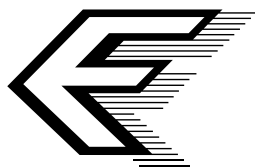


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**FOREFRONT INTERNATIONAL HOLDINGS LIMITED**

**福方國際控股有限公司\***

*(incorporated in Cayman Islands  
with limited liability)*

**(Stock Code: 885)**



**WEALTH STYLE LIMITED**

*(incorporated in the British Virgin Islands  
with limited liability)*

## **JOINT ANNOUNCEMENT**

# **PROPOSED SUBSCRIPTION OF NEW SHARES IN FOREFRONT INTERNATIONAL HOLDINGS LIMITED BY WEALTH STYLE LIMITED, INVOLVING, DISPOSAL OF TAIWAN SUBSIDIARIES AS A MAJOR TRANSACTION, THE WHITEWASH WAIVER, ISSUES OF NEW SHARES PURSUANT TO THE JERRY LIU OPTION AS A CONNECTED TRANSACTION AND THE A&M ALLOTMENT AND INCREASE IN AUTHORIZED SHARE CAPITAL**

Financial adviser to Forefront International Holdings Limited



**ASIAN CAPITAL**  
(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

Financial adviser to Wealth Style Limited



**VC CAPITAL LIMITED**  
滙盈融資有限公司

The Board wishes to announce that the Company and the Subscriber entered into the Subscription Agreement on 7 December 2006. Pursuant to the Subscription Agreement, the Subscriber will subscribe for not less than 488,447,736 and not more than 535,854,571 new Shares, being not less than 51% and not more than 53.22% of the Enlarged Issued Share Capital of the Company at a total Consideration of not less than HK\$100 million and not more than HK\$104 million.

It is a condition to the Subscription that a sale and purchase agreement in respect of the disposal of the Taiwan Subsidiaries be entered into prior to 31 December 2006. The Disposal Agreement was entered into between the Company with an independent third party on 30 December 2006 which constitutes a major transaction under the Listing Rules.

\* For identification purpose only

The Subscription is conditional upon, inter alia, the Stock Exchange granting a conditional approval for the resumption of trading of the Company's Shares on the Stock Exchange and the Subscriber applying and the Executive granting the Whitewash Waiver.

The Subscription Shares will be issued after taking into new issues of Shares pursuant to the A&M Allotment, which represents 3.5% of the Enlarged Issued Share Capital of the Company; and the Jerry Liu Option, which represents 2.5% of the existing issued share capital of the Company upon exercise.

An EGM will be held to consider and, if thought fit, approve (i) by the Independent Shareholders at the resolutions in respect of the Disposal Agreement, the Subscription Agreement, the Whitewash Waiver, the A&M Allotment and the Jerry Liu Option, and (ii) by the Shareholders at the resolutions in respect of the increase in authorized share capital.

Save for (i) FIL, who shall abstain from voting for its holding of (a) 7.04% of the existing issued share capital of the Company if it does not receive any valid voting direction from the chargee bank, or (b) 0.14% of the existing issued share capital if it receives valid voting direction from the chargee bank, and (ii) the liquidators of FIL, who will not cause the voting rights of Sunshine Finance which holds 0.17% of the existing issued share capital in the Company to be exercised in respect of the resolutions pertaining to the Disposal Agreement, the Subscription, the Whitewash Waiver, the A&M Allotment and the Jerry Liu Option, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholders will be required to abstain from voting on any other resolutions to be proposed at the EGM.

A circular setting out the details of (i) the Disposal Agreement, the Subscription Agreement and the Whitewash Waiver, the A&M Allotment, the Jerry Liu Option and the increase in authorized share capital; (ii) a letter of advice from the Independent Board Committee; (iii) a letter of advice from CIMB-GK to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Whitewash Waiver and the Jerry Liu Option and (iv) a notice of the EGM will be despatched to the Shareholders within 21 days of the date of this announcement unless extended with the consent of the Executive.

**Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 14 May 2004 and will remain suspended until further notice.**

**The release of this announcement does not necessarily mean that the proposed Subscription will be successfully implemented and completed as the Subscription Agreement is subject to the Conditions which may or may not be fulfilled or otherwise waived.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## **BACKGROUND**

Trading in the Company's shares was suspended on 14 May 2004 at the request of the Company as the Board of the Company discovered certain irregularities. In particular, the Group's former chairman, Mr. Yang Chien Chi Allen ("Mr. Yang") was alleged to have:

- (i) forged the signature of the Group's former finance director and mortgaged the Group's head office premises at Yuen Long to a third party without proper authorization from the Board; and

- (ii) arranged for Mr. Michael Tsai (“Mr. Tsai”) to subscribe for US\$5 million out of the Company’s US\$15 million convertible bond issued in early 2004. However, the cheque for HK\$38,218,000 presented by Mr. Tsai in consideration for the subscription was issued by Ms. Lee Pei Fen, the wife of Mr. Yang, and the cheque went missing at the time of Mr. Yang’s resignation.

In December 2005, the Company disposed of the above mentioned head office premise at Yuen Long, with a portion of the sales proceeds applied towards the full and final settlement of the dispute with the above mentioned third party who claimed to hold a mortgage over the office premises.

In February 2006, the Company redeemed US\$4 million of the convertible bonds together with redemption premium interest and signed an agreement with Mr. Tsai to repurchase from him the remaining US\$5 million of the convertible bond issue for HK\$1. The repurchased US\$5 million of convertible bond was then cancelled pursuant to the terms of the bond issue upon the repurchase by the Company being completed in May 2006.

The above matters have been resolved by the Company with the irregularities reported to the Commercial Crime Bureau of the Hong Kong Police (“CCB”) and the outcome of the CCB investigation is still pending.

In early 2005, the Group was involved in a dispute concerning controls over the Taiwan Subsidiaries. Certain former members of the Board actively obstructed the Group’s legitimate exercise of control over the Taiwan Subsidiaries resulting in the Group losing control over the Taiwan Subsidiaries until June 2005. After regaining control of the Taiwan Subsidiaries in June 2005, it became apparent that the operating assets of the Taiwan Subsidiaries had been used illegally by the former management of the Taiwan Subsidiaries without proper authorization. Multiple pieces of litigation, both civil and criminal, were initiated against the former management of the Taiwan Subsidiaries to recover the assets. The books and records were found to be insufficient for the preparation of financial statements and consolidation into the accounts of the Group.

The audit committee of the Company is of the view that the major internal control weaknesses of the Group prior to the suspension of trading of the Shares were as a result of the lack of communication between the management team in Taiwan and the management in Hong Kong (where a significant portion of the Group’s business was located) as well as the over-concentration of authority in the former chairman and the then substantial Shareholders. Very often, members of the Board as well as the local management in Hong Kong were unaware of business decisions made in Taiwan until a very late stage.

In September 2004, after the departure of the former management team of both the Hong Kong and Taiwan offices, the Company engaged A&M to provide professional consulting advice and A&M has implemented a series of restructuring and turnaround measures, which included:

- (i) reconstituting the Board with experienced accountants/bankers and financial advisers and recruiting a new executive management team;
- (ii) setting up audit and remuneration committees, which comprised of three independent non-executive Directors respectively, to oversee the financial reporting process and remuneration policy and compensation packages of Directors and senior executives of the Group. In addition, the Company adopted a corporate governance code and compliance manual which contains detailed policies and procedures of the internal controls and accounting systems;
- (iii) carrying out regular board meetings with proper procedures, resolutions and record keeping. The Board convened 20 meetings in 2005 and 14 meetings in 2006 with an average attendance rates of above 70% and 80% for the Board members at these meetings for the two years respectively;

- (iv) improving designation and segregation of duties between the Board and the senior management; and
- (v) improving cash management, forecasting, monitoring and reporting procedures.

In addition to the restructuring and corporate governance improvements introduced across the Group, including the foregoing, in May 2006, the Company engaged Moores Rowland Mazars (“MRM”) to conduct an independent review of the Group’s internal control procedures and corporate governance practices. MRM commented that most of the significant control activities it had reviewed were in place and recommended additional measures to improve the Group’s internal control procedures and corporate governance practices. Management has taken immediate actions to implement these recommendations. Following such implementation and after review and discussion with MRM, the audit committee of the Company is of the opinion that the issues previously occurred have been addressed and the Company’s financial reporting system, internal control procedures and corporate governance practices have been improved and are operating effectively.

The Board is pleased to announce that a conditional Subscription Agreement was entered between the Company and the Subscriber on 7 December 2006.

## **THE CONDITIONAL SUBSCRIPTION AGREEMENT**

**Date:** 7 December 2006

**Parties:**

- (i) Issuer: The Company
- (ii) Subscriber: Wealth Style Limited

The Subscriber and Ms. Yau Shum Tek, Cindy (“Ms. Yau”), being the ultimate and sole beneficial shareholder of the Subscriber, have confirmed to the Company that they, their respective associates and Concert Parties are independent third parties not connected or acting or presumed to be acting in concert with the Company, the Directors, chief executive and any shareholders of the Company or any of their subsidiaries or their respective associates or their Concert Parties.

## **MAJOR TERMS OF THE SUBSCRIPTION AGREEMENT**

### **Proposed Subscription**

Pursuant to the Subscription Agreement, the Company agreed to allot and issue and the Subscriber agreed to subscribe for not less than 51% and not more than 53.22% of the Enlarged Issued Share Capital of the Company to be determined based on the PIANCAV, at subscription prices range from HK\$0.2130 per Share to HK\$0.1866 per Share. The total new Shares to be issued according to the Subscription will comprise not less than 488,447,736 Shares and not more than 535,854,571 Shares, and the Consideration to be received would be not less than HK\$100 million and up to HK\$104 million. The minimum and maximum numbers of newly issued Shares to be subscribed for by the Subscriber represent between approximately 1.12 to 1.23 times of the existing issued share capital of the Company or approximately 51% to 53.22% of the Enlarged Issued Share Capital of the Company upon Completion.

Resolutions will be proposed to the Independent Shareholders to approve the Subscription and authorize the issue of Shares pursuant thereto at the EGM to be held.

## Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon the following Conditions having been fulfilled:

- (a) the Company having obtained all necessary regulatory, Board and Shareholders approvals in respect of the Subscription Agreement;
- (b) the passing of ordinary resolution(s) by the Shareholders of the Company in general meeting (excluding Shareholders who are prohibited from voting in respect of such resolution(s) under the Code or the Listing Rules) by poll, to approve and authorize the allotment and issue of the Subscription Shares, and the Whitewash Waiver if required under the Code or the Listing Rules, any other transactions contemplated under the Subscription Agreement;
- (c) the Listing Committee of the Stock Exchange granting listing of and permission to deal in all of the Subscription Shares (subject only to issue of the same) and such listing and permission not being subsequently revoked prior to the issuance of the Subscription Shares to the Subscriber;
- (d) the Executive granting a conditional Whitewash Waiver waiving any obligation on the Subscriber and persons acting in concert with it to make a general offer under Rule 26 of the Code for all the Shares not beneficially owned by the Subscriber and persons acting in concert with it as a result of the Subscription, such waiver being conditional upon the passing of the resolution(s) referred in condition (b) above;
- (e) the resumption of trading of the Company's Shares on the Stock Exchange or the Stock Exchange granting a conditional approval for the resumption of trading of the Shares on the Stock Exchange being subject only to Completion occurring;
- (f) PIANCAV being not less than HK\$15 million, the available cash balance (after deducting any pledged deposits) as shown in the Adjustment Balance Sheet being not less than HK\$4 million and the Non-Current Liabilities being zero;
- (g) there being no qualifications in the Adjustment Balance Sheet which will materially and adversely impact on the PIANCAV, the available cash balance (after deducting any pledged deposits) as shown in the Adjustment Balance Sheet and the Non-Current Liabilities;
- (h) there being no material breach of the Warranties given by the Company as at the date on which all other Conditions have been fulfilled or waived;
- (i) there being no material breach of the representations and warranties given by the Subscriber as at the date on which all other Conditions have been fulfilled or waived;
- (j) the transfer to Newco of the Taiwan U-Drive Investment;
- (k) prior to 31 December 2006, the Company entering into a sale and purchase agreement with the Third Party Purchaser on terms and conditions reasonably acceptable to the Subscriber in respect of the sale of all of the Company's shareholding interest in FIAL and Newco; and
- (l) the Company receiving written confirmation from the Subscriber that the Subscriber and its ultimate beneficial owner(s) are independent third parties not connected with the Company or in any way associated with Mr. Yang Kwn San ("KS Yang") (the joint founder of the Group) or any of his associates and that the source of funding of the Subscription Price is not derived from any such person(s).

Save for Conditions (a) to (e) as set out above, all other Conditions can be waived in whole or in part if not fulfilled on or before the Long Stop Date. However, there will be no adjustment to the Subscription Price if the Subscriber waives any Conditions that are not satisfied prior to the Completion. If any of the Conditions has not been fulfilled or waived in whole or in part-before the Long Stop Date or extended as agreed by the parties, the Subscription Agreement will lapse or terminate, under which circumstances, the Subscription will not proceed.

If the Conditions are not satisfied as a result of an act or failure to act by the Company and the Subscriber rescinds the Subscription Agreement, the Subscriber's sole recourse is to claim damages or compensation up to a maximum amount of HK\$2,000,000 from the Company by reason of such breach or non-fulfillment. There will be no adjustment to the Subscription Price if the Subscriber waives any Conditions that are not satisfied prior to the Completion and the Completion occurs.

Other than the foregoing Conditions, there is no agreement or arrangement between the Company and the Subscriber pursuant to which the Subscriber may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription.

As at the date of this announcement, Board approvals as set out in condition (a), and conditions (k) and (l) above have been satisfied.

Completion shall take place on the 5th Business Day immediately following the date on which all the Conditions have been fulfilled or otherwise waived, or such other Business Day as the parties may agree in writing.

### **Consideration**

Subject to the adjustments referred to below, the Consideration payable by the Subscriber to the Company for the Subscription Shares is between HK\$100 million to HK\$104 million, which was arrived at after arm's length negotiations between the Company and the Subscriber taking into account the premium that the Company and its businesses may deserve, the Company's capital requirements in the absence of an ability to raise bank loans and with reference to the PIENCAV of the Company of HK\$20 million as at the Adjustment Accounts Date. The premium effects on the Shares arising from the Subscription are set out in the paragraph headed "Subscription Price" that follows.

The adjustment mechanism provided for the Adjustment Accounts Date in the Subscription Agreement is such that,

- (a) if the PIANCAV is greater than HK\$23 million, the Consideration shall be the sum of the Base Consideration and the Additional Consideration subject to a maximum of HK\$104 million; and
- (b) if the PIANCAV is less than HK\$17 million but not less than HK\$15 million, the Consideration shall remain as the Base Consideration but the number of the Subscription Shares shall be increased so that they will represent the Downside Percentage (instead of 51%) of the Enlarged Share Capital.

The following table illustrates the adjustment mechanism:

<b>PIANCAV Range</b>	<b>Consideration Payable</b>	<b>Shareholding %</b>
HK\$23 million < PIANCAV	Base Consideration + Additional Consideration (the Consideration payable is subject to a maximum of HK\$104 million)	51%
HK\$17 million ≤ PIANCAV ≤ HK\$23 million	Base Consideration	51%
HK\$15 million ≤ PIANCAV < HK\$17 million	Base Consideration	Downside Percentage (up to a maximum of 53.22% of the Enlarged Issued Share Capital)

The Consideration payable by the Subscriber will be adjusted and finalised according to the Adjustment Balance Sheet before Completion.

### **Payment of Consideration**

The Subscriber has agreed to pay the Company the Consideration in the following manner:

- (i) a Deposit of HK\$5 million to the Escrow Agent, which was paid upon the signing of the Subscription Agreement; and
- (ii) payment of the balance of the Consideration after deduction of the Deposit upon Completion.

The Deposit shall be paid to the Company upon Completion by the Escrow Agent, or otherwise returned to the Subscriber within 3 Business Days if (i) the Whitewash Waiver is not granted by the Executive for reasons other than as a result of any act, inaction or omission on the part of the Subscriber or its Concert Parties; or (ii) if Completion does not occur on or before the Long Stop Date for reasons other than the Whitewash Waiver is not granted by the Executive due to the act, inaction or omission on the part of the Subscriber (or its Concert Parties) or the Subscriber breaches any of its obligations under the Subscription Agreement, within 3 Business Days of such non-occurrence. Where Completion does not occur on or before the Long Stop Date because the Whitewash Waiver is not granted by the Executive due to the act, inaction or omission on the part of the Subscriber (or its Concert Parties) or the Subscriber breaches any of its obligations under the Subscription Agreement, the Deposit shall be forfeited to the Company as full and complete liquidated damages.

### **Subscription Price**

The total number of issued Shares of the Company as at the date of this announcement is 435,772,000.

#### **(A) *Lowest subscription price***

The lowest subscription price of HK\$0.1866 per new Share, calculated based on the Subscription by the Subscriber of 535,854,571 new Shares at the Base Consideration of HK\$100 million and assuming the PIANCAV is HK\$15 million as at the Adjustment Accounts Date, represents:

- (i) a premium of approximately 65.13% per share to the audited consolidated net asset value of approximately HK\$0.113 per Share as at 31 December 2005, being the date of the Company's latest published audited financial statements;

- (ii) a premium of approximately 127.56% per share to the unaudited consolidated net asset value of approximately HK\$0.082 per Share as at 30 June 2006, being the date of the Company's latest published unaudited interim financial statements;
- (iii) a discount of approximately 67.26% to the closing price of the Shares of around HK\$0.570 on 13 May 2004, being the last trading day immediately prior to the suspension of trading in the Shares as quoted on the Stock Exchange; and
- (iv) a discount of approximately 62.38% to the average closing price of around HK\$0.496 per Share for the last 10 trading days ended on 13 May 2004.

**(B) Highest subscription price**

The highest subscription price of HK\$0.2130 per new Share, calculated based on the Subscription by the Subscriber of 488,447,736 new Shares at the maximum Consideration of HK\$104 million assuming the PIANCAV is more than HK\$23 million as at the Adjustment Account Date, represents:

- (i) a premium of approximately 88.50% per share to the audited consolidated net asset value of approximately HK\$0.113 per Share as at 31 December 2005, being the date of the Company's latest published audited financial statements;
- (ii) a premium of approximately 159.76% per share to the unaudited consolidated net asset value of approximately HK\$0.082 per Share as at 30 June 2006, being the date of the Company's latest published unaudited interim financial statements;
- (iii) a discount of approximately 62.63% to the closing price of the Shares of around HK\$0.570 on 13 May 2004, being the last trading day immediately prior to the suspension of trading in the Shares as quoted on the Stock Exchange; and
- (iv) a discount of approximately 57.06% to the average closing price of around HK\$0.496 per Share for the 10 trading days ended on 13 May 2004.

**USE OF PROCEEDS**

It is estimated that the net proceeds from the Subscription after deduction of all relevant expenses would amount to HK\$94 million to HK\$98 million. The Subscriber intends to propose to the Board to apply the net cash proceeds from the Subscription approximately HK\$40 million for the Group's general working capital use. Upon Completion, the Subscriber intends to propose to the Board to conduct a thorough business review on the Group's existing business and formulate a business plan for the Group's future development. The Subscriber intends to propose to the Board to first allocate adequate resources to maintain and develop the Group's existing business and, if considered beneficial to the Company and the Shareholders as a whole, to make strategic investments in the future. The Company is in the process of working out with the Subscriber more specific plans for the usage of the Subscription proceed. A further announcement will be made once these specific plans have been agreed as soon as practicable, and in any case, on or before the issue of the circular in relation to the transactions described in this announcement.

The Directors are of the view that even the present level of working capital is sufficient for the Group to carry on its existing business. The cash proceeds from the Subscription will further strengthen the Group's liquidity, business taking capabilities and improve its bargaining powers when suitable investment opportunities arise.

## A&M ALLOTMENT

Although the A&M Allotment is not a condition precedent to the Subscription Agreement, the Subscription Agreement provides that, subject to all approvals as required under the Listing Rules, the quantum of the Subscription Shares is to be determined based on the Enlarged Issued Share Capital, which in turn is determined after taking into account the A&M Allotment.

The Company disclosed in its 2005 annual report and in the Announcements that it had engaged A&M (which acquired the business of RSM Nelson Wheeler Corporate Advisory Services Limited with effect from July 2005) since December 2004 to provide financial and operational monitoring support, initiate improved controls and to assist with regards to prudential and corporate governance issues for the Group. A&M does not have any shareholding interest in the Company as at the date of this announcement and it has not dealt in any securities of the Company in the period commencing from six months prior to the date of this announcement.

On 8 October 2006, A&M's engagement was extended (on the same terms and conditions as described in the Company's announcement dated 3 May 2006) and will end on 7 April 2007. Pursuant to the A&M engagement, the Company agreed to pay A&M a monthly fee of HK\$375,000 and a success fee which includes a cash payment of HK\$3.5 million and the issue of the new Shares representing 3.5% of the Company's Enlarged Issued Share Capital (comprising 33,520,923 to 35,240,342 new Shares depending on the adjustments on the Consideration as described in the section headed "Major Terms of the Subscription Agreement"), upon resumption of trading of the Shares, subject to Shareholders' approval. The remuneration package of the monthly and success fee payable by the Company to A&M was arrived at after arm's length negotiation between the Company and A&M with reference to the services provided by A&M to the Company.

