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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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### FOREFRONT GROUP LIMITED

*(formerly known as Forefront International Holdings Limited)*

*(incorporated in the Cayman Islands with limited liability)*

**福方集團有限公司\***

**(Stock Code: 0885)**

## **PLACING OF CONVERTIBLE NOTES; REFRESHMENT OF ISSUE MANDATE TO ISSUE AND ALLOT SHARES; TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

**VINCO**  **城高**  
**Grand Vinco Capital Limited**

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A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders of the Company is set out on pages 26 to 27 of this circular. A letter from Vinco containing its advice to the Independent Board Committee and Independent Shareholders of the Company is set out on pages 28 to 35 of this circular.

A notice convening the EGM to be held on Monday, 6 August 2007 at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. is set out on pages 43 to 47 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, **Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong** as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

\* For identification purpose only

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## DEFINITIONS

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

“Board”	board of Directors
“Business Day(s)”	any day (other than a Saturday and Sunday) on which licensed banks are open for business in Hong Kong
“Company”	Forefront Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Conversion Shares”	new Shares which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes, at the then effective conversion price
“Convertible Notes”	zero coupon convertible notes due on 3 December 2010 in an aggregate principal amount up to HK\$750,000,000 proposed to be issued by the Company pursuant to the Placing Agreements
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Monday, 6 August 2007 at 9:00 a.m., a notice of which is set out on pages 43 to 47 of this circular
“Existing Share Option Scheme”	the share option scheme adopted by the Company and approved by Shareholders on 2 August 2002
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established by the independent non-executive Directors of the Company to advise the Independent Shareholders in respect of the Issue Mandate

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## DEFINITIONS

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“Independent Shareholder(s)”	any Shareholders other than controlling Shareholders of the Company and their associates or, which there are no controlling Shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	person who himself is, and (in case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules)
“Initial Conversion Price”	the initial conversion price of HK\$0.50 per Share (subject to adjustment)
“Issue Mandate”	the mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of EGM
“Last Trading Day”	6 July 2007, being the last full trading days for the Shares prior to the issue the announcement dated 10 July 2007
“Latest Practicable Date”	18 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	3 December 2010

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## DEFINITIONS

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“New Share Option Scheme”	a share option scheme of the Company to be adopted by the Company and to be approved by Shareholders at the EGM
“Placee(s)”	any individual, institutional or other professional investor(s) procured by the Placing Agent to subscribe for the Convertible Notes pursuant to the Placing Agent’s obligation under the Placing Agreement
“Placing(s)”	the Tranche I Placing and/or the Tranche II Placing
“Placing Agent”	Chung Nam Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 regulated activity (dealing in securities)
“Placing Agreement(s)”	the Tranche I Placing Agreement and/or the Tranche II Placing Agreement
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special administrative Region and Taiwan
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tranche I Placing”	placing of HK\$150,000,000 Convertible Notes pursuant to the terms of the Tranche I Placing Agreement
“Tranche I Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 9 July 2007 in relation to the Tranche I Placing
“Tranche II Placing”	placing of up to HK\$600,000,000 Convertible Notes pursuant to the terms of the Tranche II Placing Agreement

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## DEFINITIONS

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“Tranche II Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 9 July 2007 in relation to the Tranche II Placing
“Vinco”	Grand Vinco Capital Limited, a licensed corporation to carry out business in types 1 (dealing in securities) and 6 regulated activities (advising on corporate finance) under the Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee in relation to the refreshment of Issue Mandate to allot and issue Shares.
“%”	per cent.

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## LETTER FROM THE BOARD

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### FOREFRONT GROUP LIMITED

*(formerly known as Forefront International Holdings Limited)*

*(incorporated in the Cayman Islands with limited liability)*

**福方集團有限公司\***

**(Stock Code: 0885)**

*Executive Directors*

Ms. Yau Shum Tek, Cindy (*Chairman*)  
Ms. Lo Oi Kwok, Sheree  
Mr. Louis Wen  
Mr. Ting Wing Cheung, Sherman  
Mr. Yeung Ming Kwong  
Mr. Zhou Qi Jin

*Independent Non-executive Directors*

Mr. Chung Yuk Lun  
Ms. Lam Yan Fong, Flora  
Mr. Kwong Wai Tim, William  
Mr. Sun Ka Ziang, Henry

*Registered Office*

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

*Head Office and Principal  
place of business*

Room 328, Hi-Tech Centre  
9 Choi Yuen Road  
Sheung Shui  
New Territories  
Hong Kong

20 July 2007

*To the Shareholders,*

Dear Sir or Madam,

**PLACING OF CONVERTIBLE NOTES;  
REFRESHMENT OF ISSUE MANDATE TO ISSUE AND ALLOT SHARES;  
TERMINATION OF EXISTING SHARE OPTION SCHEME AND  
ADOPTION OF NEW SHARE OPTION SCHEME  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The Board announced on 10 July 2007 that the EGM of the Company would be convened to seek the approval of the Shareholders for (i) the Placings of Convertible Notes; (ii) the refreshment of the Issue Mandate to issue and allot Shares and (iii) the termination of Existing Share Option Scheme and adoption of New Share Option Scheme. The main purpose of this circular is to provide you with further particulars of the above proposals and the notice of EGM.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the refreshment of the Issue Mandate. Vinco has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Issue Mandate.

### **THE TRANCHE I PLACING AGREEMENT**

Date: 9 July 2007

Parties: The Company as the issuer and the Placing Agent

#### **Placing Agent:**

The Placing Agent has conditionally agreed with the Company to place, on a fully underwritten basis, the Convertible Notes which are proposed to be issued in an aggregate principal amount of HK\$150,000,000. The Placing Agent will receive a placing commission of 2.5% of the amount equal to the aggregate principal amount of the Convertible Notes subscribed or procured to be subscribed by the Placing Agent, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent is the Independent Third Party.

#### **Placees:**

It is expected that the Placing Agent will procure no less than six Placees to subscribe by cash for the Convertible Notes.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, all the Placees and their respective ultimate beneficial owners will be the Independent Third Parties and will not become the substantial Shareholders.

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## LETTER FROM THE BOARD

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### **Conditions of the Placing:**

Completion of the Placing is conditional upon:

- the Listing Committee having granted approval for the listing of and permission to deal in the Conversion Shares;
- the passing by Shareholders in the EGM of a resolution to approve the Tranche I Placing Agreement and the issue of the Convertible Notes and the Conversion Shares thereunder in accordance with the Listing Rules; and
- the accuracy of the representations and warranties of the Company contained in the Tranche I Placing Agreement, the accuracy of the statements of the Company made in the Tranche I Placing Agreement, and customary force majeure termination rights.

