
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Prospectus 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 Prospectus Documents 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.

Dealings in Shares and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, having attached hereto the written consent referred to under the paragraph headed “Expert” in appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of any of the Prospectus Documents.

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



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

RIGHTS ISSUE OF 3,248,660,184 RIGHTS SHARES OF HK\$0.01 EACH AT HK\$0.125 PER RIGHTS SHARE ON THE BASIS OF EIGHT RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE BY QUALIFYING SHAREHOLDERS

Underwriter of the Rights Issue CHUNG NAM SECURITIES LIMITED

It should be noted that the Shares have been dealt in on an ex-rights basis since Wednesday, 23 March 2011. Dealings in the Rights Shares in their nil-paid form are expected to take place from Wednesday, 6 April 2011 to Monday, 18 April 2011 (both dates inclusive). Any person contemplating buying or selling of the Shares from now up to the date on which all conditions of the Rights Issue are fulfilled and dealings in the Rights Shares in their nil-paid form between Wednesday, 6 April 2011 to Monday, 18 April 2011 (both dates inclusive) will bear the risk that the Rights Issue may not become unconditional and may not proceed. Investors should seek professional advice regarding dealings in the Shares and nil-paid Rights Shares if they are in any doubt.

The latest time for application and payment for the Rights Shares is 4:00 p.m. on Thursday, 21 April 2011. The procedures for acceptance and payment or transfer are set out on pages 13 to 14 of this Prospectus.

The Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this Prospectus). Accordingly, the Rights Issue may or may not proceed.

* For identification purpose only

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
- (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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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.

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EXPECTED TIMETABLE

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

2011

First day of dealings in nil-paid Rights Shares	Wednesday, 6 April
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Wednesday, 13 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 times and dates in this Prospectus are references to Hong Kong times and dates.

Dates or deadlines specified in this Prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders 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 Prospectus, 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)
“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 Old Shares at the conversion price of HK\$0.322 per Old 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 reorganisation of the share capital of the Company as set out in the Circular
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to the Shareholders dated 17 December 2010 giving the details of the Capital Reorganisation and the Rights Issue
“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

DEFINITIONS

“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
“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
“EGM”	the extraordinary general meeting of the Company 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 Shareholder(s)”	any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates

DEFINITIONS

“Issue Mandate”	the general mandate granted to the Directors to allot, issue and deal with the Old 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 Old Shares on the Stock Exchange, pending the release of the Announcement
“Latest Practicable Date”	25 March 2011, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of 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)
“Old Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company before the Capital Reorganisation become effective
“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

DEFINITIONS

“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
“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 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”	3,248,660,184 Shares to be allotted and issued pursuant to the Rights Issue
“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)

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each
“Shareholder(s)”	holder(s) of Share(s)
“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
“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 under 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”	3,248,660,184 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
“%” or “per cent.”	percentage or per centum

In this Prospectus, 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

1 April 2011

To the Shareholders

Dear Sir/Madam,

**RIGHTS ISSUE OF 3,248,660,184 RIGHTS SHARES OF HK\$0.01 EACH
AT HK\$0.125 PER RIGHTS SHARE ON THE BASIS OF
EIGHT RIGHTS SHARES FOR EVERY SHARE HELD ON
THE RECORD DATE BY QUALIFYING SHAREHOLDERS**

INTRODUCTION

On 25 November 2010, the Company announced that the Company proposes (i) to effect the Capital Reorganisation; and (ii) subject to the Capital Reorganisation becoming effective, to raise approximately HK\$406.08 million before expenses (assuming the Issue Mandate is not utilised

* For identification purpose only

LETTER FROM THE BOARD

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 at the Subscription Price of HK\$0.125 per Rights Share payable in full on acceptance.

The Bond Options expired on 16 December, 2010. The Capital Reorganisation and the Rights Issue were approved by the Shareholders and the Independent Shareholders respectively at the EGM and the Capital Reorganisation became effective after 4:00 p.m. on 7 March 2011.