It was disclosed in the Announcements that A&M was a connected person by virtue of being an associate of Mr. Cosimo Borrelli ("Mr. Borrelli") and Mr. Kelvin Edward Flynn ("Mr. Flynn"), who were then Directors of the Company, therefore, the entering in the engagements with A&M constituted connected transactions. However, A&M subsequently ceased to be a connected person to the Company due to the fact that:

- (i) Mr. Borrelli and Mr. Flynn both resigned from A&M in September 2006 and ceased to have any shareholding interest in A&M;
- (ii) On 22 September 2006, (a) Mr. Borrelli resigned as a Director; (b) Mr. Flynn re-designated from the office of executive Director to non-executive Director; (c) Mr. David Giles Maund ("Mr. Maund") was appointed an executive Director of the Company;
- (iii) A&M is not an associate of Mr. Maund as he has less than 5% shareholding in A&M and he has no shareholding interest in the Company;
- (iv) Mr. Flynn no longer has any shareholding in A&M, therefore A&M is not an associate of Mr. Flynn; and
- (v) The extended engagement agreement of A&M was entered into on 8 October 2006, after A&M ceased to be an associate of Mr. Borrelli and Mr. Flynn.

As such, A&M is no longer an associate of any Director of the Company, therefore, the extended A&M engagement with the Company no longer constitutes a connected transaction.

Mr. Borrelli was a non-executive Director, and no replacement was deemed necessary after his resignation given the strength of the remaining Board members. Upon Mr. Flynn's re-designation from executive Director to non-executive Director, Mr. Maund was appointed as an executive Director to take up the responsibilities of Mr. Flynn, which include the Group's financial oversight and control, overseeing implementation and monitoring the progress of improvements to internal control procedures and corporate governance practices; monitoring the performance of senior management; assisted by the Group Financial Controller, monitoring the Group's liquidity position; advising the Board on resolution of the remaining issues relating to the Taiwan Subsidiaries; and driving the process of resumption of trading in the Shares.

The Shares in respect of the A&M Allotment will be issued under a special mandate proposed to be sought from the Independent Shareholders at the EGM. Application will be made to the Stock Exchange for the listing of, and permission to deal, in the Shares issued pursuant to the A&M Allotment.

### **Jerry Liu's Re-designation and Jerry Liu Option as a Connected Transaction**

The granting of the Jerry Liu Option is not a condition of the Subscription Agreement, however, the Subscription Agreement contemplates that to the extent approved by the Independent Shareholders, the Jerry Liu Option will be granted prior to the Subscription and the A&M Allotment.

The Company announced on 29 June 2005 that the Board had approved the appointment of Jerry Liu as the Chief Executive Officer of the Company with effect from 27 June 2005. It also disclosed that the Board had further approved the appointment of Jerry Liu as an executive Director of the Company, such appointment being subject to the approval of the Shareholders at an EGM as the term of his service contract is more than 3 years. However, no such EGM has been convened due to the re-designation of Jerry Liu as a senior adviser as set out in the following paragraph. In accordance with the executive service agreement signed between the Company and Jerry Liu dated 27 June 2005, Jerry Liu is entitled to receive, inter alia, share options attaching rights to subscribe for up to a maximum of 5% of the Company's issued share capital by way of new issue of Shares.

With the Company's disposal of certain Taiwan operations to Scania in late 2005, Jerry Liu's involvement in the Group was reduced and his employment was changed to a part time position as a senior adviser under the amended agreement dated 5 December 2006 with an effective date from 1 June 2006. As a result of such re-designation, Jerry Liu was no longer required to be appointed and the Company currently has no intention to appoint Jerry Liu as an executive Director. The tenure of Jerry Liu's appointment as a senior adviser under the amended agreement dated 5 December 2006 is not fixed and it can be terminated by the Company with 1 month's prior written notice, thus Shareholders' approval is not required according to the memorandum and articles of the Company and the Listing Rules.

Under the original executive service agreement dated 27 June 2005, Jerry Liu was entitled to a total package of share options up to a maximum of 5% of the issued Shares subject to Shareholders' approval (which was never sought) upon the signing of the executive service agreement. Jerry Liu's original executive service agreement was amended on 5 December 2006 to provide, amongst other things, that Jerry Liu's position will be changed from a Chief Executive Officer to a senior adviser to the Company and, instead of being entitled to 5% of the issued Shares, he would be entitled to only those offered under the Jerry Liu Option, namely 2.5%. Therefore, subject to Shareholders' approval having been obtained, the Company will grant Jerry Liu share options attaching rights to subscribe for 10,894,300 Shares at an exercise price of HK\$0.2130 per Share, which represents 2.5% of the existing issued share capital of the Company with an exercise period of 5 years, commencing from 27 June 2005, being the commencement date of Jerry Liu's employment, and expiring on 26 June 2010. The exercise price of Jerry Liu Option at HK\$0.2130 per Share was determined after arm's length negotiation with reference to any incoming investor obtaining more than 51% of the Enlarged Issued Share Capital of the Company. Since the highest Subscription Price per Share to be payable by the Subscriber is HK\$0.2130, the

exercise price of the Jerry Liu Option is accordingly so determined. The exercise price of HK\$0.2130 per Share represents: (i) a premium of approximately 88.50% per share to the audited consolidated net asset value of approximately HK\$0.113 per Share as at 31 December 2005, being the date of the Company's latest published audited financial statements; and (ii) a premium of approximately 159.76% per share to the unaudited consolidated net asset value of approximately HK\$0.082 per Share as at 30 June 2006, being the date of the Company's latest published unaudited interim financial statements. The aggregate value of the Shares to be issued under the Jerry Liu Option is HK\$2,320,485.90 based on the exercise price of HK\$0.2130 per Share. Given Jerry Liu's scope of work and his contribution to the Group, the Directors including independent non-executive Directors believe the terms of the Jerry Liu Option are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

There is no vesting period for the Jerry Liu Option. The termination of Jerry Liu's employment in any event will not impact on the grant or ability to exercise the Jerry Liu Option; unless Jerry Liu is found guilty of misconduct or the Board is of the view that there is a basis upon which the Company would be entitled to terminate his employment, in which case the Jerry Liu Option will lapse.

Jerry Liu holds 7.92% of the existing issued share capital of FIL, which has an interest of 7.04% in the Company's existing issued share capital. Therefore, Jerry Liu has an indirect shareholding of 0.56% in the existing issued share capital of the Company.

As Jerry Liu was a chief executive officer when the amended agreement is entered into on 5 December 2006, Jerry Liu is regarded as a connected person under Rule 14A.11(1) of the Listing Rules, and the Jerry Liu Option constitutes a connected transaction pursuant to Rule 14A.13(1) of the Listing Rules and is subject to the Independent Shareholders' approval at the EGM. The Shares in respect of the Jerry Liu Option will be issued under a special mandate proposed to be sought from the Independent Shareholders at the EGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in the Shares to be issued pursuant to the Jerry Liu Option.

## **INCREASE IN AUTHORIZED SHARE CAPITAL**

The authorized share capital of the Company as at the date of this announcement is HK\$100,000,000 divided into 1,000,000,000 Shares, of which 435,772,000 Shares have been issued and are fully paid up. Immediately prior to the Completion of the Subscription, in order to facilitate the Subscription Agreement, the A&M Allotment and the Jerry Liu Option, the authorized share capital of the Company will be increased from HK\$100,000,000 to HK\$130,000,000, divided into 1,300,000,000 Shares of HK\$0.10 each. Shareholders' approval is required for the increase in the authorized share capital.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the trading and distribution of Scania motor trucks, coaches and vehicle accessories, and the provision of heavy motor vehicle repair and maintenance services. The past two and a half years have been a challenging period for the Group, during which time the Board and its advisers have successfully transited the business to a new management team, resolved a range of legacy issues faced by the Group and dealt with the loss of the Group's Taiwan franchise whilst greatly enhancing the Group's corporate governance, disclosure and control environment.

With operations of the Group in the distribution of Scania products in the territories of Hong Kong, Macau, Shenzhen and Zhuhai, the Group is actively exploring other opportunities for business diversification that will generate additional income and result in greater operational diversity and flexibility. In view of the robust economy in the Mainland China and increasing demand for container truck and coach services across the border, the Board plans and is in the process of expanding its operation in the PRC including opening service centres in Shenzhen and Zhuhai.

The Group opened new repair and maintenance services stations at Lok Ma Chau of Hong Kong and Nan Shan district of Shenzhen in May and October 2006 respectively.

In July 2006, the Group launched a mobile service van in Hong Kong to provide repairs and maintenance for roadside vehicle breakdown and truck operators who are based primarily at container ports.

The Group has also successfully set up a new company in Shenzhen in July 2006 under CEPA for the provision of Scania full-fledged auto-related import business in Mainland China. This company is one of the few auto-related companies to be granted this status under CEPA. The Group will be able to offer more competitive prices to customers in the Shenzhen and Zhuhai areas.

As at the date of this announcement, the Group has confirmed orders for 38 units of chassis and coaches to be delivered in 2007.

The following is a summary of the unaudited financial information of the Group excluding the Taiwan Subsidiaries extracted from the published interim report of the Group for the six months period ended 30 June 2006:

	<b>Six months ended 30 June 2006 HK\$'000</b>
Turnover	48,462
Net profit/(loss) before taxation and extraordinary items	(13,589)
Net profit/(loss) after taxation and extraordinary items	(13,589)
	<b>As at 30 June 2006 HK\$'000</b>
Total assets	107,477
Total liabilities	71,657
Net assets	35,820

## **REASONS FOR THE SUBSCRIPTION**

With the business plans elaborated in the section headed Information on the Group above, the Board believes that the Subscriber's PRC network and the cash proceeds from the Subscription will place the Group in a more advantageous position to capture and capitalise on more business and expansion opportunities, which will ultimately benefit the Company and the Shareholders as a whole.

## **CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY**

The following tables show the changes in the shareholding structure of the Group before and after the Completion of the Subscription, A&M Allotment and the exercise of Jerry Liu Option under scenarios with minimum and maximum Shares that the Subscriber may be entitled to subscribe for under the Subscription Agreement.