If any of the above conditions have not been fulfilled on or before 31 August 2007 (or such later date as the Company and the Placing Agent may agree), the Tranche I Placing Agreement shall lapse and become null and void and the parties will automatically be released from all obligations thereunder, save for any liability arising out of antecedent breaches.

Application will be made by the Company to the Listing Committee for the grant of the listing of and permission to deal in the Conversion Shares.

### **Completion:**

Completion of Convertible Notes shall take place within three Business Days upon the fulfillment of the conditions of the Placing (or such other date as the Company and the Placing Agent may agree).

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## LETTER FROM THE BOARD

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### Termination of the Placing Agreement

Notwithstanding anything contained in the Placing Agreement, if, at any time prior to 9:00 a.m. on the date of the completion of the Placing Agreement, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (ii) any of the following events:
  - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
  - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not *eiusdem generis* with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
  - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange for a period of more than 40 consecutive Business Days, save for any suspension for clearance of this announcement or circular in relation to the Convertibles Notes; or
  - (d) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective Shareholders in their capacity as such; or
  - (e) any change or deterioration in the conditions of local, national or international securities market occurs,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 p.m. on the date of the completion of Placing.

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## LETTER FROM THE BOARD

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In the event that the Placing Agent terminates the Placing Agreement pursuant to the abovementioned clause, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither party to the Placing Agreement shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

### **The Convertible Notes**

The principal terms of the Convertible Notes are arrived after arm's length negotiation between the Company and the Placing Agent and are summarized as follows:

#### **Principal Terms:**

Principal amount:	HK\$150,000,000
Initial Conversion Price:	HK\$0.50 per Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue.
Interest rate:	0% per annum
Maturity:	3 December 2010
Redemption:	Unless previously converted in accordance with the terms and conditions of the Convertible Notes, the Company will redeem the Convertible Notes on the Maturity Date at the redemption amount equal to the principal amount of Convertible Notes outstanding.
Transferability:	The Convertible Notes are not transferable without the prior written consent of the Company, except by a transfer to subsidiaries or the holding company of the holders of the Convertible Notes. The Convertible Notes may not be transferred by the holder of the Convertible Notes, without the prior written consent of the Company, to any connected person (as defined under the Listing Rules) of the Company.

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## LETTER FROM THE BOARD

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- Conversion period:** The holders of the Convertible Notes shall have the right to convert on any business day at any time following the date of issue of the Convertible Notes until the date 7 days before (and excluding) the Maturing Date, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Notes into Shares at the then prevailing conversion price.
- Voting:** The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holders of the Convertible Notes.
- Listing:** No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.
- Ranking:** The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank pari passu in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Notes

**Conversion Shares:**

Upon the full conversion of the HK\$150,000,000 Convertible Notes at the Initial Conversion Price, a total of 300,000,000 Conversion Shares will be issued (i) approximately 20.34% of the existing issued share capital of the Company and (ii) approximately 16.90% of the issued share capital of the Company as enlarged by the Tranche I Placing.

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## LETTER FROM THE BOARD

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### **Conversion Price:**

The Initial Conversion Price of HK\$0.50 per Share was arrived at after arm's length negotiation between the Placing Agent and the Company and:

- represents a discount of approximately 13.79% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- represents a discount of approximately 1.77% to the average closing price of HK\$0.509 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day.

Based on the comparison of the Initial Conversion Price with the recent closing price per Share as illustrated above, the Directors consider the terms of the Convertible Notes, including the Initial Conversion Price, are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

### **THE TRANCHE II PLACING AGREEMENT**

Date: 9 July 2007

Parties: The Company as the issuer and the Placing Agent

### **Placing Agent:**

The Placing Agent has conditionally agreed with the Company to place, on a best effort basis, the Convertible Notes which are proposed to be issued in a maximum aggregate principal amount of HK\$600,000,000. The Placing Agent will receive a placing commission of 2.5% of the amount equal to the aggregate principal amount of the Convertible Notes subscribed or procured to be subscribed by the Placing Agent, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent is the Independent Third Party.

### **Placees:**

It is expected that the Placing Agents will procure no less than six Placees to subscribe by cash for the Convertible Notes.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, all the Placees and their respective ultimate beneficial owners will be the Independent Third Parties and will not become the substantial Shareholders.

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## LETTER FROM THE BOARD

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### Conditions of the Placing:

Completion of the Placing is conditional upon:

- the Listing Committee having granted approval for the listing of and permission to deal in the Conversion Shares;
- the passing by Shareholders in the EGM of a resolution to approve the Tranche II Placing Agreement and the issue of the Convertible Notes and the Conversion Shares thereunder in accordance with the Listing Rules; and
- the accuracy of the representations and warranties of the Company contained in the Tranche II Placing Agreement, the accuracy of the statements of the Company made in the Tranche II Placing Agreement, and customary force majeure termination rights.

If any of the above conditions have not been fulfilled on or before 3 months after the EGM (or such later date as the Company and the Placing Agent may agree), the Tranche II Placing Agreement shall lapse and become null and void and the parties will automatically be released from all obligations thereunder, save for any liability arising out of antecedent breaches.

### Completion:

Completion of Convertible Notes shall take place within three Business Days upon the fulfillment of the conditions of the Placing (or such other date as the Company and the Placing Agent may agree). The Placing can be completed partially. Given that the Placing will be conducted on a best effort basis by the Placing Agent, it is uncertain as to whether the full aggregate principal amount of the Convertible Notes in the sum of HK\$600,000,000 will be placed to the Placees. Accordingly, the issue of the Convertible Notes by tranches will provide flexibility to receive the maximum placing of the Convertible Notes by the Placing Agent. The aggregate principal amount of the Convertible Notes to be issued by the Company for each partial completion shall not less than HK\$150,000,000. In the light of the proposed issue of the Convertible Notes in a maximum aggregate principal amount of HK\$600,000,000, the Placing can be completed partially by a maximum of 4 tranches.

The Company will make a maximum 4 listing applications to the Listing Committee for the listing of and permission to deal in the relevant Conversion Shares.

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## LETTER FROM THE BOARD

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### Termination of the Placing Agreement

Notwithstanding anything contained in the Placing Agreement, if, at any time prior to 9:00 a.m. on the date of the completion of the Placing Agreement, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (ii) any of the following events:
  - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
  - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not *eiusdem generis* with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
  - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange for a period of more than 40 consecutive Business Days, save for any suspension for clearance of this announcement or circular in relation to the Convertibles Notes; or
  - (d) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective Shareholders in their capacity as such; or
  - (e) any change or deterioration in the conditions of local, national or international securities market occurs,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 p.m. on the date of the completion of Placing.