The purpose of this Prospectus is to provide you, among others, further details about the Rights Issue.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Eight Rights Shares for every Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	406,082,523 Shares (<i>Note</i>)
Number of Rights Shares	:	3,248,660,184 Rights Shares
Subscription Price	:	HK\$0.125 per Rights Share with nominal value of HK\$0.01 each

Note:

As at the Latest Practicable Date, (i) the Company is authorized to grant Share Options to subscribe up to an aggregate of 28,108,252 Shares under the existing scheme mandate limit available to the Company under the Share Option Scheme and (ii) the Issue Mandate, which authorized the Directors to issue and allot up to 56,216,504 Shares has not been utilised. As at the Latest Practicable Date, none of the Scheme Mandate Limit and Issue Mandate has been utilised.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to convert into or subscribe for Shares.

The 3,248,660,184 nil-paid Rights Shares provisionally allotted represent approximately 800.00% of the Company's issued share capital as at the Latest Practicable Date and approximately 88.89% of the Company's issued share capital as enlarged by the issue of the 3,248,660,184 Rights Shares.

Qualifying Shareholders

The Company has sent 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.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must have lodged their transfers of Shares (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.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to 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 Record Date, there were three Overseas Shareholders with registered addresses located in the Taiwan, PRC and Australia. The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, conducted enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholders. Based on the legal opinion provided by the Company's legal advisers on the laws of Australia, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder in Australia on account either of the legal restrictions under the laws of such places or the requirements of the relevant regulatory body or stock exchange thereof and having regard the likely costs and time involved if overseas compliance were to be observed. Accordingly, the Overseas Shareholder whose registered address in Australia will be a Non-Qualifying Shareholder and the Rights Issue will not be available to such Overseas Shareholder. The Company has sent a copy of this Prospectus to the Non-Qualifying Shareholder for his/her/its information only.

LETTER FROM THE BOARD

Based on the opinion of the Company's legal adviser on the laws of Taiwan, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of Taiwan and may be despatched to the Overseas Shareholder with a registered address in Taiwan without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholder with a registered address in Taiwan and such Overseas Shareholder, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Prospectus Documents to such Qualifying Shareholders.

Based on the opinion of the Company's legal adviser on the laws of PRC, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of PRC and may be despatched to the Overseas Shareholder with a registered address in PRC without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholder with a registered address in PRC and such Overseas Shareholder, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Prospectus Documents to such Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholder 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 Shareholder. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of the Non-Qualifying Shareholder, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

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 Share, based on the closing price of HK\$0.093 per Old Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Capital Reorganisation;

LETTER FROM THE BOARD

- (ii) a discount of approximately 41.59% to the theoretical ex-rights price of approximately HK\$0.214 per Share, based on the closing price of HK\$0.093 per Old 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 Share, based on the average closing price of HK\$0.098 per Old 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 20.38% to the closing price of HK\$0.157 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Old 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 will be approximately HK\$0.1202.

Basis of provisional allotment

The basis of the provisional allotment will be eight Rights Shares for every Share in issue and held as at the close of business on the Record Date, being 3,248,660,184 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. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the 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.

LETTER FROM THE BOARD

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.

Procedure for acceptance and payment or transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholders to subscribe for the number of Rights Shares indicated on the PAL. If the Qualifying Shareholders wish to exercise the right to subscribe for all the Rights Shares specified in the enclosed PAL, the Qualifying Shareholders must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance of the number of Rights Shares provisionally allotted to the Qualifying Shareholders, with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 21 April 2011. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "FOREFRONT GROUP LIMITED – PROVISIONAL ALLOTMENT ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Thursday, 21 April 2011, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAF by the Qualifying Shareholders.

If the Qualifying Shareholders wish to accept only part of their provisional allotment and/or to transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Wednesday, 13 April 2011 to the Registrar who will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

LETTER FROM THE BOARD

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or a part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques and cashier's orders accompanying completed PALs will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of a PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque and/or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled.

Save as described under the paragraph headed "Rights of the Overseas Shareholders" above, no action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving this Prospectus, the PAL or the EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone receiving the Prospectus Documents outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself before acquiring any rights to subscribe for the provisionally allotted Rights Shares or excess Rights Shares, as to the full observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in any such jurisdiction in connection therewith. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is a Non-Qualifying Shareholder.

If the Underwriter exercises the rights to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred, or in case of joint acceptances, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered addresses at their own risk as soon as practicable thereafter.

