
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in **Forefront Group Limited**, you should at once hand the Prospectus Documents to the purchaser(s) or to the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or to the transferee.

Dealings in shares of the Company may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Document delivered to the Registrar of Companies" in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and SFC take no responsibility as to the contents of any of these documents.

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

The Stock Exchange and HKSCC take no responsibility for the contents of each of the Prospectus Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of each of the Prospectus Documents.



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

RIGHTS ISSUE OF 892,906,512 RIGHTS SHARES OF HK\$0.10 EACH AT HK\$0.20 PER RIGHTS SHARE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON RECORD DATE BY QUALIFYING SHAREHOLDERS

Underwriter



h e n n a b u n

CHUNG NAM SECURITIES LIMITED

The latest time for acceptance of, and payment for, the Rights Shares is 4:00 p.m. on 22 January 2008. The procedure for acceptance and payment and/or transfer of the Rights Shares is set out on pages 15 to 18 of this Prospectus.

It should be noted that the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given to the Company at any time prior to 4:00 p.m. on the second Business Day after the Acceptance Date, if:

- (i) the occurrence of the following events would, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever;
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict); or
 - (c) the occurrence of any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities);
- (ii) any change occurs in the circumstances of the Company or any member of the Group which would materially and adversely affect the prospects of the Group as a whole;
- (iii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
- (iv) the Underwriter shall receive notification pursuant to the terms of the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated as provided in the Underwriting Agreement and the Underwriter shall in its reasonable opinion determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue; or
- (v) the Company shall, after a certain matter or event referred to in the Underwriting Agreement has occurred or come to the attention of the Underwriter, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

It should also be noted that the Shares have been traded on an ex-rights basis as from Thursday, 20 December 2007 and that dealings in the Rights Shares in their nil-paid form will commence from Thursday, 10 January 2008 to Thursday, 17 January 2008 (both dates inclusive), when the conditions to which the Rights Issue subject to are yet to be fulfilled.

Any person dealing in the Rights Shares in their nil-paid form or until the date on which all conditions to which the Rights Issue is subject to are fulfilled shall accordingly bear the risk that the Rights Issue may not become unconditional. If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter according to the terms thereof, the Rights Issue will not proceed. Investors may wish to obtain professional advice regarding dealings in shares of the Company or nil-paid Rights Shares during these periods.

4 January 2008

* For identification purposes only

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DEFINITIONS

In this Prospectus, the following expressions shall have the following meanings unless the context indicates otherwise:

“Announcement”	an announcement of the Company dated 4 December 2007 regarding the Rights Issue
“Acceptance Date”	latest day for acceptance of and payment for the Rights Shares which is expected to be at 4:00 p.m. on 22 January 2008
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business (other than a Saturday or Sunday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at to before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon)
“Convertible Notes”	convertible notes in the principal amount of up to HK\$600 million issued pursuant to the placing agreement entered into between the Company and Chung Nam Securities Limited dated 9 July 2007, the placing of such convertible notes was completed on 16 August 2007
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	1:00 p.m. on 24 December 2007, being the latest practicable date and time prior to the printing of this Prospectus for the purpose of ascertaining certain information contained therein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company on the Record Date is (are) outside Hong Kong where the Directors, based on the legal opinions provided by legal advisers, consider it necessary or expedient to exclude any such Shareholder because of either the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place
“Option(s)”	the share option(s) to subscribe up to an aggregate of 147,491,872 Shares pursuant to the share option scheme of the Company adopted on 6 August 2007 based on the scheme mandate available to the Company as at the Latest Practicable Date
“Overseas Shareholders”	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong