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## LETTER FROM THE BOARD

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In the event that the Placing Agent terminates the Placing Agreement pursuant to the abovementioned clause, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither party to the Placing Agreement shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

### **The Convertible Notes**

The principal terms of the Convertible Notes are arrived after arm's length negotiation between the Company and the Placing Agent and are summarized as follows:

#### **Principal Terms:**

Principal amount:	Up to HK\$600,000,000
Initial Conversion Price:	HK\$0.50 per Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue.
Interest rate:	0% per annum
Maturity:	3 December 2010
Redemption:	Unless previously converted in accordance with the terms and conditions of the Convertible Notes, the Company will redeem the Convertible Notes on the Maturity Date at the redemption amount equal to the principal amount of Convertible Notes outstanding.
Transferability:	The Convertible Notes are not transferable without the prior written consent of the Company, except by a transfer to subsidiaries or the holding company of the holders of the Convertible Notes. The Convertible Notes may not be transferred by the holder of the Convertible Notes, without the prior written consent of the Company, to any connected person (as defined under the Listing Rules) of the Company.

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## LETTER FROM THE BOARD

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- Conversion period:** The holders of the Convertible Notes shall have the right to convert on any business day at any time following the date of issue of the Convertible Notes until the date 7 days before (and excluding) the Maturing Date, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Notes into Shares at the then prevailing conversion price.
- Voting:** The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holders of the Convertible Notes.
- Listing:** No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.
- Ranking:** The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank pari passu in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Notes.

### **Conversion Shares:**

Upon the full conversion of the HK\$600,000,000 Convertible Notes at the Initial Conversion Price, a total of 1,200,000,000 Conversion Shares will be issued, representing (i) approximately 81.36% of the existing issued share capital of the Company, (ii) approximately 44.86% of the issued share capital of the Company as enlarged by the Tranche II Placing and (iii) approximately 40.34% of the issued share capital of the Company as enlarged by the Tranche I Placing and the Tranche II Placing.

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## LETTER FROM THE BOARD

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### Conversion Price:

The Initial Conversion Price of HK\$0.50 per Share was arrived at after arm's length negotiation between the Placing Agent and the Company and:

- represents a discount of approximately 13.79% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- represents a discount of approximately 1.77% to the average closing price of HK\$0.509 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day.

Based on the comparison of the Initial Conversion Price with the recent closing price per Share as illustrated above, the Directors consider the terms of the Convertible Notes, including the Initial Conversion Price, are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

### EFFECT ON SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE PLACINGS

Set out below is the table of the shareholding in the Company before and after completion of the Placings (assuming that there are no other changes in the issued share capital of the Company and all the Convertible Notes are converted):

Shareholders	As at the Latest Practicable Date		Upon completion of the Tranche I Placing		Upon completion of the Tranche I Placing and the Tranche II Placing	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Wealth Style Limited ( <i>Note 1</i> )	368,447,736	24.98	368,447,736	20.76	368,447,736	12.39
Scania Trade Development AB ( <i>Note 2</i> )	98,204,000	6.66	98,204,000	5.53	98,204,000	3.30
The Placees of Tranche I Placing	–	–	300,000,000	16.90	300,000,000	10.08
The Placees of Tranche II Placing	–	–	–	–	1,200,000,000	40.34
Other public Shareholders	1,008,266,988	68.36	1,008,266,988	56.81	1,008,266,988	33.89
<b>Total</b>	<b>1,474,918,724</b>	<b>100.00</b>	<b>1,774,918,724</b>	<b>100.00</b>	<b>2,974,918,724</b>	<b>100.00</b>

*Notes:*

1. Wealth Style Limited is beneficially wholly-owned by the Director, Ms. Yau Shum Tek, Cindy.
2. To the best knowledge of the Company, the ultimate beneficial owner of Scania Trade Development AB is Scania CV AB.

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## LETTER FROM THE BOARD

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### DILUTION EFFECT ON SHAREHOLDERS

As the Company foresees that there will be future dilution effect on the Shareholders resulting from the exercise of the conversion rights attaching to the Convertible Notes, the Company will keep the Shareholders informed of the level of dilution effect and all relevant details of any conversion of the Convertible Notes in the following manner:

- (a) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth Business Day following the end of each calendar month and will include the following details in a tabular form:
  - (i) whether there is any conversion of the Convertible Notes during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, and conversion price of each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
  - (ii) the principal amount of outstanding Convertible Notes after the conversion, if any;
  - (iii) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
  - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Notes reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange and the Company including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) up to date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be).

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## LETTER FROM THE BOARD

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### CAPITAL RAISING ACTIVITIES IN THE PAST 12 MONTHS

Date of announcement	Transaction	Net proceeds raised (approximately)	Completed	Intended use of proceeds	Actual use of proceeds
16 February 2007	Placing of 488,447,736 Shares to Wealth Style Limited	HK\$98 million	Yes	<p>HK\$20 million – develop service centers and exhibition halls in the PRC</p> <p>HK\$34 million – develop auto-leasing business in the PRC</p> <p>HK\$44 million – general working capital</p>	<p>HK\$14.60 million – general working capital</p> <p>HK\$29.40 million – not yet utilized as at the Latest Practicable Date and expected to be used as general working capital</p> <p>HK\$20 million – not yet utilized as at the Latest Practicable Date and expected to be used in developing service centers and exhibition halls in the PRC</p> <p>HK\$34 million – not yet utilized as at the Latest Practicable Date and expected to be used in developing auto-leasing business in the PRC</p>
25 May 2007	Placing and subscription of 191,548,000 Shares	HK\$48 million	Yes	<p>As general working capital and approximately HK\$2.5 million as the remaining balance of investment cost to complete the incorporation of a subsidiary in Shenzhen</p>	<p>HK\$2.375 million – investment cost to complete the incorporation of a subsidiary in Shenzhen</p> <p>HK\$45.625 million – not yet utilized as at the Latest Practicable Date and expected to be used as general working capital</p>
3 July 2007	Placing of 229,856,000 Shares	HK\$85 million	Yes	<p>As general working capital and other possible investments in the future</p>	<p>Not yet utilized as at the Latest Practicable Date</p>

Save as mentioned above, the Company has not raised any funds in the past 12 months.

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## LETTER FROM THE BOARD

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### REASONS FOR THE PLACING AND USE OF PROCEEDS

The Placings will be enable the Company to obtain funding so as to explore potential business and take up investment opportunities in the future with readily available funds. The Directors consider that the timing of the fund raising by the Placings is appropriate in view of the favourable economic environment and current stock market condition with flourishing fund-raising activities such as placing of shares, issue of convertible notes and initial public offerings in the market and the Placings is an appropriate means of raising additional capital for the Company. The Directors consider that the Placings is a better method to raise additional capital of the Company as compared with other financing methods.