**(A) Minimum Shares to be subscribed by Subscriber upon Completion, issue of the A&M Allotment and before/after the exercise of Jerry Liu Option**

	As at the date of this announcement		Upon Completion, issue of A&M Allotment and before exercise of Jerry Liu Option		Upon Completion, issue of A&M Allotment and after exercise of Jerry Liu Option	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Scania Trade Development AB	98,204,000	22.54	98,204,000	10.25	98,204,000	10.14
The International Commercial Bank of China Co., Ltd.	65,388,805	15.01	65,388,805	6.83	65,388,805	6.75
Nexgen Capital Limited	48,480,931	11.13	48,480,931	5.06	48,480,931	5.01
Hsieh Tsung-Wen	44,869,734	10.30	44,869,734	4.69	44,869,734	4.63
Aeneas Portfolio Company LP	36,426,000	8.36	36,426,000	3.80	36,426,000	3.76
FIL (In Liquidation)	30,700,000	7.04	30,700,000	3.20	30,700,000	3.17
Other public shareholders	111,702,530	25.62	111,702,530	11.67	111,702,530	11.53
	<u>435,772,000</u>	<u>100.00</u>	<u>435,772,000</u>	<u>45.50</u>	<u>435,772,000</u>	<u>44.99</u>
A&M	–	–	33,520,923	3.50	33,520,923	3.46
Jerry Liu	–	–	–	–	10,894,300	1.12
The Subscriber and its Concert Parties	–	–	488,447,736	51.00	488,447,736	50.43
Total	<u>435,772,000</u>	<u>100.00</u>	<u>957,740,659</u>	<u>100.00</u>	<u>968,634,959</u>	<u>100.00</u>

**(B) Maximum Shares to be subscribed by Subscriber upon Completion, issue of the A&M Allotment, and before/after the exercise of Jerry Liu Option**

	As at the date of this announcement		Upon Completion, issue of A&M Allotment and before exercise of Jerry Liu Option		Upon Completion, issue of A&M Allotment and after exercise of Jerry Liu Option	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Scania Trade Development AB	98,204,000	22.54	98,204,000	9.75	98,204,000	9.65
The International Commercial Bank of China Co., Ltd.	65,388,805	15.01	65,388,805	6.50	65,388,805	6.42
Nexgen Capital Limited	48,480,931	11.13	48,480,931	4.81	48,480,931	4.76
Hsieh Tsung-Wen	44,869,734	10.30	44,869,734	4.45	44,869,734	4.41
Aeneas Portfolio Company LP	36,426,000	8.36	36,426,000	3.62	36,426,000	3.58
FIL (In Liquidation)	30,700,000	7.04	30,700,000	3.05	30,700,000	3.02
Other public shareholders	111,702,530	25.62	111,702,530	11.10	111,702,530	10.98
	<u>435,772,000</u>	<u>100.00</u>	<u>435,772,000</u>	<u>43.28</u>	<u>435,772,000</u>	<u>42.82</u>
A&M	–	–	35,240,342	3.50	35,240,342	3.46
Jerry Liu	–	–	–	–	10,894,300	1.07
The Subscriber and its Concert Parties	–	–	535,854,571	53.22	535,854,571	52.65
Total	<u>435,772,000</u>	<u>100.00</u>	<u>1,006,866,913</u>	<u>100.00</u>	<u>1,017,761,213</u>	<u>100.00</u>

*Notes:*

1. The ultimate beneficial owner of Scania Trade Development AB is Scania CV AB.
2. The listed parent of The International Commercial Bank of China Co., Ltd. is Mega Financial Holding Company Limited, which is listed on the Taiwan Stock Exchange.
3. Nexgen Capital Limited is a wholly-owned by Nexgen Re Limited, which is in turn wholly-owned by Nexgen Financial Holdings Limited, which is in turn owned as to 39% by CDC Ixis, which is in turn owned as to 53% by CIE Financiere Eulia (“CIEFE”) and as to 43.55% by Caisse Des Depots Et Consignation (“CDDEC”). CIEFE is owned as to 49.9% by Caisse Nationale Des Caisse Depargne Et De Prevoyance (“CNDCDEDP”) and as to 50.1% by CDC Holding Finance. CNDCDEDP is owned as to 35% by CDC Holding Finance which is in turn wholly-owned by CDDEC.
4. FIL (In Liquidation) is 45% owned by Jetwide Limited.
5. The International Commercial Bank of China Co., Ltd., Nexgen Capital Limited, Aeneas Portfolio Company LP are all financial institutions and are considered public Shareholders as none of these parties have board representations in the Company. Taking into account of their respective shareholdings in the Company, sufficient public float of 25% shall be maintained upon completion of the Subscription Agreement, the issue of the A&M Allotment and exercise of the Jerry Liu Option.

## **RANKING OF THE SUBSCRIPTION SHARES**

The Subscription Shares, and the Shares to be issued pursuant to the A&M Allotment and the Jerry Liu Option when allotted and issued, will rank pari passu in all respects among themselves, and with the Shares in issue as at the date of the allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of the allotment and issue of the Subscription Shares.

## **INFORMATION ON THE SUBSCRIBER**

Wealth Style Limited is an investment holding company incorporated in the British Virgin Islands with limited liability on 8 August 2005 and is wholly-owned by Ms. Yau. Save for the entering into of the Subscription Agreement, the Subscriber has not conducted any business since its incorporation. Ms. Yau is the sole director of the Subscriber. Ms. Yau has extensive business interests in Hong Kong and the PRC, mainly in trading and property related businesses. Ms. Yau was from November 2000 to August 2006 an executive director of Freeman Corporation Limited, a company whose shares are listed on the Stock Exchange. The Subscriber is fully aware that the trading in the Shares has been suspended since 14 May 2004 and any approval for the listing of any Shares to be issued by the Company is conditional on the Company being able to resume trading of its Shares and where applicable, comply with other relevant requirements of the Listing Rules.

## **WHITEWASH WAIVER**

As at the date of this announcement, none of the Subscriber and its Concert Parties owns or has control or direction over any voting rights in any Shares or any convertible securities, warrants or options in respects of the Shares, or any outstanding derivative in respect of any securities in the Company. The Subscriber has confirmed that neither it nor any of its Concert Parties have dealt in any securities of the Company during the period commencing from six months prior to the date of this announcement. Upon Completion, the Subscriber will be interested in at least 488,447,736 newly issued Shares, representing about 51% of the Enlarged Issued Share Capital of the Company. Accordingly, under Rule 26 of the Code, upon Completion, the Subscriber would be required to make an unconditional general offer for all issued securities of the Company (other than those already owned by or agreed to be acquired by the Subscriber or its Concert Parties). The Subscriber will apply to the Executive for a Whitewash Waiver which, if granted, will be subject to the approval of the Independent Shareholders by way of a poll at the EGM. Completion is conditional upon, among other things, the granting by the Executive and approval of the Independent Shareholders of the Whitewash Waiver. If this condition precedent is not satisfied, the Subscription Agreement will lapse and will not be implemented.

## **FUTURE INTENTIONS OF THE SUBSCRIBER**

### **Business**

The Subscriber intends that the Group will continue its existing businesses in the trading and distribution of Scania motor trucks, coaches and vehicles accessories, and provision of motor vehicle repair and maintenance services following the Completion. The Subscriber has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business, or to inject its assets in the Group. Save for the proposed change of the composition of the Board set forth below, the Subscriber intends that there will not be any material changes in the management or employees of the Group as a result of the Subscription.

## Directors and Management

Pursuant to the Subscription Agreement, all the existing Directors shall resign upon Completion. The Subscriber intends to nominate Ms. Yau, Mr. Fung Kwok Leung, Andy (“Mr. Fung”) and Ms. Huang Li (“Ms. Huang”) as executive Directors and such appointment will take effect from the earliest time permissible under the Code. In addition, the Subscriber has invited or may invite certain existing Director(s) to stay on the Board after Completion and will nominate other suitable candidate(s) to serve as Director(s) to ensure compliance of Rules 3.08, 3.09 and 3.10 of the Listing Rules. As at the date of this announcement, Mr. Louis Wen, an executive Director who currently oversees the operations of the Group in Hong Kong, has accepted the Subscriber’s invitation to stay on the Board. Mr. Louis Wen has over 25 years of experience in Scania distribution and service business and currently, he is responsible for the Group’s business strategy, planning sales and marketing activities, as well as liaising with Scania’s senior management. Mr. Louis Wen is well supported by the existing management team members of the Group including Ms. Lo Mei Lan (“Ms. Lo”), Ms. Alice N.L. Ng (“Ms. Ng”), Mr. Cheng Sung Lok, Steve (Mr. Cheng”), Mr. Chui Kong Sang, Allan (“Mr. Chui”) and Mr. Ling Kwok Keung, Andy (“Mr. Ling”), biographical details of whom are set out as follows:

Ms. Lo, the Group’s Financial Controller and Company Secretary, has over 15 years diverse commercial and overseas working experience in accounting and financial management.

Ms. Ng, the Vice President – Operations of the Company, joined the Group in 1987 and has been involved in setting up the Group’s finance subsidiary, the administration of the Hong Kong and China offices and workshops and various special projects. She resigned from the Group in 2000 and rejoined the Group in 2005. Ms. Ng has extensive experience in the administration and financial management fields working in both Hong Kong and the PRC.

Mr. Cheng, the Vice President in charge of the repair and maintenance services department, has over 20 years of experience in the Scania business. Mr. Cheng is responsible for the sales strategy and planning activities in repair and maintenance operations.

Mr. Chui, the Company’s Sales Manager, has over 7 years of experience in servicing and marketing of commercial vehicles in the Group and is responsible for the sales strategy and planning activities in Scania heavy trucks and tractors.

Mr. Ling, the Company’s Sales Manager, has over 12 years of marketing experience in the motor vehicle industry and is responsible for the marketing of Scania buses and coaches. He had served the Group for over 11 years.

Given the experience and profile of the Group’s existing management team, the Board is of the opinion that the existing management team of the Group is stable and has substantial expertise, network and experience in the Group’s operations and is fully capable to operate the Group’s businesses.

Taking into account the fact that Mr. Louis Wen and the existing management team of the Group will continue to serve the Group after Completion, the Subscriber believes that the Company has maintained a management team with sufficient and necessary experience to manage the Group’s businesses.

Further announcements in compliance with Rule 13.51(2) of the Listing Rules will be made when there are appointments of additional Directors.

Set out below are the biographical details of the proposed executive Directors to be nominated by the Subscriber.

Ms. Yau, aged 37, holds a Master of Business Administration degree from the University of South Australia. Ms. Yau has extensive experience in management of enterprises engaged in trading and property related businesses in Hong Kong and the PRC. Ms. Yau was from November 2000 to August 2006 an executive director of Freeman Corporation Limited, a company whose shares are listed on the Stock Exchange. Ms. Yau will be responsible for overseeing the management of the Group, in particular the formulation of corporate strategy and business direction.

Mr. Fung, aged 41, holds an Honour Degree in Accountancy from the Hong Kong Polytechnic University, is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Fung has extensive experience in corporate management, finance, accounting and company secretarial practice. He has worked as financial controller and company secretary of companies whose shares are listed on the Stock Exchange. Mr. Fung will be responsible for overseeing the finance function of the Group.