LETTER FROM THE BOARD

Application for excess Rights Shares

Qualifying Shareholders may 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 by the Qualifying Shareholders.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his provisional allotment must complete and sign the enclosed EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 21 April 2011. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "FOREFRONT GROUP LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY". The Registrar will notify the applicants of any allotment of excess Rights Shares made to them.

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
- (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.

LETTER FROM THE BOARD

Investors with their 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. Further announcement will be made in relation to the results of acceptance and excess application of the Rights Issue on or about Wednesday, 4 May 2011. If no excess Rights Shares are allotted to the Qualifying Shareholder who has applied for excess Rights Shares, it is expected that a cheque for the amount tendered on application in full without interest will be posted to his/her/its registered address by ordinary post at his/her/its own risk on or before Thursday, 5 May 2011. If the number of excess Rights Shares allotted to the Qualifying Shareholder is less than that applied for, it is expected that a cheque for the amount of the surplus application monies, without interest, will be posted to his/her/its registered address by ordinary post at his/her/its own risk on or before Thursday, 5 May 2011.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any acceptance of it, have been, or will be, duly complied with. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for the amounts due, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of applications for excess Rights Shares will be returned to the applicants, or in case of joint applicants, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered addresses at their own risk as soon as practicable thereafter.

LETTER FROM THE BOARD

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.

Applicant(s) will receive one share certificate for all the Rights Shares issued to him/her/it.

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

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.

LETTER FROM THE BOARD

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 Shareholder, 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.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing 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 copies 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 (if any and 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;
- (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 (other than any suspension pending clearance of Announcement) 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;

LETTER FROM THE BOARD

(vii) the Underwriting Agreement not having been terminated in accordance with the terms thereof; and

(viii) the Capital Reorganisation becoming effective.

As at the Latest Practicable Date, the conditions (i) and (viii) had been fulfilled. 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 the 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 3,248,660,184 Rights Shares (on the basis of 406,082,523 Shares in issue as at the Record Date), subject to the terms and conditions of the Underwriting Agreement
Commission	:	3% of the aggregate Subscription Price of the Underwritten Shares as determined on the Record Date

LETTER FROM THE BOARD

The Board considers the terms of the Underwriting Agreement including the commission rate accord with 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:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic 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
- (iii) 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, 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 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 the giving of notice pursuant to of 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.

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

The Shares have been 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 Wednesday, 6 April 2011 to Monday, 18 April 2011 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or waived (as applicable) or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

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Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from Wednesday, 6 April 2011 to Monday, 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 Wednesday, 6 April 2011 to Monday, 18 April 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue could not become unconditional or does not proceed.

FUND RAISING EXERCISE OF THE COMPANY

The Company has conducted the following fund raising exercises in the 12 months immediately preceding the Latest Practicable Date.

Date of announcement	Fund raising activities	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 Old 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 nonbinding 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\$60.51 million (US\$7,777,777.78) has been invested as intended, approximately HK\$17.29 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 Old Shares by an individual investor	HK\$13.29 million	For general working capital	Used as intended

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.

LETTER FROM THE BOARD

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 that engages in the business of the manufacturing of automotive components (such investment being held for resale purpose); properties investments; securities trading and money lending business.

The gross proceeds from the Rights Issue will be approximately HK\$406.08 million. The estimated net proceeds from the Rights Issue will be approximately HK\$390.51 million which are intended to be used as the general working capital of the Group.

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.

LETTER FROM THE BOARD

SHAREHOLDING IN THE COMPANY

Set out below is the shareholding structure of the Company assuming that the Issue Mandate is not utilised and no Share Options are granted or exercised and there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after 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 Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr. Yeung Ming Kwong (<i>Note 1</i>)	442,104	0.11	3,978,936	0.11	442,104	0.01
Mr. Wen Louis (<i>Note 2</i>)	750	0.00	6,750	0.00	750	0.00
Mr. Lam Yick Sing (<i>Note 3</i>)	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	3,248,660,184	88.89
Other public Shareholders	402,639,669	99.15	3,623,757,021	99.15	402,639,669	11.02
Total	<u>406,082,523</u>	<u>100.00</u>	<u>3,654,742,707</u>	<u>100.00</u>	<u>3,654,742,707</u>	<u>100.00</u>

Notes:

1. Mr. Yeung Ming Kwong is the acting chairman of the Company and executive Director.
2. This represents the interests, being 750 Shares held by the spouse of Mr. Wen Louis, an executive Director.
3. 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.