At present, the Company is in a preliminary negotiations with a vendor on the terms and conditions of possible acquisition of a company incorporate in the British Virgin Islands which has an option right to own 50% interest in a company in Tianjin, the PRC (the “Target Company”). The Target Company is principally engaged in motor vehicles repair and maintenance, and sales and distribution of Nissan motor vehicles. Also, the Company is reviewing some mass transit transportation related investments. As at the Latest Practicable Date, no formal agreement has been entered into and the timetable, terms and conditions of the aforesaid possible acquisition are yet to be agreed. The aforesaid possible acquisition may or may not materialize. Further announcement will be made by the Company as when appropriate in accordance with the Listing Rules.

The net proceeds from the Placings will be about up to HK\$731 million. The Company intends that the net proceeds of Placings to be used by the Company for the above proposed acquisitions and general working capital purposes. The Company has not earmarked how much of the placing proceeds will be used for working capital and for investment purposes.

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## LETTER FROM THE BOARD

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### REFRESHMENT OF ISSUE MANDATE

At the annual general meeting (the “AGM”) of the Company held on 17 May 2007, the Shareholders passed a resolution to grant the general mandate to give the Directors to allot, issue or otherwise deal in Shares, representing 20% of the issued share capital of the Company as at the date of such AGM. There has been a refreshment of general mandate since the last AGM. The following table summarizes the history of the general mandate and the refreshment of general mandate since the Company’s last AGM:

Date of grant	Limit of general mandate	Date of announcement	Transaction	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
AGM on 17 May 2007	191,548,131 Shares	25 May 2007	Placing and subscription of 191,548,000 Shares	HK\$48 million	As general working capital and approximately HK\$2.5 million as the remaining balance of investment cost to complete the incorporation of a subsidiary in Shenzhen	HK\$2.375 million – investment cost to complete the incorporation of a subsidiary in Shenzhen  HK\$45.625 million – not yet utilized as at the Latest Practicable Date and expected to be used as general working capital
Extraordinary general meeting on 29 June 2007	229,857,731 Shares	3 July 2007	Placing of 229,856,000 Shares	HK\$85 million	As general working capital and other possible investments in the future	Not yet utilized as at the Latest Practicable Date

In order to provide a flexible mean for the Company to raise further funds for its future business development and/or through the issue of new Shares whenever merger and acquisition opportunities arise, the Board proposes to refresh the Issue Mandate for the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of EGM. The Issue Mandate is proposed to the Shareholders prior to the Company’s next annual general meeting, and therefore, pursuant to Rule 13.36(4) of the Listing Rules, the Issue Mandate will be subject to the Independent Shareholders’ approval by way of poll at the EGM. Since there is no controlling Shareholders as at the Latest Practicable Date, Ms Yau Shum Tek, Cindy, being the Director and beneficially owning 368,447,736 Shares through Wealth Style Limited, is required to abstain from voting in favor thereon.

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## LETTER FROM THE BOARD

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Based on the 1,474,918,724 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are repurchased and issued prior to the EGM, subject to the passing of the relevant ordinary resolution to approve the Issue Mandates at the EGM, the Directors will be authorized to allot and issue up to a limit of 294,983,744 Shares under the Issue Mandate. The Directors consider that the Issue Mandate will enhance the flexibility for the Company to manage its business and therefore the Issue Mandate is fair and reasonable and the granting of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, comprising Mr. Chung Yuk Lun, Mr. Kwong Wai Tim, William, Mr. Sun Ka Ziang, Henry and Ms Lam Yan Fong, Flora, being the independent non-executive Directors, has been formed to consider the refreshment of the Issue Mandate. Vinco has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME**

#### **New Share Option Scheme**

For reasons set out in the section headed “Reasons for adopting the New Share Option Scheme” below, the Board proposes that the New Share Option Scheme be adopted in place of the Existing Share Option Scheme. Under the provisions of the Existing Share Option Scheme, the Company can, by resolution in general meeting, terminate its operation. Accordingly, at the EGM, an ordinary resolution will be proposed for the Company to approve the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme with effect from the date on which the New Share Option Scheme takes effect.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix to this circular. A copy of the rules of the New Share Option Scheme is available for inspection at the principal place of business of the Company at Room 328, Hi-Tech Centre, 9 Choi Yuen Road, Sheung Shui, New Territories, Hong Kong during normal business hours for a 14-day period immediately preceding the EGM.

The New Share Option Scheme is conditional upon:

- the passing of an ordinary resolution at the EGM approving the adoption of the New Share option Scheme and the termination of the Existing Share Option Scheme; and
- the Listing Committee granting the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the options in accordance with the terms and conditions of the New Share Option Scheme.

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## LETTER FROM THE BOARD

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The Existing Share Option Scheme will be terminated on the date on which the New Share Option Scheme comes into effect upon the fulfillment of the conditions set out above. Upon termination of the Existing Share Option Scheme, no further options will be granted thereunder, but the provisions of the Existing Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options (to the extent not already exercised) granted prior to its termination or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme. The options (to the extent not already exercised) granted prior to such termination will continue to be valid and exercisable in accordance with the Existing Share Option Scheme. As at the Latest Practicable Date, the total number of options granted under the Existing Share Option Scheme are 106,668,365 and 95,774,065 options have been exercised. As at the Latest Practicable Date, there were outstanding 10,894,300 options granted under the Existing Share Option Scheme entitling the holder(s) thereof to subscribe for a total of 10,894,300 Shares, representing approximately 0.74% of the total issued share capital of the Company as at the Latest Practicable Date. No option is lapsed under the Existing Share Option Scheme.

Based on the issued share capital of the Company as at the Latest Practicable Date, options to subscribe for up to 147,491,872 Shares may be issued under the New Share Option Scheme and any other schemes of the Company pursuant to Rule 17.03(3) of the Listing Rules if the New Share Option Scheme is adopted.

### **Value of the Options**

The Directors consider that it is not appropriate to state the value of all the options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variables which are critical for the calculation of the value of such options cannot be determined. These variables include the subscription price payable for Shares upon the exercise of subscription rights attaching to the options, whether or not options will be granted under the New Share Option Scheme and the timing of the granting of such options, the period during which the subscription rights may be exercised, the discretion of the Board to impose any performance target that has to be achieved before the subscription rights attaching to the options can be exercised and any other conditions that the Board may impose with respect to the options and whether or not such options, if granted, will be exercised. The subscription price payable for the Shares depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant options under the New Share Option Scheme. With a scheme life of ten years, the Board is of the view that it is too premature to state whether or not options will be granted under the New Share Option Scheme and, if so, the number of options that may be granted. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility to which the price of the Shares may be subject during the ten-year life span of the New Share Option Scheme. In the premises, the Directors are of the view that the value of the options depends on a number of variables which are

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## LETTER FROM THE BOARD

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either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the options will not be meaningful and may be misleading to Shareholders in the circumstances. None of the Directors is or will be a trustee of the New Share Option Scheme or have a direct or indirect interest in any such trustee.

