
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

MAJOR TRANSACTION – ACQUISITION OF THE NOTES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the board of directors of the Company is set out on pages 3 to 17 of this circular.

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on 2, March 2012 at 3:30 p.m. is set out on page 30 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish but the authority of your proxy will be invalidated forthwith.

* For identification purpose only

Hong Kong, 15 February 2012

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DEFINITIONS

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

“Announcement”	the announcement dated 20 January 2012 issued by the Company in relation to, among other matters, the Acquisition
“Acquisition”	the acquisition of the Notes by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the note purchase agreement entered into between the Purchaser and Vendor in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	day(s) (other than a Saturday, Sunday and public holiday) on which the licensed banks are generally open for business in Hong Kong throughout their normal business hours
“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
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	the consideration payable to the Vendor for the Acquisition
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, pass the resolutions to approve the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Latest Practicable Date”	10 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	29 June 2012
“Mascotte”	Mascotte Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange (Stock code: 136)
“Notes”	2.5% unsecured bonds due 2014 in the aggregate principal amount of HK\$300 million issued by Mascotte
“PRC”	the People’s Republic of China
“Purchaser”	Sino Wealthy Limited, a company incorporated in the British Virgin Islands with limited liability which principally engages in trading of securities and is an indirect wholly-owned subsidiary of the Company, being the purchaser of the Agreement
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendor”	Quinella International Incorporated, a company incorporated in the British Virgin Islands with limited liability which is an investment holdings company
“%”	per cent

LETTER FROM THE BOARD



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

Executive Directors:

Mr. Yeung Ming Kwong (*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

15 February 2012

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION – ACQUISITION OF THE NOTES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Company is pleased to announce that after trading hours on 20 January 2012, through its indirect wholly-owned subsidiary, entered into the Agreement and conditionally agreed to purchase the Notes with an aggregate principal amount of HK\$300 million at a total consideration of HK\$265 million.

* *For identification purpose only*

LETTER FROM THE BOARD

The main purpose of this circular is to provide you with further particulars of the Acquisition and other information required under the Listing Rules and to give you notice of the EGM to be convened for the purpose of consideration and approval of the Acquisition.

THE AGREEMENT

Date

20 January 2012 (after trading hours)

Parties

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

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

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

Asset to be acquired

The Notes issued on 4 January 2012

The principal terms of the Notes are summarized as follows:

(1) *Issuer*

Mascotte

As at the Latest Practicable Date, the Company indirectly owns 17,672,000 shares of Mascotte, representing approximately 0.39% of the existing issued share capital of Mascotte. The Company holds the aforementioned shares of Mascotte as short term investments. Accordingly, the Company is a shareholder of Mascotte as at the Latest Practicable Date.

LETTER FROM THE BOARD

Save as disclosed, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mascotte and its substantial shareholders are independent of the Company and its connected persons.

(2) *Aggregate principal amount*

HK\$300 million

(3) *Maturity Date*

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

(4) *Interest*

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

(5) *Transferability*

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

(6) *Voting rights*

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

(7) *Final Redemption*

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

(8) *Early redemption at Mascotte’s option*

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

LETTER FROM THE BOARD

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

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

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

(10) Redemption price

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

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

(11) Event of default

Events of default for a transaction include cross default, and details are as below:–

- a. there is default by Mascotte in the payment of the principal or interest in respect of the Notes on the date for payment thereof and such default is not remedied by Mascotte within ten (10) business days; or
- b. there is a material default by Mascotte in the performance or observance of any covenant, condition, provision or obligation contained in the Notes and on its part to be performed or observed (other than the covenant to pay the principal and interest in respect of any of the Notes) and such default continues for the period of thirty (30) days next following the service by any holder of the Notes on Mascotte of notice requiring the same to be remedied; or