DEFINITIONS

“Posting Date”	4 January 2008, the expected date for despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the provisional allotment letter and form of application for excess Rights Shares
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	3 January 2008, the record date by which entitlements to the Rights Issue will be determined or such other date as the Underwriter may agree in writing with the Company for the determination of the entitlements under the Rights Issue
“Registrar”	Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the issue of 892,906,512 Rights Shares at a price of HK\$0.2 per Rights Share
“Rights Shares”	892,906,512 new Shares to be issued under the Rights Issue
“Settlement Date”	the second Business Day after the Acceptance Date or such other date as the Underwriter may agree in writing with the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of HK\$0.1 each in the existing capital of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriter”	Chung Nam Securities Limited, a corporation deemed licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 regulated activity (dealing in securities), which is not a connected person (as defined in the Listing Rules) of the Company
“Underwriting Agreement”	the underwriting agreement dated 3 December 2007 and entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	all the Rights Shares

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

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

Register of members closes (both dates inclusive)	24 December 2007 to 3 January 2008
Record date	3 January 2008
Register of members re-opens	4 January 2008
First day of dealings in nil-paid Rights Shares	10 January 2008
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on 14 January 2008
Last day of dealings in nil-paid Rights Shares	17 January 2008
Latest time for acceptance of, payment for Rights Shares and application for excess Rights Shares	4:00 p.m. on 22 January 2008
Expected time for the Rights Issue to become unconditional	4:00 p.m. on 24 January 2008
Announcement of results of the Rights Issue	29 January 2008
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before	29 January 2008
Certificates for fully-paid Rights Shares expected to be despatch on or before	29 January 2008
Dealings in fully-paid Rights Shares expected to commence on	31 January 2008

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

Notes:

1. Dates or deadlines specified in the Prospectus for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by the Company. Any change to the anticipated timetable for the Rights Issue will be published as and when appropriate.
2. The latest time for acceptance of and payment for Rights Shares will not take place if there is:
 - a tropical cyclone warning signal number 8 or above; or
 - a “black” rainstorm warning
 - (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the last acceptance date as stated above. Instead the latest time of acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day;
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the last acceptance date as stated above. Instead, the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day on which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

SUMMARY OF THE TERMS OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Basis of the Rights Issue	:	one Rights Share for every two existing Shares held on the Record Date
Number of Rights Shares to be issued	:	892,906,512 Rights Shares, representing approximately 50% of the existing issued share capital of the Company and 33.3% of the enlarged issued share capital of the Company upon the completion of the Rights Issue
Amount to be raised	:	approximately HK\$172 million after expenses
Subscription price	:	HK\$0.2 per Rights Share with nominal value of HK\$0.1 each
Latest time for acceptance	:	4:00 p.m. on 22 January 2008
Excess application	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments
Status of Rights Shares	:	When fully-paid, issued and allotted, the Rights Shares will rank pari passu in all respects with the then existing Shares. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Rights Shares

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall have the right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to the Company at any time prior to 4:00 p.m. on the second Business Day after the Acceptance Date, if:

- (i) the occurrence of the following events would, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever;
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict); or
 - (c) the occurrence of any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities);
- (ii) any change occurs in the circumstances of the Company or any member of the Group which would materially and adversely affect the prospects of the Group as a whole;
- (iii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
- (iv) the Underwriter shall receive notification pursuant to the terms of the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated as provided in the Underwriting Agreement and the Underwriter shall in its reasonable opinion determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (v) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the attention of the Underwriter, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

The Shares have been traded on an ex-rights basis from Thursday, 20 December 2007 and dealing in the Rights Shares in nil-paid form are expected to take place from Thursday, 10 January 2008 to Thursday, 17 January 2008 (both days inclusive), when the conditions to which the Rights Issue subject to are yet to be fulfilled. Any person dealing in the Shares or the Rights Shares in their nil-paid form or until the date on which all conditions to which the Rights Issue subject to are fulfilled shall accordingly bear the risk that the Rights Issue may not become unconditional. If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter according to the terms thereof, the Rights Issue will not proceed.

LETTER FROM THE BOARD



FOREFRONT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

福方集團有限公司*

(Stock Code: 0885)

Executive Directors:

Ms. Yau Shum Tek, Cindy (*Chairman*)

Mr. Yeung Ming Kwong

Ms. Lo Oi Kwok, Sheree

Mr. Ting Wing Cheung, Sherman

Mr. Louis Wen

Mr. Zhou Qi Jin

Mr. Zhuang You Dao

Independent non-executive Directors:

Mr. Chung Yuk Lun

Mr. Kwong Wai Tim, William

Ms. Lam Yan Fong, Flora

Ms. Kristi L Swartz

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.