### **Application for listing**

An application will be made to the Listing Committee for any options that may be granted under the New Share Option Scheme and the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the New Share Option Scheme up to 10 % of the Shares in issue (the “General Scheme Limit”).

### **Reasons for adopting the New Share Option Scheme**

The Directors consider that in order to enable the Group to motivate participants (other than employees) to recognize their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Group, it is important that the Group should be permitted to provide them, where appropriate, with an additional incentive by also offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long term success of the business of the Group. By offering the options to the participants (other than employees) upon such terms as may be permitted under the New Share Option Scheme, such participants may exercise their options at any time within the option period (where applicable, subject to any terms of the grant of such options) to acquire a monetary gain or ownership interest in the Company which may in turn provide a further incentive to them for advancing their performance.

With this in mind, the Company proposes that the Existing Share Option Scheme be replaced by the New Share Option Scheme so as (a) to further streamline the exact scope of participants that the New Share Option Scheme is intended to benefit, and (b) to clarify the extent of the flexibility afforded to the Board in determining specific terms and parameters that may apply when options are granted to different participants.

As mentioned, the scope of participants under the New Share Option Scheme is broader than that under the Existing Share Option Scheme so that it encompasses but not limited to employees, proposed employees, Directors of the Group. Suppliers, customers, consultants and advisers are included in the scope of participants under the New Share Option Scheme.

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## LETTER FROM THE BOARD

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### GENERAL

The Group is principally engaged in trading and distribution of Scania motor trucks, coaches and vehicle accessories, and the provision of heavy motor vehicle repair and maintenance services.

### EGM

The notice of the EGM is set on pages 43 to 47 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in an event not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting) should you so wish.

### PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Article 80 of the Articles of Association sets out the following procedures by which Shareholders can demand a poll.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members present in person or by proxy and entitled to vote; or
- (c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

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## LETTER FROM THE BOARD

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### RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 26 to 27 of this circular which contains its recommendation to the Independent Shareholders on the terms of the proposed refreshment of the Issue Mandate. Your attention is also drawn to the letter of advice from Vinco as set out on pages 28 to 35 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the proposed refreshment of the Issue Mandate.

The Board considers that the Placing of Convertible Notes, refreshment of the Issue Mandate, and termination of the Existing Share Option Scheme and adoption of New Share Option Scheme are in the interests of the Company and the Shareholders as a whole, and accordingly, recommends all Shareholders to vote in favour of the resolutions set out in the notice of the EGM.

Yours faithfully,  
By Order of the Board of  
**Forefront Group Limited**  
**Yeung Ming Kwong**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### **FOREFRONT GROUP LIMITED**

*(formerly known as Forefront International Holdings Limited)*

*(incorporated in the Cayman Islands with limited liability)*

**福方集團有限公司\***

**(Stock Code: 0885)**

20 July 2007

*To the Shareholders*

Dear Sir or Madam,

### **REFRESHMENT OF ISSUE MANDATE**

We refer to the circular of the Company dated the date hereof (the “Circular”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the refreshment of the Issue Mandate which will enable the Board to exercise the power of the Company to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM.

Vinco has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the refreshment of the Issue Mandate is fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 28 to 35 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 25 of the Circular.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Issue Mandate and the advice of Vinco, we are of the opinion that the terms of the Issue Mandate are fair and reasonable so far as the Independent Shareholders are concerned and that the grant of the Issue Mandate is in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the grant of the Issue Mandate.

Yours faithfully,

**Independent Board Committee of  
Forefront Group Limited**

**Mr. Chung Yuk Lun**  
*Independent*  
*non-executive Director*

**Mr. Kwong Wai Tim, William**  
*Independent*  
*non-executive Director*

**Mr. Sun Ka Ziang, Henry**  
*Independent*  
*non-executive Director*


**Ms. Lam Yan Fong, Flora**  
*Independent*  
*non-executive Director*

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## LETTER OF ADVICE FROM GRAND VINCO CAPITAL LIMITED

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

**VINCO**  城高  
**Grand Vinco Capital Limited**  
Unit 4909-4910, 49/F., The Center  
99 Queen's Road Central, Hong Kong

20 July 2007

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

Dear Sirs,

### **REFRESHMENT OF ISSUE MANDATE TO ALLOT AND ISSUE SHARES**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed refreshment of Issue Mandate, details of which are set out in the circular (the "Circular") issued by the Company to the Shareholders dated 20 July 2007 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

In accordance with Rule 13.36 (4) of the Listing Rules, the refreshment of the Issue Mandate requires the approval of the Independent Shareholders. Since there is no controlling Shareholder as at the Latest Practicable Date, Ms. Yau Shum Tek, Cindy, being the Director and beneficially owning 368,447,736 Shares through Wealth Style Limited, is required to abstain from voting at the EGM. As at the Latest Practicable Date, Ms. Yau Shum Tek, Cindy, a Director, was interested in as to approximately 24.98% of the entire issued share capital of the Company through Wealth Style Limited. Voting of the Independent Shareholders at the EGM shall be taken by poll according to Rule 13.39 (4) (b) of the Listing Rules.

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## **LETTER OF ADVICE FROM GRAND VINCO CAPITAL LIMITED**

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The Independent Board Committee, comprising Mr. Chung Yuk Lun, Ms. Lam Yan Fong, Flora, Mr. Kwong Wai Tim, William and Mr. Sun Ka Ziang, Henry, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the refreshment of the Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and whether the refreshment of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

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

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

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

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

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# LETTER OF ADVICE FROM GRAND VINCO CAPITAL LIMITED

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## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

### **Background of and reasons for the refreshment of the Issue Mandate**

The Group is principally engaged in trading and distribution of Scania motor trucks, coaches and vehicle accessories, and the provision of heavy motor vehicle repair and maintenance services.

The general mandate was granted to the Directors to allot and issue up to a maximum of 229,857,731 Shares (equivalent to 20% of the then issued share capital of the Company) at the extraordinary general meeting held on 29 June 2007. It was substantially utilized as a result of the placing of 229,856,000 new Shares as announced by the Company on 3 July 2007. As at the Latest Practicable Date, the current general mandate was utilized as to 229,856,000 Shares, representing approximately 100.00% of the current general mandate. If the new general mandate is not granted, only 1,731 Shares may be allotted and issued by the Directors under the current general mandate.

In this regard, the Board proposed to pass an ordinary resolution at the EGM to approve the proposed refreshment of the Issue Mandate in accordance with Rule 13.36 (4) of the Listing Rules to allow flexibility to issue any additional new Shares so that the Directors would be granted to allot and issue not exceeding 20% of the issued share capital of the Company as at the date of the EGM. The Issue Mandate will be in force when it is approved by the Independent Shareholders at the EGM.