ADDITIONAL INFORMATION

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

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

1. SUMMARY OF FINANCIAL INFORMATION 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, 31 December 2009 and 31 December 2010 were unqualified.

2. INDEBTEDNESS

At the close of business on 28 February 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group has pledged all its investments held for trading with margin value to the extent of HK\$437,360,326 to secure margin financing facilities obtained from regulated securities dealers of which HK\$10,750,481 of the facilities was utilised as at 28 February 2011.

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 28 February 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.

3. 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 Prospectus.

4. MATERIAL ADVERSE CHANGE

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 Company were made up.

5. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

The Group has the following major business activities for the year ended 31 December 2010:

Business review***Tianjin Motor Business***

The Group acquired 50% equity interest in Tianjin Kai Sheng Automobile Service Co., Ltd (“**Kai Sheng**”) on 11 October 2007. Kai Sheng and its subsidiaries operated automobile sales and repair centers in Tianjin city, the PRC. Kai Sheng and its subsidiaries obtained permission to conduct the sales and repair services of Zhengzhou Nissan under the authorisation of Zhengzhou Nissan Automobiles Sales Company Limited. In year 2010, the sales from private motor vehicle in the PRC grew around 32% and expected to have a further increase of around 10% to 15% in the coming year. During the year, the sales volume of Kai Sheng and its subsidiaries increased due to the growth of the market. For the financial year, Kai Sheng and its subsidiaries contributed a profit of HK\$0.79 million to the Group. It is expected that there will be a growth in 12% in the sales volume in year 2011 under the current prevailing market trends in the PRC. However, due to the recent incidents of earthquake, tsunami and nuclear leakage in Japan, the tightened supplies on certain components for manufacturing of motor vehicles is foreseeable. The target sale volumes of Kai Sheng for the year 2011 will be inevitably be affected.

Logistic Services

The Group has invested 40% of the issued share capital of Golden Fame International Investments Group Limited (“**GFIIGL**”) since 13 September 2007. GFIIGL provides various logistic services in Hong Kong and the PRC including third party logistics, freight forwarding, supply chain management, river trade shipping and terminal stevedoring. During the year, the overall revenue of GFIIGL increased amid a global economic recovery and increase in cargo volume, GFIIGL has made approximately HK\$0.6 million contribution to the Group as a result. It is expected that GFIIGL will have a slight increase during year 2011.

Reference is also made to the Company’s announcement dated 8 November 2010 that GFIIGL and its subsidiaries intended to apply for listing on the growth enterprise market of the Stock Exchange in year 2011 as the planned schedule.

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. At the reporting date, the operation of the forest lands has no profits contribute to the Group after payment of 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.

Property Investments

On 19 May 2010, the Company's 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 held a 20-storey composite building located in 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 for the year.

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 loan receivables 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 18 August 2010, approximately HK\$60.67 million (US\$7,777,777.78) has been invested by the Group and the remaining balance of approximately HK\$17.33 million (US\$2,222,222.22) is pending to be called by the limited partnership. The investment represents 22.2% holdings on the limited partnership. 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 buy-out 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. After the year end, the Company was informed by the limited partnership that the investee group performance was ahead of its expectation and the progress of restructuring is in line with their planning. The investee group 2010's performance indicates strong support for their 2011's target performance.

Trading of Securities

The Group invested its surplus cash in Hong Kong listed securities and unlisted securities. As the result of the volatility of the Hong Kong stock market, the Group recorded a realised and unrealised loss of approximately HK\$30.91 million and approximately HK\$116.55 million respectively.

Money Lending Business

The Group has used its surplus cash to fund a money lending business through its indirect wholly-owned subsidiary, Forefront Finance Company Limited. During the year, Forefront Finance Company Limited provides short-term loans to various borrowers which carried interest rates ranging from prime minus 2 to prime plus 2 per annum. Within the financial year, the money lending business contributed HK\$6.76 million interest income to the Group and HK\$89.35 million provision of doubtful debts was made on certain outstanding short-term lendings.