4 January 2008

To the Shareholders

Dear Sir/Madam,

**RIGHTS ISSUE OF 892,906,512 RIGHTS SHARES OF
HK\$0.10 EACH AT HK\$0.20 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO EXISTING SHARES
HELD ON RECORD DATE
BY QUALIFYING SHAREHOLDERS**

I. INTRODUCTION

On 4 December 2007, the Board announced that it proposed to raise not less than approximately HK\$172 million after expenses (assuming no Option is granted and the conversion rights under the Convertible Notes are not exercised on or before the Record Date) and not more

* For identification purposes only

LETTER FROM THE BOARD

than approximately HK\$304 million after expenses (assuming all the Options are granted and fully exercised and full conversion of the Convertible Notes is completed on or before the Record Date) by way of the Rights Issue of not less than 892,906,512 Rights Shares and not more than 1,566,652,448 Rights Shares to the Qualifying Shareholders at a price of HK\$0.2 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and is fully underwritten by the Underwriter.

The purpose of this Prospectus is to provide you further information in relation to the Rights Issue, certain financial and other information in respect of the Group.

II. RIGHTS ISSUE

1. Issue statistics

Basis of Rights Issue	:	one Rights Share for every two existing Shares held on the Record Date
Number of Shares in issue	:	1,785,813,024 Shares as at the Latest Practicable Date (<i>Note</i>)
Number of Rights Shares	:	892,906,512 Rights Shares, representing approximately 50% of the existing issued share capital of the Company and 33.3% of the enlarged issued share capital of the Company upon the completion of the Rights Issue
Subscription price per Rights Share	:	HK\$0.2 per Rights Share with nominal value of HK\$0.1 each
Underwriter	:	Chung Nam Securities Limited, which is an independent third party not connected with the Directors, chief executive or substantial Shareholders of the Company or its subsidiaries or any of their respective associates

Note:

As at the Latest Practicable Date, there are (i) Options to subscribe up to an aggregate of 147,491,872 Shares under the share option scheme of the Company adopted on 6 August 2007 based on the scheme mandate limit available to the Company and (ii) Convertible Notes convertible into 1,200,000,000 Shares (based on the conversion price HK\$0.5) outstanding. Save for the Options and the Convertible Notes, there were no outstanding options, warrants or securities convertible or exchangeable into Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

2. Qualifying Shareholders

The Company will send the Prospectus, provisional allotment letters and forms of application for excess Rights Shares to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must on the Record Date:

- (i) be registered as a member of the Company; and
- (ii) not be a Non-Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfer of Shares (together with the relevant share certificate(s)) with the Registrar, on or before 4:00 p.m. (Hong Kong time) on 21 December 2007.

3. Terms of the Rights Issue

(1) Subscription price

The subscription price for the Right Shares is HK\$0.2 per Rights Share and is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price of HK\$0.2 per Rights Share was arrived at after arm's length negotiations between the Company and the Underwriter with reference to recent closing prices of the Shares on the Stock Exchange and represents:

- (i) a discount of approximately 45.95% to the closing price of HK\$0.37 per Share as quoted on the Stock Exchange on 30 November 2007;
- (ii) a discount of approximately 36.16% to the theoretical ex-rights price of HK\$0.3133 per Share based on the closing price of HK\$0.37 per Share as quoted on the Stock Exchange on 30 November 2007; and
- (iii) a discount of approximately 51.57% to the average closing price of HK\$0.413 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 30 November 2007.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the discount of the subscription price of the Rights Share to closing price of the Shares on 30 November 2007 is reasonable on the basis that the terms of the Rights Issue (including the price) are arrived at after arm's length negotiation with the Underwriter and that it is a general market practice to issue rights shares at a discount to the market price of the Shares. The Directors consider that the discount will encourage existing Shareholders to take up their entitlements, so as to share the potential growth of the Company.