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## LETTER OF ADVICE FROM GRAND VINCO CAPITAL LIMITED

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### Fund raising activities in the past 12 months

According to the information provided by the Directors, the following table summarizes the information relating to the Company's fund raising activities in the past 12 months:

Date of announcement	Transaction	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
16 February 2007	Placing of 488,447,736 Shares to Wealth Style Limited	HK\$98 million	<p>HK\$20 million – develop service centers and exhibition halls in the PRC</p> <p>HK\$34 million – develop auto-leasing business in the PRC</p> <p>HK\$44 million – general working capital</p>	<p>HK\$14.60 million – general working capital</p> <p>HK\$29.40 million – not yet utilized as at the Latest Practicable Date and expected to be used as general working capital</p> <p>HK\$20 million – not yet utilized as at the Latest Practicable Date and expected to be used in developing service centers and exhibition halls in the PRC</p> <p>HK\$34 million – not yet utilized as at the Latest Practicable Date and expected to be used in developing auto-leasing business in the PRC</p>
25 May 2007	Placing and subscription of 191,548,000 Shares	HK\$48 million	As general working capital and approximately HK\$2.5 million as the remaining balance of investment cost to complete the incorporation of a subsidiary in Shenzhen	<p>HK\$2.375 million – investment cost to complete the incorporation of a subsidiary in Shenzhen</p> <p>HK\$45.625 million – not yet utilized as at the Latest Practicable Date and expected to be used as general working capital</p>
3 July 2007	Placing of 229,856,000 Shares	HK\$85 million	As general working capital and other possible investments in the future	Not yet utilized as at the Latest Practicable Date

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## LETTER OF ADVICE FROM GRAND VINCO CAPITAL LIMITED

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As illustrated in the above table, the Company has a successful track record of completing three fund raising exercises. As far as the use of proceeds from the three fund raising exercises illustrated in the above table is concerned, we note that the actual use of proceeds was largely in line with the intended use of proceeds.

The bank balances and cash of the Group was approximately HK\$6 million as at 31 December 2006 according to the 2006 annual report of the Group and the Group received (i) approximately HK\$98 million resulting from a subscription announced on 16 February 2007; (ii) approximately HK\$48 million resulting from a placing and a subscription announced on 25 May 2007; and (iii) approximately HK\$85 million resulting from a placing announced on 3 July 2007. The Directors confirmed that the existing cash resources of the Group are sufficient for it to conduct its daily operations and the Group has sufficient working capital to meet its present requirements. However, there is no certainty that such cash resources will be adequate for possible acquisition of appropriate investments that may be identified by the Company in the future. As stated in the Letter from the Board, the Company is in a preliminary negotiations with a vendor on the terms and conditions of possible acquisition of a company incorporated in the British Virgin Islands which has an option right to own 50% interest in a company engaged in motor vehicles repair and maintenance, and sales and distribution of Nissan motor vehicles in Tianjin, the PRC. Also, the Company is reviewing some mass transit transportation related investments. As at the Latest Practicable Date, the Company just started the negotiation with an independent third party regarding a possible investment in a mass transit transportation project. The Directors confirmed that no formal agreement has been entered into and the timetable, terms and conditions of the aforesaid possible acquisition are yet to be agreed. However, in the event that the Group may finalise the above investment opportunities or identifies other merger and acquisition opportunity suitable and does not have sufficient cash resources on hand, and it fails to obtain loans on terms which the Directors consider acceptable to the Group or raise funds from the equity capital market, or it cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Group may lose its bid in an otherwise favourable investment.

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## LETTER OF ADVICE FROM GRAND VINCO CAPITAL LIMITED

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### **Financial flexibility**

The Directors believed that the refreshment of the Issue Mandate will provide the Company with additional flexibility in deciding the source of finance for any acquisition opportunities that may arise in the future and for the purpose of raising general working capital of the Group. As at the Latest Practicable Date, save as the abovementioned potential investment opportunities, the Directors confirmed that there is no proposal for any investment or acquisition of the Group, we noted that the Directors cannot perceive whether or not there will be any issue of Shares as at the Latest Practicable Date and the amount thereof and the application of such proceeds.

We consider that the refreshment of the Issue Mandate could enhance the financing flexibility of the Company to raise capital and to strengthen the capital base of the Group, if and when required, by way of issue of new Shares or other convertible instruments for further development of the Group. In addition, the Directors consider that if investment or acquisition opportunities arise, decisions may have to be made within a limited period of time. The refreshment of the Issue Mandate would provide the Group with the maximum flexibility as allowed under the Listing Rules to allot and issue new Shares or other convertible instruments to raise capital through placing of Shares as consideration for funding such potential investments and/or acquisitions in the future as and when such opportunities arise. The increased amount of capital which may be raised under the refreshment of the Issue Mandate provides more options of financing to the Group when assessing and negotiating potential acquisitions in a timely manner.

### **Other financing alternatives**

Other than raising fund by way of issuing equity capital, the Directors confirmed that they will consider other financing methods such as bank financing, debt financing and funding through internal resources in order to meet its financing requirements arising from future development of the Group, depending on the then financial position, capital structure and cost of funding of the Group and the then market condition. As confirmed by the Directors, the Issue Mandate provides another alternative to the Directors to finance the Group's businesses and the Directors will use the method which serves the best interest of the Group. We consider that it is a sensible consideration to make reference to the then financial position of the Group in order to decide on a financing method for the future development of the Group.

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## LETTER OF ADVICE FROM GRAND VINCO CAPITAL LIMITED

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### Potential dilution to shareholding of the Independent Shareholders

Shareholders	As at the Latest Practicable Date		Upon full utilization of the Issue Mandate	
	No. of Shares	%	No. of Shares	%
Wealth Style Limited ( <i>Note 1</i> )	368,447,736	24.98%	368,447,736	20.82%
Scania Trade Development AB ( <i>Note 2</i> )	98,204,000	6.66%	98,204,000	5.55%
New Shares issued under the Issue Mandate	–	–	294,983,744	16.67%
Other public Shareholders	1,008,266,988	68.36%	1,008,266,988	56.96%
<b>Total</b>	<b><u>1,474,918,724</u></b>	<b><u>100.00%</u></b>	<b><u>1,769,902,468</u></b>	<b><u>100.00%</u></b>

*Notes:*

- Wealth Style Limited is beneficially wholly-owned by Ms. Yau Shum Tek Cindy who is the Director.
- To the best knowledge of the Company, the ultimate beneficial owner of Scania Trade Development AB is Scania CV AB.

For illustrative purpose, assuming that (i) the refreshment of the Issue Mandate is approved by the Independent Shareholders at the EGM and; (ii) the Issue Mandate is fully utilized, 294,983,744 Shares will be issued, representing 20% of the entire issued share capital of the Company, and approximately 16.67% of the entire issued share capital of the Company as enlarged by the Shares issued under the Issue Mandate respectively.