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 Company which holds an aggregate of 42.86% equity interests in Tinhua Excel Way Special Fiber (Xintai) Co., Ltd., resolved to place Excel Way into voluntary liquidation pursuant to Section 228A of the Hong Kong Companies Ordinance. 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. An impairment loss of HK\$158.50 million regarding the investment had been made in last year’s consolidated financial statements of the Group.

Prospect

At the EGM of the Company held on 10 January 2011, independent shareholders approved the Company to carry out capital reorganisation and rights issue exercise. The capital reorganisation has been approved by court of Cayman Islands on 4 March 2011 and effected on 8 March 2011. The rights issue then will be carried out as planned and is expected to enhance the Company’s capital base by approximately HK\$390.51 million from the net proceeds of the rights issue. At the fiscal year end, the Group’s cash resource stood at HK\$131.34 million. The Group is in an advantageous position to take on new business opportunities as they arise.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE GROUP IN RESPECT OF THE RIGHTS ISSUE**

**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 31 December 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.

	Audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2010 <i>(Note ii)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note iv)</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>	Audited consolidated net tangible assets per Share at 31 December 2010 <i>(Note v)</i> <i>HK\$</i>	Unaudited pro forma consolidated net tangible assets per Adjusted Share after the Rights Issue <i>(Note vi)</i> <i>HK\$</i>
Rights Issue of 3,248,660,184 Rights Shares <i>(Note i)</i>	821,245	390,507	1,211,752	0.20	0.33

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 audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2010 is derived from the 2010 audited consolidated financial statements of the Company.
- (iii) As at the Latest Practicable Date, the Company does not have any intention to utilise the Scheme Mandate Limit and the Issue Mandate as approved by the annual general meeting on 2 June 2010. Therefore, the number of Adjusted Share would remain unchanged at 406,082,523 and no effect on the estimated net proceeds would arise from Scheme Mandate Limit and the Issue Mandate.
- (iv) The estimated net proceeds from the Rights Issue is calculated on 3,248,660,184 Rights Shares to be issued at the Subscription Price of HK\$0.125 per Rights Share, after the deduction of the estimated related expenses of approximately HK\$15,576,000.
- (v) The calculation of the audited consolidated net tangible assets per Share is based on 4,060,825,233 Shares in issue as at 31 December 2010.
- (vi) The calculation of the unaudited pro forma consolidated net tangible assets per Adjusted Share after the Rights Issue is based on 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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP IN RESPECT OF 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 Prospectus.



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

1 April 2011

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 page 31 under the heading of unaudited pro forma statement of consolidated net tangible assets of the Group of the Company’s prospectus dated 1 April 2011 (the “Prospectus”) in connection with 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 Rights Issue might have affected the financial information of the Group as at 31 December 2010. The basis of preparation of the pro forma financial information is set out on page 31 to the Prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP IN RESPECT OF THE RIGHTS ISSUE

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 31 December 2010 or any future date.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE GROUP IN RESPECT OF THE RIGHTS ISSUE**

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 Prospectus, 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 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 authorized and issued share capital of the Company as at the Record Date and immediately following the completion of the Rights Issue (assuming no further issue of shares from the Record Date to immediately after the completion of the Rights Issue) were as follows:

HK\$

Authorised:

<u>500,000,000,000</u>	Shares of HK\$0.01 each	<u>5,000,000,000.00</u>
------------------------	-------------------------	-------------------------

Issued and to be issued:

406,082,523	Shares in issue as at the Record Date	4,060,825.23
<u>3,248,660,184</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>32,486,601.84</u>
<u>3,654,742,707</u>	Shares in issue immediately after completion of the Rights Issue	<u>36,547,427.07</u>

All the Rights Shares to be issued will rank *pari passu* with the 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 Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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	442,104	0.11%
Wen Louis (<i>Note</i>)	Interest attributable by spouse	750	0.00%
Lam Yick Sing	Beneficial owner	3,000,000	0.74%

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	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 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.

(a) Long positions in the 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	Approximately % 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%
Kingston Capital Asia 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 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 Kingston Capital Asia 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) 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 2010, 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. EXPERT

The following is the qualifications of the expert who has given opinions or advice, which are contained in this Prospectus:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, the above expert did not have any 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 2010, being the date to which the latest published audited financial statements of the Group were made up.