(2) *Basis of provisional allotments*

One Rights Share for every two existing Shares held by a Qualifying Shareholder on the Record Date.

(3) *Status of the Rights Shares*

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

Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong. The board lot of nil-paid rights is same as board lot of underlying rights, i.e. 2,000.

(4) *Rights of Non-Qualifying Shareholders*

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong. Based on the register of members of the Company, there were four Overseas Shareholders with registered addresses in three jurisdictions outside Hong Kong as at the Record Date. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries with its legal advisers in these three jurisdictions as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of Rights Shares to such Overseas Shareholders.

LETTER FROM THE BOARD

The Company has been advised by its legal advisers on the laws of Australia that either (i) the Prospectus Documents will be required to be registered or filed with or subject to approval by the relevant regulatory authorities in Australia; or (ii) the Company would need to take additional steps to comply with the regulatory requirements of the relevant regulatory authorities in Australia. Therefore, the Company would be required to comply with the relevant laws and regulations if the Rights Issue is to be offered to the Overseas Shareholder with a registered address in Australia. Having considered the circumstances, the Directors are of the view that it is not expedient to extend the Rights Issue to such Overseas Shareholders with a registered address in Australia taking into consideration that the time and costs involved in complying with the legal requirements of Australia will outweigh the possible benefits to the relevant Overseas Shareholder and the Company. Thus, the Rights Issue would not be extended to the Overseas Shareholder in Australia. The Company would send this Prospectus, for information only, to such Overseas Shareholder with a registered address in Australia but will not send the provisional allotment letter and excess application form to them.

The Company has also been advised by its legal advisers on the laws of Taiwan and Sweden that either (i) the Company is not subject to the legal restriction under the applicable legislation of the relevant jurisdictions or requirement of the relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company would be exempt from obtaining approval from, and/or registration of the Prospectus Documents with, the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions since the Company would meet the relevant requirements for exemption under the relevant jurisdictions. Based on the advice of the Company's legal advisers on the laws of Taiwan and Sweden, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of Taiwan and Sweden and may be despatched to the Overseas Shareholders with registered addresses in Taiwan and Sweden without any restrictions. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Taiwan and Sweden and such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Prospectus Documents to such Qualifying Shareholders.

LETTER FROM THE BOARD

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to any Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of less than HK\$100 for its own benefits.

(5) *Fractional entitlements to Rights Shares*

Fractional entitlements to Rights Shares will not be provisionally allotted and will be rounded down to the nearest whole number. Rights Shares representing the aggregate of fractions of Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a person nominated by the Company and, if a premium of HK\$100, net of expense, can be obtained, will be sold by the Company or the person so nominated and the net proceeds of sale will be retained by the Company for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

(6) *Procedure for acceptance or transfer*

A provisional allotment letter is enclosed with this Prospectus for Qualifying Shareholders which entitles Qualifying Shareholders to subscribe for the number of Rights Shares shown therein. If Qualifying Shareholders wish to exercise their rights to subscribe for all the Rights Shares specified in the enclosed provisional allotment letter, Qualifying Shareholders must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Tuesday, 22 January 2008. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a bank in Hong Kong and made payable to "Forefront Group Limited – Provisional Allotment Account" and crossed "Account Payee Only".

LETTER FROM THE BOARD

It should be noted that unless the provisional allotment letter, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Tuesday, 22 January 2008, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The provisional allotment letter contains the full information regarding the procedure to be followed if Qualifying Shareholders wish to accept only part of their provisional allotment or if they wish to renounce all or part of their provisional allotment.

If Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted, or to transfer their rights to more than one person, the entire provisional allotment letter must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Monday, 14 January 2008 to the Registrar who will cancel the original provisional allotment letter and issue new provisional allotment letters in the denominations required.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any provisional allotment letter in respect of which the accompanying cheque is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right of termination to terminate its obligations under the Underwriting Agreement at any time before 4:00 p.m. on the second Business Day after the Acceptance Date, and/or if the conditions of the Rights Issue (summarized in the section headed "Conditions of the Rights Issue" below) are not fulfilled or waived by 31 January 2008, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders or such other persons on or before Tuesday, 29 January 2008.