The aggregate shareholding of the other public Shareholders will decrease from approximately 68.36% to approximately 56.96% upon full utilization of the Issue Mandate, a potential maximum dilution of approximately 11.40%. Taken into account that the Issue Mandate (i) will provide an alternative to increase the amount of capital which may be raised under the Issue Mandate; (ii) provides more options of financing to the Group for further development of its business as well as in potential investment and/or acquisitions when such opportunities arise and; (iii) the fact that the shareholding of all the Shareholders will be diluted proportionally to their respective shareholdings upon any utilization of the Issue Mandate, we consider such potential maximum dilution to shareholdings of the Independent Shareholders to be justifiable.

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## LETTER OF ADVICE FROM GRAND VINCO CAPITAL LIMITED

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### CONCLUSION

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

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

*This Appendix summarises the principal terms of the New Share Option Scheme.*

## **1. PURPOSE OF THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme enables the Company to grant options to selected persons as incentives or rewards for their contribution to any member of the Group.

## **2. PARTICIPANTS**

The participants of the New Share Options are all Directors and employees of the Group and any other persons including consultant, advisor, agent, customers, suppliers, service provider, contractor, business partner or connected person of the Group or its associates who, in the sole discretion of the Board, have contributed or will contribute to the Group.

## **3. MAXIMUM NUMBER OF SHARES**

- (i) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30 % of the total number of Shares in issue from time to time.
- (ii) The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 147,491,872 Shares (assuming no further issue of Shares from the Latest Practicable Date), being 10 % of the Shares in issue, the General Scheme Limit as at the date of the passing of the relevant ordinary resolution.
- (iii) Subject to (i) above and without prejudice to (iv) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme of the Company must not exceed 10 % of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options previously granted (including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other share option scheme of the Company) will not be counted.

- (iv) Subject to (i) above and without prejudice to (ii) above, the Company may issue a circular to Shareholders and seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the limit referred to in (iii) above to participants specifically identified by the Company before such approval is sought.

#### **4. MAXIMUM ENTITLEMENT OF EACH PARTICIPANTS**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 % of the total number of Shares in issue (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to Shareholders and Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting.

#### **5. GRANT OF OPTIONS TO CONNECTED PERSONS**

- (i) Any grant of options under the New Share Option Scheme to a Director, chief executive or (if applicable) substantial Shareholder of the Company or any of their respective associates must comply with the requirements of Rule 17.04 of the Listing Rules and must be approved by the independent non-executive Directors (excluding, if applicable, any independent non-executive Director who is a grantee of the options).
- (ii) In the event of any change in the terms of options granted to (if applicable) a substantial Shareholder or an independent non-executive Director, or any of their respective associates; or where any grant of options to (if applicable) a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
  - (1) representing in aggregate over 0.1% of the Shares in issue; and
  - (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

then such further grant of options must be approved by the Shareholders. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting in favour at such general meeting. Pursuant to Rule 13.39(4) of the Listing Rules, any vote taken at the meeting to approve the grant of such Options must be taken on a poll and the Company must comply with the requirements under Rules 13.39(5), 13.40, 13.41 and 13.42 of the Listing Rules (or such other requirements as applicable to such grant or voting as may for the time being supersede or replace the aforesaid rules).

## **6. TIME OF ACCEPTANCE AND EXERCISE OF AN OPTION**

- (i) An offer of grant of an option may be accepted by a participant within 14 days from the date of such offer. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.
- (ii) The option period (the “Option Period”) of a particular option is the period during which the option can be exercised, such period to be determined and notified by the Board to each grantee at the time of making an offer, and in any event such period of time shall not expire later than 10 years from the date of grant.
- (iii) An exercise of option may or may not be subject to the achievement of performance targets which may be determined by the Board at its absolute discretion on a case by case basis upon the grant of the relevant option and stated in the offer of grant of such option.

## **7. SUBSCRIPTION PRICE FOR SHARES**

The subscription price for Shares payable on exercise of options granted under the New Share Option Scheme shall be a price determined by the Directors, but shall in any event be not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share. Without prejudice to the generality of the foregoing, the Directors may grant options in respect of which the subscription price is fixed at different prices for each different period during the option period provided that the subscription price for Shares for each of the different period shall not be less than the subscription price determined in the aforesaid manner.

**8. RANKING OF SHARES**

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Memorandum and Articles of Association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of the Company, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date falling before the date when the name of the grantee is registered on the register of members of the Company.

**9. PERIOD OF THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the New Share Option Scheme becomes unconditional.

**10. LAPSE OF OPTIONS**

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of the periods referred to below:
  - (i) in the event that grantee, if an employee, ceases to be an employee of the Group for any reason other than on his/her death or the termination of his/her employment on one or more of the grounds specified in paragraph (f) below, the option shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the option shall be exercisable to the extent and within such period as the Board may determine;
  - (ii) in the event that the grantee dies before exercising the option in full and, if the grantee is an employee, none of the events which would be a ground for termination of his/her employment under paragraph (f) below then exists, the personal representative(s) for the grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such grantee as at the date of death;

- (iii) in the event that if a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (c) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option either to its full extent or to the extent notified by the Company at any time within such period as shall be notified by the Company;
- (iv) in the event of a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the period notified to the grantee by the Board;
- (v) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (c) below, between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the period notified to the grantee by the Board in a notice to be given to all members or creditors to consider such compromise or arrangement;
- (c) the expiry of the period for exercising the option notified to the grantee by the Board when a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings and has become effective;
- (d) the date of commencement of the winding-up of the Company;
- (e) the date on which the grantee commits a breach of paragraph 15 below;
- (f) the date on which the grantee, if an employee, ceases to be an employee of the Group by reason of the termination of his/her employment on the grounds that he/she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his/her debts or has become bankrupt or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or on any other ground on which an employer would be entitled to terminate his/her employment summarily; and
- (g) subject to paragraph (b)(i) above the date the grantee ceases to be a participant by any other reason.

**11. ADJUSTMENTS TO THE SUBSCRIPTION PRICE OR NUMBER OF SECURITIES**

In the event of any capitalisation of profits or reserves, rights issue, consolidation, sub-division, or reduction of the share capital of the Company whilst any option remains exercisable, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the option so far as unexercised; and/or
- (ii) the subscription price,

or any combination thereof, as the auditors or the Company's independent financial adviser shall, at the request of the Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a grantee the same proportion of the equity capital of the Company as to which that grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value. The capacity of the auditors or the Company's independent financial adviser is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees. The costs of the auditors or the Company's independent financial adviser shall be borne by the Company.