Ms. Huang, aged 30, holds a Bachelor Degree in International Economic Law from the Zhongnan University of Economics & Law. Ms. Huang has over five years experience in handling legal affairs of Hong Kong listed companies and, in particular, merger and acquisition transactions. Ms. Huang will be primarily responsible for handling the corporate and legal affairs of the Group.

## **DISPOSAL OF THE TAIWAN SUBSIDIARIES**

On 30 December 2006, the Company, being the seller, entered into the Disposal Agreement with Smeatons, being a Third Party Purchaser, and Mr. Yap, being the guarantor to Smeatons. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Smeatons and Mr. Yap, being the ultimate beneficial owner of the Smeatons, are third parties independent of the Company and are not connected with the Directors, chief executive or substantial Shareholders or any of its subsidiaries or any of their respective associates. Smeatons and Mr. Yap do not have any interest in any Shares or securities of the Company.

Pursuant to the Disposal Agreement, Smeatons agreed to acquire and the Company agreed to sell the Disposal Shares, being the entire issued share capital of FIAL and Newco, which are both direct wholly-owned subsidiaries of the Company. Smeatons has confirmed in the Disposal Agreement that they have placed no reliance on any representation given by the Company and that they are a sophisticated investor with a detailed knowledge of the Claims, the Debt and the Assets.

FIAL historically operated the Scania distribution, repair and maintenance business in Taiwan and ceased operation since June 2005.

Newco has shareholding interest in the Taiwan U-Drive Investment, which includes the Company's direct and indirect interests in U-Drive Taiwan and Sunshine Credit held through U-Drive Hong Kong and Prime Wish. The principal business of Prime Wish is its investment holding in U-Drive Taiwan. U-Drive Taiwan is a dormant company but holds the entire share capital of Sunshine Credit. Sunshine Credit has historically been engaged in the business of providing financing facilities to purchasers of Scania vehicles in Taiwan. Sunshine Credit's current business operations are minimal and relate merely to the collection of the remaining monthly instalment payments from its customers which are then primarily used to repay its remaining bank loans.

Upon completion of the Disposal Agreement the Debt will be novated to Smeatons, who undertakes to perform the Group's obligations in respect of the Debt and indemnifies the Group from all claims arising out of the Debt to Smeatons, the Group will be discharged and released from all obligations in respect of the Debt.

## Consideration of the Disposal

The Disposal Consideration is payable by Smeatons to the Company consists of (a) the Cash Consideration and (b) the Company's entitlement to share in the Net Recoveries.

The Cash Consideration includes cash of HK\$250,000 and the Excess Cash. The Cash Consideration is payable by Smeatons upon completion of Disposal. Under the Disposal Agreement, Smeaton's is entitled to retain from cash balances of the Taiwan Subsidiaries as at completion of the Disposal and the Net Recoveries, an aggregate of NT\$13 million (equivalent to HK\$3.1 million) comprising NT\$8 million (equivalent to HK\$1.9 million) in respect of FIAL and NT\$5 million (equivalent to HK\$1.2 million) in respect of the Taiwan U-Drive Investment. Any Net Recoveries or cash balances in excess of NT\$13 million (equivalent to HK\$3.1 million) (in aggregate) shall be distributed immediately to the Company in accordance with the Net Recoveries set out below:

- (i) 80% of the Net Recoveries from the Assets;
- (ii) 20% of the Net Recoveries from the Claims.

Smeatons is required to use its best endeavours to pursue the Claims and to realise the Assets at the best available price and, in respect of the Claims and the Assets, to keep the Company informed as to progress and provide the Company with access to its books and records. Smeatons is not able to admit liability or settle the Claims or take any action which will render the value of the Assets to be adversely affected without having first obtained the Company's written consent.

The Disposal Consideration is arrived at after arm's length negotiation between the Company and Smeatons with reference to books and records available to the Group, which may or may not represent a complete picture of the assets and liabilities of the Taiwan Subsidiaries. As at 22 December 2006, being the reference account date for the negotiation of the Disposal, FIAL has available records of assets amounting to approximately HK\$8.2 million, of which HK\$2.0 million is under dispute, and liabilities of approximately HK\$7.5 million, all of which are subject to disputes. Taiwan U-Drive Investment has available records showing assets amounting to approximately HK\$29 million and liabilities of approximately HK\$19 million, which are subject to verification with its banks. The value of assets and liabilities of the FIAL and Taiwan U-Drive Investment do not include intra-group balances.

The Taiwan Subsidiaries are involved in about 10 pieces of litigations in Taiwan, in respect of which FIAL is the Plaintiff in 9 and the defendant in 1 matter. The total amount claimed by FIAL is approximately NT\$63.4 million (equivalent to HK\$15.3 million), while the amount claimed in the action where FIAL is the defendant is approximately NT\$1,520,000 (equivalent to HK\$0.4 million).

As described in the Company's previous announcements, interim and annual results, although much effort has been expended in reconstructing the transaction history, the Directors cannot be certain that the Group possesses complete books and records of the Taiwan Subsidiaries. Accordingly, it is not possible for the Group to ascertain the exact amount of assets and liabilities of the Taiwan Subsidiaries and hence the terms of the Disposal Agreement and the Disposal Consideration are so structured, which, in the opinion of the Directors, and given all the legacy issues as previously reported, would represent the best available course of action that is in the interest of the Company and its Shareholders as a whole.

## Conditions Precedent to the Disposal Agreement

The Disposal Agreement is conditional upon:

- (a) the Company having obtained all necessary regulatory, board and Shareholder approvals including, without limitation, those required by the Listing Rules and the Code;
- (b) Smeatons issuing to the Company a confirmation letter confirming that:
  - (A) its ultimate beneficial owner(s) is/are independent third party(ies) that is/are (1) independent of the directors, chief executive or substantial Shareholders of the Company and their respective associates within the meaning of the Listing Rules and not connected persons(s) (as defined in the Listing Rules) of the Company or its Subsidiaries and (2) not associated with, related to or having any connection with Mr. Yang Kwn San (the joint founder of the Group) or any of his associates (as defined in the Listing Rules);
  - (B) KS Yang or any of his associates (as defined in the Listing Rules) do not have any interest (whether directly or indirectly) in Smeatons;
  - (C) it has not entered into any contract or arrangement with any such person referred to in paragraphs (A)(2) and (B) above to sell, transfer or grant any participation in or otherwise distribute the Disposal Shares to such person; and
  - (D) the origination of the source of funding of the Disposal Consideration is not derived from or not connected in any way with any persons referred to in (A) or (B) above.
- (c) in relation to Taiwan U-Drive Investment, either:
  - (i) the transfer of the interests in Taiwan U-Drive Investment from U-Drive Hong Kong to Newco having been completed, or
  - (ii) where the transfer of the interests referred to in conditions (c)(i) has not been completed prior to the completion of the Disposal, U-Drive Hong Kong having settled a trust in favour of Newco pursuant to which U-Drive Hong Kong will hold all and any interest in the Taiwan U-Drive Investment on trust for Newco pending completion of the transfer of its legal interest to Newco.
- (d) the Disposal Warranties remaining true and accurate in all aspects at the completion of the Disposal.

*Note:* The Group was co-founded by KS Yang and Mr. Jerry Liu. KS Yang is the father of Mr. Yang and the Honorary Chairman of the Group since the Company was listed on the Stock Exchange on 12 July 2001. KS Yang has neither a board position nor any role whatsoever in the ongoing management of the Company.

All the conditions above can be waived by relevant parties. If any of the conditions set out above is not fulfilled or waived by the Disposal Long Stop Date, the Disposal Agreement and all rights and obligations under the Disposal Agreement will cease and terminate and no party to the Disposal Agreement shall have any liability thereunder other than issues regarding confidentiality, announcements, law and jurisdiction, which are expressly agreed and shall continue to operate notwithstanding termination of the Disposal Agreement.

The completion of Disposal shall be the second Business Day following the day all the conditions of the Disposal Agreement set out above are satisfied. Upon completion of Disposal, each member of the Taiwan Subsidiaries will cease to become a subsidiary of the Company and the results of the Taiwan Subsidiaries will not be consolidated into the Group's consolidated accounts upon completion of Disposal.

As of the date of this announcement, a part of condition (a) that relates to the board approval, and condition (b) as set out above, have been fulfilled.

### **Guarantor's Obligation**

Mr. Yap, being the guarantor to Smeatons, guarantees to the Company, inter alia, the performance of Smeatons' obligations in accordance with the Disposal Agreement and indemnify the Company on demand against each loss, liability, cost and expenses which the Company incurs arising out of any acts done or omitted to be done by Smeatons, its representative, agents, employees or officers prior to completion of the Disposal.

### **Information on Smeatons**

Smeatons is an investment holding company incorporated under the law of Seychelles with limited liability and wholly-owned by Mr. Yap.

### **Reasons for the Disposal**

As set out in the sections headed "Background" and "Reasons for the Subscription" of this announcement, the Group has once lost control over the Taiwan Subsidiaries due to irregular conduct of certain former management of the Group and the Group has only residual operations carried out by the Taiwan Subsidiaries. FAIL was once a wholly owned subsidiary of FIAL until May 2004 when 51% of its interest was disposed off and it was further diluted to 38% in August 2004. In September 2005, the Group's interest in FAIL was considered lost when FIAL's former director illegally auctioned the entire residual 38% of interest in FAIL for payment against an alleged debt. Whilst facing a number of litigations involving the Taiwan Subsidiaries and not being able to obtain complete books and records due to the lost of control over the Taiwan Subsidiaries previously, the Disposal would allow the Company to (i) realize some value from the remaining Assets, (ii) isolate all legacy and outstanding matters facing the Taiwan Subsidiaries, and (iii) upon completion of the Disposal Agreement, satisfy Conditions (j), (k) and (l) of the Subscription as set out above.

### **Use of Proceeds from the Disposal**

The estimated total cash proceeds to be received by the Company from the Disposal are approximately HK\$2,440,000, which comprises cash consideration of HK\$250,000, estimated receipt of Excess Cash for approximately HK\$350,000 and estimated receipt of Net Recoveries of approximately HK\$1,840,000. This is the best estimation of the management on realizing (i) a staff insurance premium of NT\$5,976,000 (approximately HK\$1,440,000); and (ii) excess trade receivables over bank loans of approximately NT\$1,660,000 (approximately HK\$400,000).

The Company intends to apply the total cash proceeds from the Disposal towards general working capital of the Group.

## **Financial Effect of the Disposal**

Prior to the signing of the Disposal Agreement, the Inter-Company Consolidation has been completed. The Debt of approximately HK\$52,539,000, being the net amount due from the Group to the Taiwan Subsidiaries after the Inter-Company Consolidation, will be novated to Smeatons with effect from the completion of the Disposal.

