reduction (as defined below) and compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction (as defined below); and (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares (as defined below) in issue, upon the date (the “**Effective Date**”) on which the aforesaid conditions are fulfilled:
 - (a) every ten (10) issued shares of par value of HK\$0.10 each in the capital of the Company be consolidated (“**Share Consolidation**”) into one consolidated share of par value of HK\$1.00 each (“**Consolidated Share**”);

* For identification purpose only

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- (b) immediately following the Share Consolidation, the issued and paid up share capital of the Company be reduced (“**Capital Reduction**”) by cancelling the paid-up capital to the extent of HK\$0.99 on each Consolidated Share in issue so that each issued Consolidated Share of HK\$1.00 each of the Company be treated as one fully paid-up share of HK\$0.01 par value each (“**Adjusted Share(s)**”) in the share capital of the Company and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued capital thereby cancelled be made available for issue of new shares of the Company;
- (c) the credit arising from the Capital Reduction shall be applied to set-off the accumulated deficit of the Company and the balance (if any) will be transferred to a distributable reserve of the Company called the distributable capital reduction reserve account of the Company which may be utilised by the directors of the Company as a distributable reserve in accordance with the articles of association of the Company and all applicable laws;
- (d) immediately following the Capital Reduction, each authorized but unissued share of the Company of par value of HK\$0.10 each shall be sub-divided into ten (10) Adjusted Shares of par value of HK\$0.01 each (“**Share Subdivision**”);
- (e) all of the Adjusted Shares resulting from the Share Consolidation, Capital Reduction and Share Subdivision shall rank pari passu in all respects and have the rights and privileges and be subject to the restrictions contained in the Company’s articles of association; and
- (f) the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Capital Reorganisation.

For the purpose of this resolution, “**Capital Reorganisation**” shall mean the steps as set out in the above paragraphs (a), (b), (c) and (d) collectively.”

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ORDINARY RESOLUTION

2. “**THAT** conditional upon (i) the Capital Reorganisation referred to in the resolution numbered 1 of the notice convening this meeting becoming effective and; (ii) the fulfilment of the conditions in the underwriting agreement dated 24 November 2010 (the “**Underwriting Agreement**”) entered into between the Company and Chung Nam Securities Limited (the “**Underwriter**”) in relation to the Rights Issue (as defined in paragraph (b) below), a copy of which has been produced to this meeting and marked “A” and initialled by the Chairman of this meeting for the purpose of identification:–
- (a) the Underwriting Agreement be and is hereby approved, confirmed and ratified and any Director be and is hereby authorised to do such acts or execute such documents which may be necessary, appropriate, desirable or expedient in his opinion to carry into effect or to give effect to the terms of the Underwriting Agreement;
- (b) the allotment and issue of not less than 3,248,660,184 and not more than 4,100,897,984 Adjusted Shares as defined in the resolution numbered 1 of the notice convening this meeting (“**Rights Shares**”) pursuant to an offer by way of rights to holders of shares in the Company at HK\$0.125 per Rights Share (the “**Rights Issue**”) in the proportion of eight Rights Shares for every Adjusted Share held by holders of shares (the “**Shareholders**”) whose names appear on the register of members of the Company on 31 March 2011 (or such other date as the Underwriter may be agree in writing with the Company) (the “**Record Date**”) other than those Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the “**Non Qualifying Shareholders**”), on and subject to the terms and conditions set out in a circular to the Shareholders in respect of the Rights Issue dated 17 December 2010 (the “**Circular**”) (a copy of which having been produced to this meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification) and on such other terms and conditions as may be determined by the directors of the Company, be and is hereby approved, provided that (i) fractional entitlements shall not be issued to the Shareholders otherwise entitled thereto but shall be aggregated and sold if a premium net of expenses could be obtained for the benefit of the Company; (ii) no Rights Shares shall be offered to Non Qualifying Shareholders and the Rights Shares which would otherwise have been offered

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to them shall be sold if a premium net of expenses is obtained and to the extent that such rights can be sold, the net proceeds of such sale (after deducting the expenses of sale) be distributed to the Non Qualifying Shareholders pro rata to their holding of shares provided further that individual amounts of HK\$100 or less shall be retained for the benefit of the Company; and (iii) to the extent that the Rights Shares referred to in (i) and (ii) above are not sold as aforesaid, such Rights Shares together with any Rights Shares provisionally allotted but not accepted shall be offered for application under forms of application for excess Rights Shares; and

- (c) any one director of the Company be and is hereby authorized to issue and allot the Rights Shares on terms as set out in the Circular and to do all such acts and things, to sign and execute all such further documents and to take such steps as the directors of the Company may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Underwriting Agreement and/or the Rights Issue and any of the transactions contemplated thereunder.”

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

Hong Kong, 17 December 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

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Notes:

- (1) A form of proxy to be used for the Meeting is enclosed herewith.
- (2) Any member of the Company entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting (or at any one class meeting).
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- (4) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the Hong Kong branch registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the meeting or adjourned meeting at which the person named in the instrument proposes to vote. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

At the date of this notice, the Directors are as follows:

Executive Directors:

Mr. Yeung Ming Kwong (*Acting 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