LETTER FROM THE BOARD

- c. any Notes, debentures, or other instruments or indebtedness or any other loan indebtedness of Mascotte or any of the subsidiaries of Mascotte having an aggregate outstanding amount of at least Hong Kong Dollars one hundred million (HK\$100,000,000) or the equivalent in any other currency or currencies (hereinafter collective called “Indebtedness”) become or becomes prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or steps are taken to enforce any security therefor, or Mascotte or any of the subsidiaries of Mascotte default in the repayment of any such Indebtedness at the maturity thereof or at the expiration of any applicable grace period therefor or any guarantee of or indemnity given by Mascotte or any of the subsidiaries of Mascotte in respect of any Indebtedness of others having an aggregate outstanding amount of at least Hong Kong Dollars one hundred million (HK\$100,000,000) shall not be honoured when due and called upon; or
- d. a resolution is passed or an order of a court of competent jurisdiction is made that Mascotte be wound up or dissolved (otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation the terms of which have previously been approved in writing by holders of the Notes holding fifty-one (51) per cent. or more of the principal amount of the outstanding Notes, and upon which the continuing corporation effectively assumes the entire obligations of Mascotte, as the case may be, under the Notes); or
- e. a resolution is passed or an order of a court of competent jurisdiction is made that any material subsidiary of Mascotte be wound up or dissolved (otherwise than: (A) for the purposes of or pursuant to a consolidation amalgamation, merger, reconstruction or reorganisation (other than as described in (B) below) the terms of which have previously been approved in writing by holders of the Notes holding fifty-one (51) per cent. or more of the principal amount of the outstanding Notes; (B) for the purpose of or pursuant to a consolidation, amalgamation, merger or reconstruction with or into Mascotte or another subsidiary of Mascotte; or (C) by way of a voluntary winding up or dissolution where there are surplus assets in such subsidiary of Mascotte and such surplus assets attributable to Mascotte and/or any subsidiary of Mascotte are distributed to Mascotte and/or such of any subsidiary of Mascotte); or
- f. an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of Mascotte or any subsidiary of Mascotte; or

LETTER FROM THE BOARD

- g. (A) Mascotte or any material subsidiary of Mascotte without any lawful cause stops payment (within the meaning of any applicable bankruptcy law) or is unable to pay its debts as and when they fall due or (B) Mascotte or any material subsidiary of Mascotte (otherwise than for the purpose of such a consolidation, amalgamation, merger, reconstruction or reorganisation) ceases or through an official action of the board of directors of Mascotte or any subsidiary of Mascotte, as the case may be, threatens to cease to carry on business; or
- h. proceedings shall have been initiated against Mascotte or any subsidiary of Mascotte under any applicable bankruptcy or insolvency law and such proceedings have not been discharged or stayed within a period of sixty (60) days; or
- i. Mascotte or any subsidiary of Mascotte shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or a decree of commencement of composition or reorganisation or other similar procedures or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganisation or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors; or
- j. a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of Mascotte or any subsidiary of Mascotte, which is material in its effect upon the operations of either Mascotte or such subsidiary of Mascotte, as the case may be, and is not discharge within thirty (30) days thereof; or
- k. any event occurs which under the laws of the jurisdiction of incorporation of Mascotte or any subsidiary of Mascotte has an analogous effect; or
- l. any action, condition or thing at any time required to be taken, fulfilled or done in order (A) to enable Mascotte lawfully to enter into, exercise its rights and perform and comply with its respective obligations under and in respect of the Notes, (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) to make the Notes admissible in evidence in the courts of Hong Kong or Bermuda is not taken, fulfilled or done; or
- m. it is or will become unlawful for Mascotte to perform or comply with any of its obligations under or in respect of the Notes; or

LETTER FROM THE BOARD

- n. the Notes are not in full force and effect; or
- o. (A) all or any substantial part of the undertaking, assets and revenues of Mascotte or any subsidiary of Mascotte is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (B) Mascotte or any subsidiary of Mascotte is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or
- p. shares of Mascotte shall cease to be listed on the Stock Exchange or trading in Mascotte's shares on the Stock Exchange has been suspended for thirty (30) consecutive trading days.

(12) Status

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

(13) Application for listing

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

(14) Negative pledge

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

LETTER FROM THE BOARD

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

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

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

Consideration:

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

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

The Company intends to finance the Acquisition by its internal resources. On 20 January 2012, the Company paid HK\$26.5 million to the Vendor upon execution of the Agreement.

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

LETTER FROM THE BOARD

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

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

Conditions precedent:

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

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

The Purchaser has no current intention to waive the above conditions as at the Latest Practicable Date.