The carrying net book value of the Taiwan Subsidiaries in the audited consolidated account of the Group as at the date of 31 December 2005 was HK\$48,174,000. Due to the lost of control over the Taiwan Subsidiaries as set out previously, the Company does not possess complete books and records of the Taiwan Subsidiaries the accounts of which have not been consolidated to the Group's consolidated accounts for two years ended 31 December 2005.

Upon the completion of the Disposal, the Group will record an estimated unaudited net gain of approximately HK\$1,422,000, which is arrived at by deducting the carrying net book value of the Taiwan Subsidiaries of approximately HK\$48,174,000 and foreign exchange reserve of approximately HK\$5,383,000 relating to the Disposal from the Disposal Consideration of HK\$54,979,000. The Disposal Consideration to be received will be the aggregation of the estimated total cash proceeds of HK\$2,440,000 and the novation of Debt of approximately HK\$52,539,000. Also, upon completion of the Disposal, there will be no outstanding liabilities in the Group in relation to the Taiwan Subsidiaries.

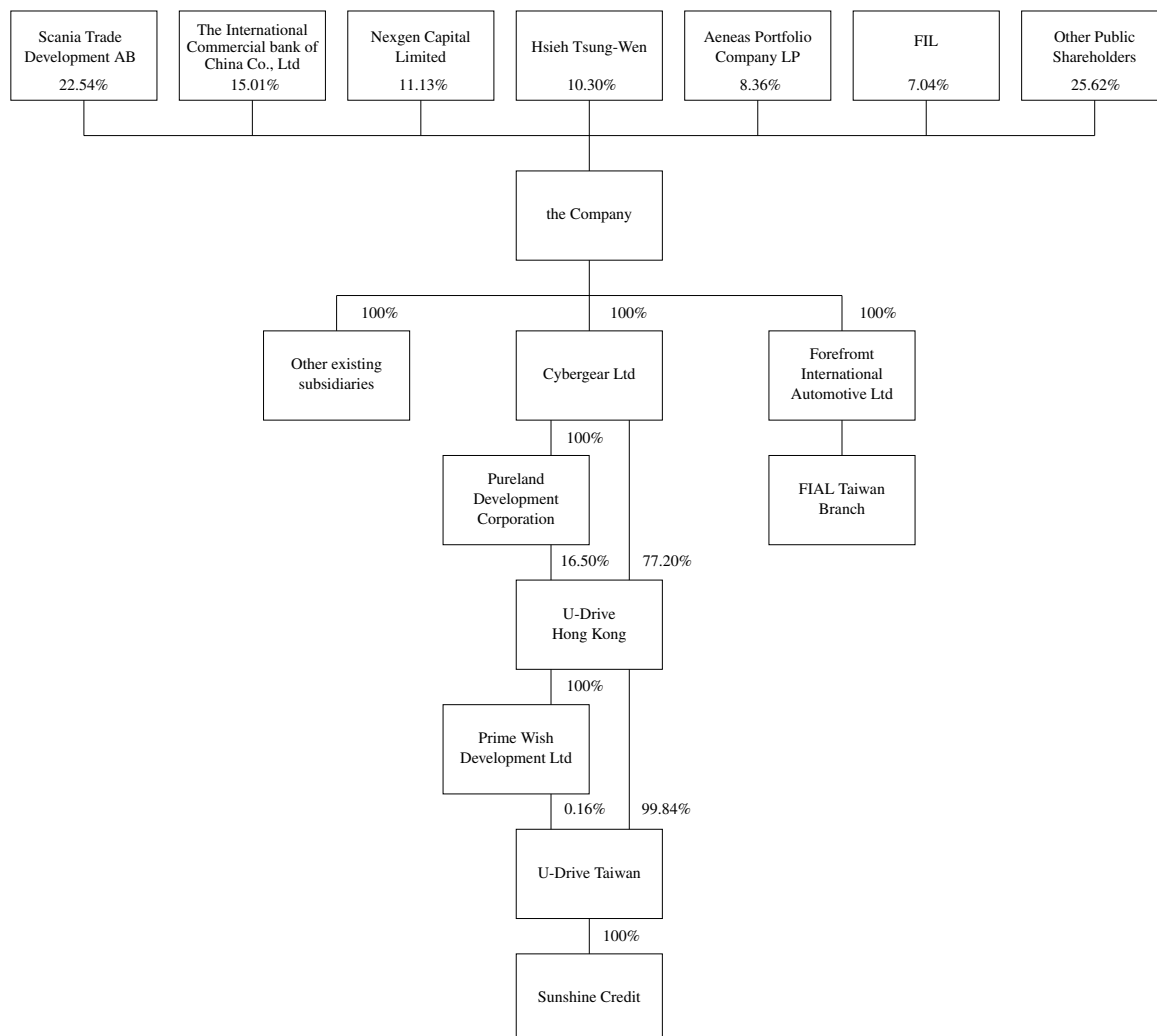
The Company understands that its auditors will give a qualified opinion due to the non-consolidation of the Taiwan Subsidiaries for the Company's 2006 audited accounts.

After the Disposal, the remaining business operations of the Company would include (i) trading and distribution of Scania vehicles and products in Hong Kong, Macau, Zhuhai and Shenzhen; (ii) provision of repair and maintenance services in Hong Kong and Shenzhen; and (iii) provision of other motor vehicle related services in Hong Kong.

## GROUP STRUCTURE

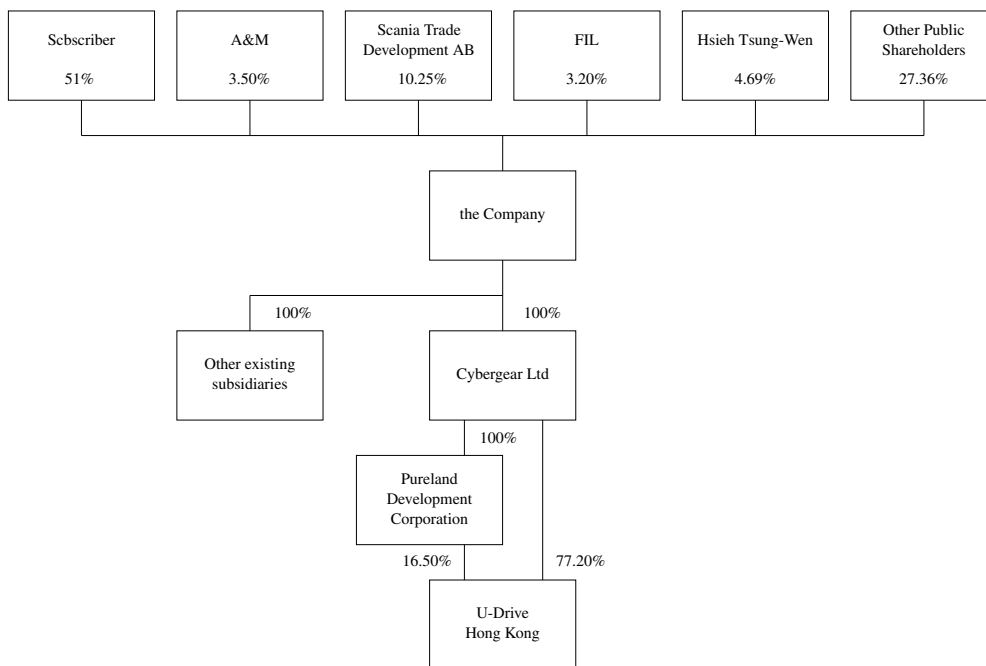
The following tables show the Group structure before and after the completion of the Subscription, A&M Allotment and the Disposal:

### Before completion of the Subscription, A&M Allotment and the Disposal:

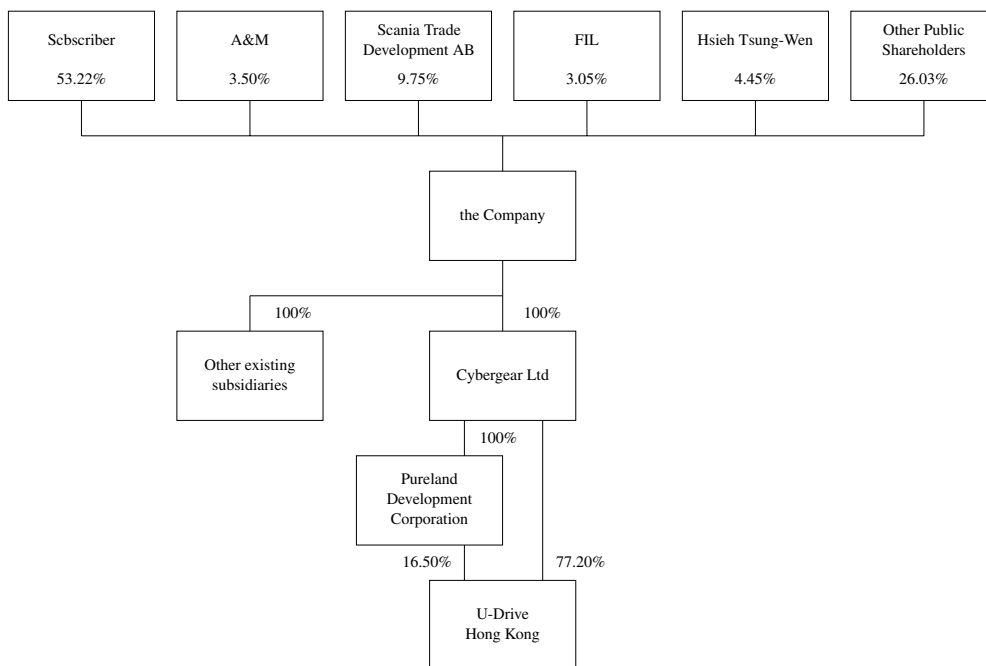


**After completion of the Subscription, A&M Allotment and the Disposal:**

(i) *Based on the minimum number of Shares that the Subscriber may be entitled to subscribe for under the Subscription Agreement*



(ii) *Based on the maximum number of Shares that the Subscriber may be entitled to subscribe for under the Subscription Agreement*



**GENERAL**

As the asset ratio, being the highest applicable ratio calculated according to Rule 14.07 of the Listing Rules, relating to the Disposal is approximately 45%, the Disposal constitutes a major transaction under the Listing Rules and is therefore subject to approval by the Shareholders.

The Jerry Liu Option is subject to Independent Shareholders' approval requirements as a connected transaction under Chapter 14A of the Listing Rules. The Shares in respect of the Jerry Liu Option will be issued under a special mandate proposed to be sought from the Independent Shareholders at the EGM.