**12. CANCELLATION OF OPTIONS**

Any options granted but not exercised may be cancelled if the grantee so agrees and new options may be granted to the grantee under the New Share Option Scheme or other share option scheme of the Company provided that there are available un-issued options (excluding the cancelled options) within the limits prescribed by above paragraph 4 and otherwise comply with the terms of the New Share Option Scheme.

**13. STATUS**

The Shares issued on exercise of the options will on issued be identical to the then existing issued Shares of the Company.

**14. TERMINATION OF THE NEW SHARE OPTION SCHEME**

The Company be ordinary resolution in general meeting or by resolution of the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further options will be offered or granted but in all other respects the provisions of this Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of Listing Rules which are granted during the life of the New Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the New Share Option Scheme.

**15. TRANSFERABILITY OF OPTIONS**

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any option. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such grantee without incurring any liability on the part of the Company.

**16. ADMINISTRATION OF THE NEW SHARE OPTION SCHEME**

The New Option Scheme shall be subject to the administration by the Board and the decision of the Board shall be final and binding on all parties. The Board shall, subject to the rules of the New Share Option Scheme and the Listing Rules, have the right (i) to interpret and construe the provisions of the New Option Scheme, (ii) to determine the eligibility of the persons who will be granted options under the New Share Option Scheme, and the number and exercise price of options, granted thereto, (iii) to make such appropriate and equitable adjustments to the terms of the options granted under the New Share Option Scheme as it deems necessary, and (iv) to make such other decision or determination as it shall deem appropriate in the administration of the New Share Option Scheme.

Those specific provisions of the New Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of participants, and no changes to the authority of the Directors or administrator of the New Share Option Scheme in relation to any alteration of the terms of the New Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the New Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. Any such alterations to the terms of the New Share Option Scheme and the options will have to comply with the Listing Rules then applicable.

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# NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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## FOREFRONT GROUP LIMITED

*(formerly known as Forefront International Holdings Limited)*

*(incorporated in the Cayman Islands with limited liability)*

**福方集團有限公司\***

**(Stock Code: 0885)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Forefront Group Limited (the “Company”) will be held on Monday, 6 August 2007 at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. for the purpose of considering and, if thought fit, pass the following resolutions:

### ORDINARY RESOLUTIONS

1. **“THAT** subject to and conditional upon the Listing Committee of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of and permission to deal in the shares of HK\$0.10 each in the Company (“Shares”) to be issued upon the exercise of the conversion rights attaching to the Convertible Notes (defined below):
  - A) the entering into of a placing agreement dated 9 July 2007 between the Company and Chung Nam Securities Limited (“Chung Nam”) to which Chung Nam acting as a placing agent agrees to procure placees, on a fully underwritten basis, for zero coupon convertible notes at an aggregate principal amount of HK\$150,000,000 (“Convertible Notes”) (a copy of which has been produced to this meeting marked “A” and initialed by the chairman of the meeting for identification purpose) be and is hereby approved, ratified and confirmed;
  - B) the terms and conditions of the Convertible Notes (a copy of which has been produced to this meeting marked “B” and initialed by the chairman of the meeting for identification purpose) be and are hereby approved;

\* *For identification purpose only*

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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- C) the directors of the Company be and are hereby authorized to (i) issue and allot the Convertible Notes; (ii) issue and allot to the holders of the Convertible Notes upon the due exercise of the conversion rights attaching to the Convertible Notes the appropriate number of new Shares and (iii) do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution”.
2. **“THAT** subject to and conditional upon the Stock Exchange granting listing of and permission to deal in the shares of HK\$0.10 each in the Company (“Shares”) to be issued upon the exercise of the conversion rights attaching to the Convertible Notes (defined below):
- A) the entering into of a placing agreement dated 9 July 2007 between the Company and Chung Nam Securities Limited (“Chung Nam”) to which Chung Nam acting as a placing agent agrees to procure placees, on a best effort basis, for zero coupon convertible notes at an aggregate principal amount up to HK\$600,000,000 (“Convertible Notes”) (a copy of which has been produced to this meeting marked “C” and initialed by the chairman of the meeting for identification purpose) be and is hereby approved, ratified and confirmed;
- B) the terms and conditions of the Convertible Notes (a copy of which has been produced to this meeting marked “D” and initialed by the chairman of the meeting for identification purpose) be and are hereby approved;
- C) the directors of the Company be and are hereby authorized to (i) issue and allot the Convertible Notes; (ii) issue and allot to the holders of the Convertible Notes upon the due exercise of the conversion rights attaching to the Convertible Notes the appropriate number of new Shares and (iii) do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution”.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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3. “THAT:–

- (A) subject to paragraph (C) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (B) the directors of the Company be and are authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraphs (A) and (B), otherwise than (i) a Rights Issue (as hereafter defined) or (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company or (iii) an issues of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries or any other eligible person(s) of shares or right to acquire shares of the Company or (iv) an issue of shares as scrip dividend pursuant to the Articles of Association, from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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(D) for the purposes of this resolution:–

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable law of Hong Kong to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange).”

4. “**THAT** conditional on the Stock Exchange granting approval of the new share option scheme (the “New Share Option Scheme”) (a copy of which has been produced to this meeting marked “E” and initialed by the chairman of the meeting for identification purpose) and subject to such amendments to the New Share Option Scheme as the Stock Exchange may request, the New Share Option Scheme be approved and adopted to be the New Share Option Scheme of the Company and that the directors of the Company be and is hereby authorized to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the New Share Option Scheme, notwithstanding that they or any of them may be interested in the same.”

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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5. “**THAT**, subject to and conditional upon the passing of ordinary resolution no. 4 above and the condition referred to therein being satisfied or fulfilled, the operation of the existing share option scheme of the Company adopted on 2 August 2002 be hereby terminated with effect from the adoption of the New Share Option Scheme (such that no further options could thereafter be offered under the existing share option scheme of the Company but in all other respects the provisions of the existing share option scheme of the Company shall remain in full force and effect).”

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

Hong Kong, 20 July 2007

*As at the date of this announcement, the Board comprises six executive Directors, namely, Ms. Yau Shum Tek, Cindy, Mr. Ting Wing Cheung, Sherman, Ms. Lo Oi Kwok, Sheree, Mr. Yeung Ming Kwong, Mr. Louis Wen and Mr. Zhou Qi Jin, and four independent non-executive Directors, namely Mr. Chung Yuk Lun, Mr. Kwong Wai Tim, William, Mr. Sun Ka Ziang, Henry and Ms. Lam Yan Fong, Flora.*

*Notes:*

- (1) A form of proxy to be used for the meeting is enclosed.
- (2) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
- (3) To be valid, the instrument appointing a proxy must be in writing under the hand of the appointer or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notially certified copy of that power or authority must be deposited at office of the Company's branch share registrar in Hong Kong, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting, and in default the instrument of proxy shall not be treated as valid.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.