LETTER FROM THE BOARD

Completion:

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

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

Information on Mascotte

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

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries:–

- Mascotte first entered into sale and purchase agreement in relation to the acquisition of 50.1% interests (“First Acquisition”) in Sun Mass Energy Limited (“Sun Mass”) which principally engages in solar grade polycrystalline silicon manufacturing business from Vendor on 31 December 2010 and the First Acquisition was completed on 15 July 2011;
- Mascotte further entered into another sale and purchase agreement in relation to the acquisition of the remaining 49.9% interests in Sun Mass (“Second Acquisition”) and the Second Acquisition was completed on 4 January 2012; and
- Accordingly, the Notes were issued by Mascotte to Vendor as part of the consideration for the Second Acquisition.

Save as disclosed, the Directors were not aware of any other relationship between Mascotte and Vendor as at the Latest Practicable Date.

LETTER FROM THE BOARD

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

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

Financial effect arise from the Acquisition

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

The expected interest income of the Notes will provide regular income to the Group.

The Company's accounting policies and risks associated with the Notes

The Notes will be initially measured at fair value, which is equal to the transaction price. Upon initially recognition, the Notes will be carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

The major financial risks associated with the Notes are expected to be arising from credit risk and interest rate risk, details as below:

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group.

Interest rate risk refers to the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

LETTER FROM THE BOARD

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk since the Notes are in fixed-rate securities. These securities are subject to interest rate risk as their fair values will fall when market interest rates increase.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Because the Notes are the fixed-rate investments, the Group's future cash flows are not materially affected by potential changes in market interest rates.

The Company's financial management objective and policies associated with the Notes

The Company will attempt to control the Notes' credit risk by assessing and valuing Mascotte's creditworthiness and financial standing from time to time.

The Company is of the view that the Notes have short maturity dates and will be matured in 2014 and therefore, the cash flow interest rate risk associated with the Notes is considered as not significant.

The Company's credit risk assessment associated with the Notes

The assessment for credit risk (credit worthiness) which mainly consists of evaluating the financial condition (based on the Mascotte's published interim report for the period ended 30 September 2011), potential source of repayment, collaterals and guarantees as well as credit rating, of Mascotte.

According to the published interim report of Mascotte for the period ended 30 September 2011, the Company noted that, among others, there are (a) bank balances and cash of HK\$702.54 million; (b) financial assets at fair value through profit or loss of HK\$426.56 million; (c) bank borrowings of HK\$40.83 million (both short term and long term); and (d) convertible bonds of HK\$1,053.41 million.

LETTER FROM THE BOARD

Despite Mascotte has a high gearing and incurred significant losses, the Company also noted that (i) the financial position has strengthened, by comparing the net asset value of approximately HK\$3,857.97 million as at 30 September 2011 with the net asset value of approximately HK\$757.61 million as at 31 March 2011; (ii) Mascotte can sell the financial assets at fair value through profit or loss of HK\$426.56 million freely in the market as all of such shares held are listed in Hong Kong in order to repay the holder of the Notes if there is any shortage of fund as at the Maturity Date.

Considering the potential source of repayment, the Company noted that Mascotte had just completed a very substantial acquisition (“VSA”) in relation to manufacturing solar grade polycrystalline silicon in Taiwan, which is one of the principal businesses of Mascotte. As stated in the announcement of Mascotte dated 4 October 2011, the production capacity of the target of the VSA is expected to reach 21,000 metric tons by the fourth quarter of 2012, compared with production capacity of up to 3,500 metric tons as at October 2010. The increase in the production capacity will possibly bring a corresponding improvement in the financial results of Mascotte in the future, which could serve as a potential source of repayment on the Maturity Date.

Regarding the credibility of Mascotte, as disclosed in the recent interim report for the period ended 30 September 2011, as the bank(s) continued to provide credit facility to Mascotte, it implies that there is no negative assessment of the credibility of Mascotte.

Apart from a negative pledge covered to the Notes, no other collaterals and guarantees are attached to the Notes.

Reasons for and benefits of the Acquisition

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

LETTER FROM THE BOARD

The Company hopes to enhance its social responsibility awareness and its reputation since the renewable energy has less environmental impact compared to fossil fuels. Accordingly, Company has been seeking acquisition of new businesses and assets including renewable energy, where suitable opportunities arise. The Company believes that the Acquisition may help provide potential business opportunities between the Company and Mascotte. The Company noted that Mascotte just completed the Second Acquisition and accordingly, owns 100% interests in Sun Mass which principally engages in manufacturing of solar grade polycrystalline silicon in Taiwan. From the public disclosure of Mascotte, the Company is aware that Mascotte's management teams combines technology expertise with commercial and financial experience and the Company hopes, if possible, to establish direct business relationship with Mascotte in the view of clean technology applications through the Acquisition. However, the Company and Mascotte have no discussion and there is no agreement and arrangement of any kind in relation to any business potentials between the Company and Mascotte. Additionally, the Group will consider negotiating with Mascotte for possible restructuring of the Notes which may increase the flexibility to convert such debts into Mascotte's equity, so that the Company can indirectly invest in the green energy industry.