An Independent Board Committee, comprising Mr. Arne Karlsson, being non-executive Director, Mr. Lau Siu Ki, Kevin, Mr. Cheong Ying Chew, Henry and Mr. Alistair Macleod, being independent non-executive Directors, has been formed to advise the Independent Shareholders on the Subscription, the Whitewash Waiver and the Jerry Liu Option. Mr. Flynn is a non-executive Director and is not included as a member of the Independent Board Committee as he is not considered independent due to his previous involvements as an executive Director in the initial discussion and negotiation of the Subscription Agreement. The Independent Board Committee has approved the appointment of CIMB-GK as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Whitewash Waiver and the Jerry Liu Option.

Messrs Flynn and Borrelli were appointed on 7 February 2005 as joint liquidators of FIL. FIL holds 7.04% of the existing issued share capital of the Company. Messrs Flynn and Maund are Directors and Mr. Maund is a director and a shareholder in A&M. A&M is engaged in provision of services to the Company including negotiations of the Subscription Agreement with the Subscriber and the liquidation of FIL. Subject to Shareholders' approval, A&M will receive the A&M Allotment upon Completion. FIL has charged its interest in 6.9% of the issued share capital in the Company as security for borrowings of Sunshine Finance Company Limited ("Sunshine Finance"), which holds 0.17% of the issued share capital in the Company.

FIL held 80.5% in Sunshine Finance prior to the appointment of the liquidators. The liquidators believe that FIL's shareholdings in Sunshine Finance have been transferred and FIL no longer holds any shares in Sunshine Finance. Nonetheless, the liquidators cannot confirm the shareholding ownership of Sunshine Finance since it is a private Company and are investigating whether any ownership still vest in FIL. In any event, the liquidators will not cause the voting rights of Sunshine Finance in the Company to be exercised for the Disposal Agreement, the Subscription Agreement, the Whitewash Waiver and the A&M Allotment.

FIL will abstain from voting in respect of its shareholding of 7.04% of the existing issued share capital in the Company at the resolutions pertaining to the Disposal Agreement, the Subscription Agreement, the Whitewash Waiver, the A&M Allotment and the Jerry Liu Option, provided that if FIL receives valid directions from the chargee bank in accordance with the existing charge document, it will have to vote its shareholding of 6.9% of the existing issued share capital in the Company in accordance with such directions and will only abstain from voting in respect of its shareholding of 0.14% of the existing issued share capital in the Company. Messrs Flynn and Borrelli, being the liquidators of FIL, will not influence voting decisions of the chargee bank. The Directors are not aware that the chargee bank has any involvement in the negotiation of or interests in any of the transactions as set out in this announcement.

As far as the Company and the Subscriber are aware, there are no arrangements in relation to the Shares which are material to the Subscription. The Company confirms that there is no understanding, arrangement or agreement between: (i) the liquidators of FIL and the chargee bank, or (ii) Jerry Liu (or his associates) and the liquidators of FIL and (iii) Jerry Liu (or his associates) and the chargee bank in connection with any of the resolutions or voting instructions in relation to the EGM.

FIL is not an associate of Jerry Liu according to the Listing Rules, as Jerry Liu neither controls more than 30% of the voting rights of FIL's shares nor controls the composition of the board of FIL. By way of background, as FIL is in liquidation, FIL's shareholders' rights are suspended, save for the right to vote at a meeting of contributories and/or to receive a dividend in the liquidation. As such, Jerry Liu shall have no right to vote, whether directly or indirectly, at Shareholders' meetings, including the EGM. The liquidators have advised that FIL is insolvent and there will be no likelihood of a dividend to FIL shareholders.

Save for (i) FIL, who shall abstain from voting for its holding of (a) 7.04% of the existing issued share capital in the Company if it does not receive any valid voting direction from the chargee bank, or (b) 0.14% of the existing issued share capital if it receives valid voting direction from the chargee bank, and (ii) the liquidators of FIL, who will not cause the voting rights of Sunshine Finance which holds 0.17% of the existing issued share capital in the Company to be exercised in respect of the resolutions pertaining to the Disposal Agreement, the Subscription, the Whitewash Waiver, the A&M Allotment and the Jerry Liu Option, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholders shall be required to abstain from voting at other resolutions to approve the transactions as set out in this announcement at the EGM.

A circular setting out the details of (i) the Disposal Agreement, the Subscription and the Whitewash Waiver, the A&M Allotment, the Jerry Liu Option and the increase in authorized share capital (ii) a letter of advice from the Independent Board Committee; (iii) a letter of advice from CIMB-GK to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Whitewash Waiver and the Jerry Liu Option; and (iv) a notice of the EGM, will be despatched to the Shareholders within 21 days of the date of this announcement unless extended with the consent of the Executive.

An EGM will be held to consider and, if thought fit, approve (i) by the Independent Shareholders at the resolutions in respect of the Disposal Agreement, the Subscription Agreement, Whitewash Waiver the A&M Allotment and the Jerry Liu Option, and (ii) by the Shareholders at the resolutions in respect of the increase in authorized share capital.

The timetable for the proposed Subscription has not been fixed. The finalised timetable will be included in the circular to be despatched to the Shareholders.

The release of this announcement does not necessarily mean that the proposed Subscription Agreement will be successfully implemented and completed as the conditions precedent to the Subscription Agreement may not be fulfilled or otherwise waived.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

## **MAINTAINING THE LISTING STATUS OF THE COMPANY**

**It is the intention of the Subscriber to maintain the listing status of the Company on the Stock Exchange upon Completion.**

**The Stock Exchange has stated that if less than 25% of the issued Shares are in public hands following Completion or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares; or**
- **there are insufficient Shares in public hands to maintain an orderly market,**

**it will consider exercising its discretion to suspend or continue to suspend the trading in the Shares.**

**The Stock Exchange has further stated that, if the Company remains listed on the Stock Exchange, any acquisitions or disposals of assets by the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the power to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals may, in any event, result in the Company being treated as if it were a new applicant for listing and subject to the requirements for new listing applicants as set out in the Listing Rules.**

## **SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES**

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 14 May 2004 and will remain suspended until further notice.

It is a condition of the Subscription Agreement that the Stock Exchange approves the resumption of trading of the Company's Shares. The Company will submit a request for the resumption of trading of the Company's shares, applications for the listing of, and permission to deal in, the new Shares to be issued pursuant to the Subscription Agreement, the A&M Allotment and the Jerry Liu Option.

The expected sequence of transactions to be taken by the Company as set out this announcement is as follows:

- (i) Confirmation of NCAV as at 31 December 2006 by independent accountants;
- (ii) Despatch of the circular in relation to the Subscription and the Disposal Agreement and obtaining an indication of approval from the Stock Exchange on the resumption of trading in the Shares;
- (iii) Holding of EGM on or before 13 April 2007, being the Long Stop Date, at which resolutions will be proposed for approval by (i) the Shareholders in relation to the increase in the authorized share capital; and (ii) the Independent Shareholders in relation to the Disposal Agreement, Subscription Agreement, Whitewash Waiver, the A&M Allotment and the Jerry Liu Option.
- (iv) Completion of the Subscription Agreement and Disposal Agreement on or before the Long Stop Date.

*Note:* A&M Allotment, Jerry Liu Option and completion of the Disposal Agreement are not conditions precedent to the Subscription Agreement.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

- |                 |  |
|-----------------|--|
| “A&M”           | means Alvarez & Marsal Asia Limited or its nominees  |
| “A&M Allotment” | means (to the extent approved by the Independent Shareholders of the Company) the allotment by the Company to A&M of such new fully-paid Shares in the Company as will represent 3.5% of the Enlarged Issued Share Capital |

“Accounts”	means the audited consolidated balance sheet of the Company as at 31 December 2005, the audited consolidated income statement of the Company for the year ended on 31 December 2005 and the consolidated cash flow statement of the Company for the year ended 31 December 2005 and, for the avoidance of doubt, shall exclude the Taiwan Subsidiaries
“Additional Consideration”	means the lower of (i) ENCAV divided by 0.49 less ENCAV and (ii) HK\$4 million
“Adjustment Accounts Date”	means (i) 31 December 2006, where the EGM is convened on or before 31 March 2007; or (ii) 31 March 2007 where EGM is convened after 31 March 2007
“Adjustment Balance Sheet”	means the consolidated balance sheet of the Group as at the Adjustment Accounts Date as prepared by the Company in substantially adopting the Hong Kong Standards and in accordance with the practices and policies adopted previously by the Company as set out in the Accounts which is to be reviewed, verified or amended in accordance with Hong Kong Standards and issued by the independent accountant
“Announcements”	means the Company’s announcements dated 27 January 2005, 10 August 2005 and 3 May 2006 in relation to the engagement of A&M (previously RSM Nelson Wheeler Corporate Advisory Services Limited) to provide professional turnaround consulting services
“Assets”	means the assets of the Taiwan Subsidiaries
“Base Consideration”	means HK\$100 million
“BIANCAV”	means HK\$61.2 million, being determined by multiplying the post-investment base NCAV of HK\$120 million by 0.51, and representing the base Subscriber attributable NCAV
“Board”	means the board of Directors
“Business Day”	means any day (excluding Saturdays and Sundays) on which banks are open for general banking business in Hong Kong
“Cash Consideration”	means the aggregate of HK\$250,000 and the Excess Cash, which is payable by Smeatons to the Company
“CIMB-GK”	means CIMB-GK Securities (HK) Limited, a licensed corporation deemed licensed under the SFO, which has been appointed as the independent financial adviser to the Independent Shareholders
“Claims”	means all rights in, title to and interests in all causes of action over the property of the Taiwan Subsidiaries relating to matters occurring or accruing prior to the completion of the Disposal including, but not limited to causes of action in contract, tort, criminal equity or under statute and to the right to bring, prosecute and carry on any claim or any other action against any director, officer, professional adviser of the Taiwan Subsidiaries or any other person or entity

“Code”	means the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“Company”	means Forefront International Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the main board of Stock Exchange
“Completion”	means completion of the allotment and issue of the Subscription Shares in accordance with the Subscription Agreement
“Completion Date”	means the date on which Completion takes place being the 5th Business Day immediately following the date on which all the Conditions have been fulfilled or waived in accordance with or on other later Business Day as the parties to be agreed
“Concert Parties”	means the same meaning as ascribed in the term “parties acting in concert” under the Code
“Conditions”	means the conditions precedent to the completion of the Subscription Agreement and as set out in this announcement
“Consideration”	means the consideration to be paid by the Subscriber for the Subscription in accordance with the Subscription Agreement
“Debt”	means the aggregate amount due from the Group (excluding the Taiwan Subsidiaries) to the Taiwan Subsidiaries being HK\$52,539,000 as at the latest practicable date
“Deposit”	means HK\$5 million paid by the Subscriber to the Escrow Agent as deposit for the Subscription Price at the time and manner as described in the Subscription Agreement together with interest accrued thereon
“Directors”	mean directors of the Company
“Disposal”	means the disposal of the Disposal Shares as contemplated under the Disposal Agreement
“Disposal Agreement”	means the agreement between the Company, Smeatons, and Mr. Yap Way Keong as guarantor in relation to the Disposal
“Disposal Conditions”	means the conditions precedent to the Completion of the Disposal Agreement
“Disposal Consideration”	means consideration of the Disposal to be received by the Company and payable by Smeatons under the Disposal Agreement, including the Cash Consideration and the entitled portion of the Net Recoveries
“Disposal Long Stop Date”	means the long stop date of the Disposal Agreement which is 13 April 2007 (or such other date as may be agreed by the parties in writing)
“Disposal Shares”	means collectively the entire issued share capital of FIAL and Newco, which are both legally and beneficially owned by the Company