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus 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 Prospectus, 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) a settlement deed entered into on 3 April 2009 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;
- (2) 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;
- (3) 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 a non interest bearing convertible note in the principal amount of HK\$100 million by the Company;
- (4) 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;
- (5) 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;

- (6) 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;
- (7) 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;
- (8) 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;
- (9) an agreement dated 14 December 2009 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), an associated company of the Company and Mr. Zhuang You Dao, an executive director 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;
- (10) 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;
- (11) 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 and the supplemental agreement dated 29 January 2010, and the release of the deed of personal guarantee made by Mr. Zhuang You Dao;

- (12) 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;
- (13) a supplemental 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 which amended the settlement deed dated 3 April 2009 entered into between the same parties referred to in paragraph (1) above;
- (14) 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 satisfied by the issue of 330,000,000 shares of the Company at HK\$0.24 each;
- (15) 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 referred to in paragraph (14) above;
- (16) 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 of the Company at a subscription price of HK\$0.22 per subscription share;
- (17) 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 assignment of the shareholder's loan of Perfect Time Investments Limited pursuant to the terms of a conditional sale and purchase agreement dated 24 March 2010;
- (18) a sale and purchase agreement dated 26 May 2010 entered into between Loyal Castle Investments Limited, an indirect wholly-owned subsidiary of the Company, and 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;

- (19) 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 pursuant to the terms of a sale and purchase agreement dated 26 May 2010;
- (20) 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;
- (21) an investors' subscription agreement for AITS L.P. dated 17 August 2010 entered into between (i) Pan Fortune Investments Limited, a subsidiary of the Company; (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;
- (22) a limited partnership agreement entered into between the general partner (which is currently AITS Cayman Limited) and limited partners (of which Pan Fortune Investments Limited is one of the Limited Partners) of AITS L.P. from time to time dated 17 August 2010 as amended and restated from time to time;
- (23) a deed of adherence dated 17 August 2010 entered into between Pan Fortune Investments Limited, an indirect wholly-owned subsidiary of the Company and AITS Cayman Limited;
- (24) a document escrow agreement dated 29 July 2010 in relation to the deposit of the investors' subscription agreement, limited partnership agreement and a deed of adherence as mentioned above (21), (22) and (23) respectively with the escrow agreement;
- (25) 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 in relation to Pan Fortune Investments Limited and the partnership interest in AITS L.P. for a consideration of HK\$10.00; and
- (26) 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> Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road, Central Hong Kong <i>(As to Cayman Island 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 (*Note 1*), aged 52, joined the Company on 26 April 2007. Mr. Yeung is the Acting Chairman of the Company, formerly an executive director and CEO of Kai Yuan Holdings Limited, (stock code: 1215; formerly known as Wah Lee Resources Holdings Limited) and an 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. He also holds directorship in major subsidiaries of the Company.

Ms. Lo Oi Kwok, Sheree (*Note 1*), 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. She also holds directorships in major subsidiaries of the Company.

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).

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 58, 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. (天津市凱聲汽車維修有限公司) and general manager of Tianjin Jinri Automobile Sale & Service Company Limited (天津津日汽車銷售服務有限公司). 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 obtained 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 International Group Limited and Cordoba Homes Limited which is an associate of Willie International Holdings Limited (Stock code: 273) and former 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.

Note 1:

Please refer to the regulatory announcement dated 30 September 2010 pursuant to which Mr. Yeung Ming Kwong and Ms. Lo Oi Kwok, Sheree were publicly censured by the Stock Exchange for certain breaches of the Listing Rules.

11. MISCELLANEOUS

The English text of this Prospectus shall prevail over the 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 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 Prospectus up to and including Wednesday, 27 April 2011:

- (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 2008, 31 December 2009 and 31 December 2010 respectively;
- (c) the letter on the unaudited pro forma financial information of the Group issued by Mazars CPA Limited set out in appendix II to this Prospectus;
- (d) the material contracts disclosed in the section headed “Material Contracts” in this Appendix;
- (e) the written consent from the expert as referred to in the section headed “Expert” in this Appendix;
- (f) 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;
- (g) 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;
- (h) 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
- (i) this Prospectus.