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

LISTING RULES IMPLICATIONS

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

EGM

A notice convening the EGM to be held at 30/F, China United Centre, No. 28 Marble Road, North Point, Hong Kong on 2 March 2012 at 3:30 p.m. is set out on page 30 of this circular.

A proxy form for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish but the authority of your proxy will be invalidated forthwith.

LETTER FROM THE BOARD

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

In accordance to 13.39(4) of the Listing Rules, any vote of the shareholders will be taken by poll at the EGM.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders and its associates (as defined under the Listing Rules) has a material interest in the Acquisition who is required to abstain from voting on the relevant resolution to be proposed at the EGM.

RECOMMENDATION

The Board is of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole and recommends the Shareholders to vote in favour of the proposed ordinary resolution to approve the Acquisition at the EGM.

ADDITIONAL INFORMATION

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

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

1. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2008, 2009 and 2010 are disclosed in the annual reports of the Company for the years ended 31 December 2008 (pages 35 to 122), 2009 (pages 34 to 114) and 2010 (pages 37 to 122) 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 2008 (the "Annual Report 2008"), 31 December 2009 (the "Annual Report 2009") and 31 December 2010 (the "Annual Report 2010") were unqualified.

Please see below quick link to the Annual Report 2010:

<http://www.hkexnews.hk/listedco/listconews/sehk/2011/0325/LTN20110325248.pdf>

Please see below quick link to the Annual Report 2009:

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

The audited consolidated financial statements of the Group for the year ended 31 December 2008 has also been set out in the comparative column of the Annual Report 2009 of the Company. Please refer to quick link to the Annual Report 2009 above for more details.

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2011 together with the relevant notes to the accounts are disclosed in the interim report (the "Interim Report 2011") of the Company for the six months ended 30 June 2011 (pages 4 to 25), 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 2011:

<http://www.hkexnews.hk/listedco/listconews/sehk/2011/0825/LTN20110825302.pdf>

The Group had the following major business activities during the six months' period ended 30 June 2011:–

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”) since October 2007. The Company’s interest in Tianjin Kai Sheng was treated as an interest in associates. 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 sales increased approximately 41.93% as compare with the same period last year. Under the situation of tightened supplies on certain components for manufacturing of motor vehicle due to recent incidents of earthquake, tsunami and nuclear leakage in Japan, Tianjin Kai Sheng contributed approximately HK\$0.47 million to the Group’s interim result. Tianjin Kai Sheng will manage to improve its performance during high season in the PRC’s motor vehicle sale market in the second half of the year.

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. The Company’s interest in GFIIGL was treated as an interest in associates. 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 performance of GFIIGL remain stable despite a weak economic recovery, the great decreases in international trade and cargo volume and the threats of high fuel price. GFIIGL contributed approximately HK\$4.05 million to the results of the Group. Subject to the market trends and conditions, it is expected that the result of GFIIGL for the second half of 2011 will be stable.

Reference is also made to the Company’s announcement dated 8 November 2010 that GFIIGL and its subsidiaries intended to list on the growth enterprise market of the Hong Kong Stock Exchange (“GEM”). The preparation for application for the listing is in progress and is scheduled to apply within the year 2011.

Reference is further made to the Company’s announcement dated 15 November 2011 that GFIIGL and its subsidiaries has informed the Company that its application for listing on GEM has been postponed and it is expected that the application will be made in or around the first quarter of 2012.

Forestry Business

On 26 April 2010, the Company's 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 hold 50% of the interests in the concession rights and forestry contracts in respect of three pieces of forest lands located in Simao District, Puer City, Yunnan Province, the PRC, with a total site area of approximately 36,735 Chinese Mu. The concession rights and interest in the forest lands are expiring in January 2060. The Company recognised the concession rights and the forestry contracts as intangible assets. During the period under review, the operation of the forest lands has not achieved the level of profits which can contribute profit to the Group after payment of estimated management fee to the PRC's partner. In view of the current condition of the forest lands and market environments, it is expected that the operation of the forest lands will have profits contribution and appreciation in forest lands value to the Group in the medium to long term spectrum.