“Disposal Warranties”	means the representations and warranties contained in the Disposal Agreement given by the Company and Smeatons
“Dormant Companies”	means Digital Cyber Technologies Limited, Forefront International Trading (Shanghai) Limited, Forerunner (China) Development Co., Limited and Prime Wish
“Downside Percentage”	means the factor obtained by dividing BIANCAV by the sum of HK\$100 million and PIANCAV
“ENCAV”	means, if applicable, the amount by which PIANCAV exceeds PIENCAV, representing actual excess NCAV
“EGM”	means the extraordinary general meeting of the Company to be held for the purpose of passing the resolutions, amongst others, the Subscription and Whitewash Waiver
“Enlarged Issued Share Capital”	means the total issued share capital of the Company immediately upon completion of the Subscription and the A&M Allotment
“Escrow Agent”	means Johnson Stokes & Master
“Excess Cash”	means the aggregate of the amount (if any) by which (i) the aggregate cash balance of U-Drive Taiwan, Sunshine Credit and their Subsidiaries (if any) exceeds NT\$5,000,000 (or the equivalent thereof) as at completion of Disposal and (ii) the aggregate cash balance of FIAL and the branch office exceeds NT\$8,000,000 (or the equivalent thereof) as at the completion of the Disposal
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director (in each case acting in the capacity of “Executive” under the Code)
“FAIL”	means Forefront Automobile Industry Limited, a company incorporated in Taiwan
“FIAL”	means Forefront International Automotive Limited, a company incorporated in the British Virgin Islands together with its branch office in Taiwan
“FIAL Shares”	means the entire issued share capital of FIAL legally and beneficially owned by the Company
“FIL”	Forefront International Limited (In Liquidation), a private company incorporated in Taiwan and registered in Hong Kong as an overseas company and holds 7.04% Shares in the Company
“Group”	means the Company and its Subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Standards”	means the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards promulgated by the Hong Kong Institute of Certified Public Accountants

- “Independent Board Committee” means independent board committee of the Board, comprising Mr. Arne Karlsson being the non-executive Director, Mr. Lau Siu Ki, Kevin, Mr. Cheong Ying Chew, Henry and Mr. Alistair Macleod, being independent non-executive Directors, formed for the purpose of making recommendation to the Independent Shareholders in respect of the Subscription and the Whitewash Waiver
- “Independent Shareholders” means the Shareholders who are not interested in or involved in the Subscription Agreement and the Whitewash Waiver, the A&M allotment, the Jerry Liu Option, or the Disposal Agreement. So far as the Company is aware, apart from (i) FIL who shall abstain from voting for its (a) 7.04% of the existing issued share capital if it does not receive valid voting directions from chargee bank; or (b) 0.14% of the existing issued share capital in the Company if it receives valid voting directions from the chargee bank; and (ii) liquidators of FIL, who will not cause the voting rights of Sunshine Finance which holds 0.17% of the issued share capital in the Company to be exercised on the resolutions pertaining to the Disposal Agreement, the Subscription and Whitewash Wavier, the A&M Allotment and the Jerry Liu Option, no Shareholders shall abstain from voting on any other resolutions regarding the transactions described in this announcement
- “Inter-Company Consolidation” means consolidation and setting off accounts and balances between the Group and the Taiwan Subsidiaries, after which, there will be a net balance of Debt amounting to HK\$52,539,000 due from the Group to the Taiwan Subsidiaries
- “Jerry Liu” means Mr. Liu Chen Wei, Jerry, who is a senior adviser of the Company
- “Jerry Liu Option” means (to the extent approved by Independent Shareholders of the Company) the option granted by the Company to Jerry Liu to subscribe for 10,894,300 new Shares on and subject to the terms and conditions set out in an executive service agreement dated 27 June 2005 between Jerry Liu and the Company as amended on 5 December 2006, such Shares representing 2.5% of the Company’s existing issued share capital as at the date of this announcement and prior to the Subscription and the A&M allotment
- “Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange
- “Long Stop Date” means 13 April 2007 (or such later date as may be agreed between the parties in writing)
- “NCAV” means the excess of current assets over current liabilities of the Company on a consolidated basis net of the financial effects arising from the disposal of the Taiwan Subsidiaries and relevant professional costs incurred for the purpose of the Subscription Agreement as at the Adjustment Accounts Date as shown in the Adjustment Balance Sheet

“Net Recoveries”	means the sum of money received or receivable from the Claims or the Assets pursuant to any judgment, compromise or other realisation on and from the completion of the Disposal, including any interest and costs recovered in respect thereof, after deduction of: <ul style="list-style-type: none"> <li>(a) all costs and expenses reasonably incurred by Smeatons in realising the Claims/Assets; and</li> <li>(b) any statutory charges, duties or taxes of any type, Court fees or charges of any type or tax payable by Smeatons relating to the realisation of the Claims/Assets</li> </ul>
“Newco”	means the special purpose vehicle, Merryork International Limited, incorporated in the British Virgin Islands on 5 July 2006, a direct wholly-owned subsidiary of the Company for the purpose of holding the Taiwan U-Drive Investment
“Non-Current Liabilities”	means the actual and contingent liabilities of the Group other than payables and accruals arising in the normal and ordinary course of trade as at the Adjustment Accounts Date as shown in the Adjustment Balance Sheet or the notes thereto provided that all amounts that are payable to and due from the Taiwan Subsidiaries as at the Adjustment Accounts Date shall be excluded
“PIANCAV”	means NCAV prior to the Company’s receipt of the Subscription Price, representing pre-investment actual NCAV
“PIENCAV”	means HK\$20 million, representing pre-investment estimated NCAV
“PRC”	means the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Prime Wish”	means Prime Wish Development Limited, a limited company incorporated under the laws of Hong Kong, and a wholly owned subsidiary of the Company
“SFC”	means the Securities & Futures Commission
“Shares”	means ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	means the holders of the Shares
“Smeatons”	means Smeatons Development Limited, a company incorporated under the laws of Seychelles with limited liability and purchaser of the Disposal Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscriber”	means Wealth Style Limited, a company incorporated in British Virgin Islands, which is beneficially owned by Ms. Yau Shum Tek, Cindy

“Subscription”	means the subscription of the Subscription Shares by the Subscriber or its nominee under the Subscription Agreement
“Subscription Agreement”	means the subscription agreement entered into between the Company and the Subscriber dated 7 December 2006 for the issue and subscription of the Subscription Shares
“Subscription Price”	means the aggregate of the Deposit and the Final Payment being the amount payable by the Subscriber to the Company in consideration for the issuance of the Subscription Shares at the time and in the manner as described in the Subscription Agreement
“Subscription Shares”	means such new fully paid Shares to be subscribed by the Subscriber or its nominee under the Subscription Agreement as will represent 51%, subject to the adjustment as described in the Subscription Agreement, of the Enlarged Issued Share Capital
“Subsidiaries”	means the subsidiaries of the Company, but exclude the Taiwan Subsidiaries and Dormant Companies
“Sunshine Credit”	means Sunshine Credit Limited, a company incorporated in Taiwan and is wholly owned by U-Drive Taiwan
“Taiwan Subsidiaries”	means collectively FIAL, Prime Wish, Sunshine Credit and U-Drive Taiwan and their respective subsidiaries
“Taiwan U-Drive Investment”	means U-Drive Hong Kong’s direct and indirect legal and beneficial interest in U-Drive Taiwan and Sunshine Credit held through U-Drive Hong Kong and Prime Wish
“Third Party Purchaser”	means Smeatons and Mr. Yap Way Keong, being a third party purchaser which does not have any direct or indirect shareholding in the Company and is independent of the Directors, chief executive and substantial Shareholders of the Company and their respective associates; and is not a connected person of the Company within the meaning of the Listing Rules nor a Concert Party or a person associated with, related to or having connection with Mr. Yang Kwn San (the joint founder of the Group) or the Subscriber or any of their respective associates under chapter 14A of the Listing Rules
“U-Drive Hong Kong”	means U-Drive Company Limited, a company incorporated in Hong Kong and indirectly owned as to 93.7% by the Company and 6.3% by other 4 minority shareholders
“U-Drive Taiwan”	means U-Drive Smart Card Company Limited, a company incorporated in Taiwan and is directly owned as to 99.84% U-Drive Hong Kong and 0.16% by Prime Wish
“Warranties”	means the representations and warranties contained in the Subscription Agreement by the Company and the Subscriber

“Whitewash Waiver”	means the waiver of the obligation of the Subscriber and its Concert Parties to make a mandatory general offer for all the issued Shares not already or agreed to be acquired by them upon Completion pursuant to Note 1 on dispensations from Rule 26 of the Code by the Executive
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong
“NT\$”	means the New Taiwanese dollar(s), the lawful currency of Taiwan, the exchange rate used is HK\$1.00 equals to NT\$4.15 for the purpose of this announcement
“US\$”	means United States dollar(s), the lawful currency of United States of America
“%”	means per cent

By order of the Board of  
**Wealth Style Limited**  
**Yau Shum Tek, Cindy**  
*Executive Director*

By order of the Board of  
**Forefront International Holdings Limited**  
**David Giles Maund**  
*Executive Director*

Hong Kong, 16 February 2007

*As at the date of this announcement, the Board comprise David Giles Maund, Louis Wen, being executive Directors, Kelvin Edward Flynn and Arne Karlsson being the non-executive Directors, Lau Siu Ki, Kevin, Cheong Ying Chew, Henry and Alistair Macleod being the independent non-executive Directors.*

*As at the date of this announcement, the sole director of the Subscriber is Ms. Yau Shum Tek, Cindy.*

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

*The sole director of the Subscriber accepts full responsibility for the accuracy of the information contained in this announcement that relating to the Subscriber and confirms having made all reasonable enquiries, that to the best of her knowledge, opinions expressed by the Subscriber in this announcement have been arrived at after due and careful consideration and there are no other facts relating to the Subscriber not contained in this announcement the omission of which would make any statement relating to the Subscriber in this announcement misleading.*

Please also refer to the published version of this announcement in The Standard.