Investment in a Limited Partnership

On 17 August 2010, the Company's indirect wholly-owned subsidiary, Pan Fortune Investments Limited, entered into an investors' subscription agreement to invest a total of US\$10,000,000 into a co-investment vehicle, a limited partnership, established for the purpose of acquiring control of the equity securities and loans receivable of an 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. On April 2011, the Group completed its investment by payment of the remaining investment balance of approximately HK\$17.28 million (US\$2,222,222.22). The investment represents 22.2% holdings on the limited partnership and the Company treated such investment as an available-for-sale financial assets in the financial statements of the Group. The limited partnership is managed by AITS Cayman Limited which is an affiliate of Unitas Capital Pte Ltd ("Unitas"). Unitas is one of the pioneers in large leveraged buyout transactions in Asia. Since inception in 1999, funds advised by Unitas have invested in excess of US\$2.3 billion in equity capital in 28 transactions across a broad range of industries and geographies. The Company plays a passive role on the investment and to keep the investment as available-for-sale financial assets. For the period under review, the Company was informed by the limited partnership that the investee group's sales remained strong and continued to outperform its budget during the period and full year forecast sales was ahead its budget.

Trading of securities

The Group invested its surplus cash in Hong Kong's listed securities and unlisted securities as short-term investments. During the first half of the year, the Group recorded realised losses of approximately HK\$41.56 million from the disposal of certain securities and an unrealised losses of approximately HK\$124.86 million on the portfolio.

Money lending business

The Group has used part of its surplus cash through its indirect wholly-owned subsidiary, Forefront Finance Co., Limited, to provide short-term loans to various borrowers. Those short-term loans normally carried interest rate of 2% per annum to 3% per month. During the period under review, net write back of approximately HK\$58.02 million bad debt provision was made to the loan portfolio and Forefront Finance Co., Limited contributed profit of approximately HK\$5.6 million interest income to the results of the Group.

Prospect

Since the publication of the Interim Report 2011, on 21 September 2011, the Company's indirect wholly owned subsidiary, Loyal Fine Limited entered into the share purchase agreement to sell the entire issued share capital of Crown Creation Limited at the Consideration of HK\$100 million. Crown Creation Group holds various investments which are engaged in (i) 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 (Tianjin Motor Business); (ii) manufacturing of carbon fiber in the PRC (Carbon Fiber Project); (iii) development, management and operation of an e-ticketing system for railway passengers and related railway freight cargo services in the PRC (Investment in e-ticketing system in the PRC); and (iv) co-investment in automotive components manufacturing (Investment in a Limited Partnership).

After the disposal of Crown Creation Group, the Group will continue to be principally engaged in provision of logistic services in Hong Kong and the PRC; investment in forest interest; properties investments; securities trading and money lending business.

Reference is made to the announcement of the Company dated 11 January 2012, the Company announced a profit warning announcement to inform the Shareholders and potential investors that the Group is expected to record a substantial increase in loss for the year ended 31 December 2011 as compared to the year ended 31 December 2010. The annual results announcement of the Company for the year ended 31 December 2011 is expected to be announced in March 2012.

2. MATERIAL ADVERSE CHANGE

Save as disclosed in the Company's announcement dated 11 January 2012 in relation to a profit warning for the Company's annual results for the year ended 31 December 2011, 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 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

3. INDEBTEDNESS

At the close of business on 31 December 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had pledged all its investments held for trading with the margin value to the extent of HK\$199,683,219.30 to secure margin financing facilities obtained from regulated securities dealers was available as at 31 December 2011. No part of the facilities was utilized as at 31 December 2011.

Apart from intra-group liabilities, at the close of business on 31 December 2011, 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, 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules on the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. DISCLOSURES OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) under Listing Rules, were as follows:

(i) Long positions in Shares:

Name of director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Yeung Ming Kwong	Beneficial owner	3,978,936	0.10%
Wen Louis (<i>note</i>)	Interest attributed by spouse	750	0.00%
Lam Yick Sing	Beneficial owner	24,000,000	0.60%

Note:

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

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

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were entered into the register required to be kept under section 352 of the SFO.

(b) Interests of Shareholders

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

(i) Long positions in Shares:

Nil

(ii) Other members of the Group:

Name of subsidiary	Name of shareholder	Approximate percentage of shareholding
Forerunner (China) Development Co. Ltd	Shenzhen Sinotrans Storage and Transportation Co. Ltd	36.25%

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and 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 is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

As at the Latest Practicable Date:–

- (i) none of the Directors had any direct or indirect interests in any assets which have since 31 December 2010 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group;
- (ii) none of the Directors was materially interested in any contracts or arrangements entered into by any members of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service agreement with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

6. MATERIAL CONTRACTS

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

- (1) 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;
- (2) 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;
- (3) 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;
- (4) 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;

- (5) 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;
- (6) 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;
- (7) 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 60,988,080 subscription shares in the Company at a subscription price of HK\$0.22 per subscription share;
- (8) 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;
- (9) 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;
- (10) 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;
- (11) 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;

- (12) 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;
- (13) a limited partnership agreement relating to AITS L.P. as amended and restated from time to time;
- (14) 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 of AITS L.P. from time to time which is currently AITS Cayman Limited;
- (15) 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 (12), (13) and (14) respectively;
- (16) 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;
- (17) a subscription agreement dated 6 May 2011 entered into between Hennabun Capital Group Limited which agreed to issue and allot and the Company agreed to subscribe for the subscription shares at the subscription price in aggregate sum of HK\$108 million;
- (18) a restructuring agreement dated 24 June 2011 in relation to Excel Way, an indirect wholly-owned subsidiary of the Company, entered into the Restructuring Agreement with the Investor and the Liquidators in relation to the Restructuring Proposal under which, among other things, the entire issued share capital of Excel Way will be disposed to the Investor;
- (19) a share purchase agreement dated 21 September 2011 entered into between Loyal Fine Limited, a wholly-owned subsidiary of the Company and Pleasure Trade Limited in relation to acquire the entire issued share capital of Crown Creation Limited at the consideration of HK\$100 million; and
- (20) the Agreement.

7. GENERAL

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

- (1) The company secretary of the Company is Mr. Chui Kark Ming who holds Master of Laws from the University of London and the Renmin University of China. He is also a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries.
- (2) The branch share registrar of the Company is Tricor Tengis Limited, 26th Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (3) The English version of this circular shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the office of the Company at Room 1103, 11th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong for a period of up to 14 days after the date of this circular:–

- (i) the memorandum and articles of association of the Company;
- (ii) the material contracts as disclosed in paragraph 6 of this Appendix II;
- (iii) the Annual Reports of the Company for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and the interim reports of the Company for the six months ended 30 June 2011;
- (iv) the consolidated audited accounts of the Group for the year ended 31 December 2009 and 31 December 2010;
- (v) the Company's circular dated 13 April 2010 in relation to the discloseable transaction in relation to the proposed acquisition of entire interests in Prefect Time Investments Limited and the proposed issue of consideration shares under specific mandate; and
- (vi) the Company's circular dated 9 September 2010 in relation to drag right being a major transaction under investment in AITS L.P.

NOTICE OF THE EGM



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Forefront Group Limited (the “Company”) will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Friday, 2 March 2012 at 3:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**–

- a) the agreement dated 20 January 2012 (the “Agreement”), stated that the Purchaser entered into the Agreement with the Vendor pursuant to which the Vendor had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase the Notes with an aggregate principal amount of HK\$300 million at a total consideration of HK\$265 million (as defined and described in this circular of the Company dated 15 February 2012, a copy of which has been produced at this Meeting and marked “A” and initialed by the chairman of this Meeting for the purpose of identification) and the transactions contemplated thereunder or incidental to the Agreement be and are hereby generally and unconditionally approved, ratified and confirmed and that the directors of the Company (the “Directors”) be and are hereby authorized on behalf of the Company (i) to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Agreement and all transactions contemplated thereunder and (ii) to exercise or enforce all of the rights of Sino Wealthy Limited under the Agreement and to complete the Agreement in accordance with its terms.”

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

Hong Kong, 15 February 2012

* *For identification purpose only*

NOTICE OF THE EGM

Registered Office:

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

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

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

Notes:

1. 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 seal or under the hand of an officer or attorney duly authorised.
2. Any member of the Company entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. 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 more than one proxy to attend on the same occasion.
3. 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 that power or authority shall be deposited at the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or the adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
4. 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 the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

The Board comprises the following members:–

Executive Directors

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

Independent Non-executive Directors

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