LETTER FROM THE BOARD

(7) Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements, and any Rights Shares provisionally allotted but not accepted.

Application may be made by completing the forms of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Board will allocate the excess Rights Shares at its discretion with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available on a fair and reasonable basis on the following principles:

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

For Qualifying Shareholders fail to lodge the provisional allotment letter and lodge excess application form only, their applications on excess Rights Shares will be treated on the same principles of (1) and (2) stated above. Accordingly, they will not be allotted with their entitled shares under provisional allotment letter.

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

The Directors consider that the basis of allocation as set out above is fair and reasonable, as Qualifying Shareholders applying for smaller number of Rights Shares will receive a smaller number of Rights Shares whereas Qualifying Shareholders applying for larger number of Rights Shares will receive a larger number of Rights Shares.

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For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:00 p.m. on 21 December 2007.

(8) *Share certificates*

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary mail at their own risk on or before 29 January 2008.

You will receive one share certificate for all the Rights Shares issued to you.

(9) *Conditions of the Rights Issue*

The Right Issue is conditional upon the following conditions being fulfilled:

- (i) the signing by or on behalf of all of the Directors of one printed copy of each of the Prospectus Documents and the certification by all Directors (or by their agents duly authorised in writing) of two copies of each of the Prospectus Documents;
- (ii) the delivery of one such signed copy of each of the Prospectus Documents to the Underwriter;
- (iii) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong of the Prospectus Documents;
- (iv) the posting of copies of the Prospectus Documents to the Qualifying Shareholders;
- (v) compliance by the Company with a certain of its obligations under the terms of the Underwriting Agreement;
- (vi) the Listing Committee of the Stock Exchange (a) agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Underwriter in their reasonable opinion accept and the subsequent satisfaction of such conditions (if any); and (b) not having withdrawn or revoked such listing and permission on or before 10:00 p.m. on the Settlement Date.

In the event that the conditions above have not been satisfied and/or waived in whole or in part by the Underwriter on or before 31 January 2008, all liabilities of the parties hereto shall cease and determine and no party shall have any claim against the other parties save for any antecedent breach of the Underwriting Agreement.

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4. Underwriting arrangement

The parties have entered into the Underwriting Agreement on 3 December 2007. The details of the Underwriting Agreement are set out below:

(1) Underwriting Agreement

Date	:	3 December 2007
Parties	:	the Company and the Underwriter
Number of Rights Shares underwritten	:	892,906,512 Rights Shares, being all the Rights Shares
Commission	:	2.5% of the product of the subscription price and the number of Underwritten Shares, the Directors consider that such rate is fair and reasonable and was determined after arm's length negotiations between the Company and the Underwriter

(2) Termination of the Underwriting Agreement

The Underwriter shall have the right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to the Company at any time prior to 4:00 p.m. on the second Business Day after the Acceptance Date, if:

- (i) the occurrence of the following events would, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever;

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- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);
or
- (c) the occurrence of any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities);
- (ii) any change occurs in the circumstances of the Company or any member of the Group which would materially and adversely affect the prospects of the Group as a whole;
- (iii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
- (iv) the Underwriter shall receive notification pursuant to the terms of the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated as provided in the Underwriting Agreement and the Underwriter shall in its reasonable opinion determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue; or
- (v) the Company shall, after a certain matter or event referred to in the Underwriting Agreement has occurred or come to the attention of the Underwriter, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

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(3) *Effects on the shareholding structure*

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue (assuming no Option is granted and exercised and the conversion rights under the Convertible Notes are not exercised on or before Completion of the Rights Issue):

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue and assuming none of the Directors and the public Shareholders will take up the Rights Shares and the Underwriter takes up its underwriting commitment		Immediately after completion of the Rights Issue and assuming all of the Directors and the public Shareholders will take up the Rights Shares	
	approximately		approximately		approximately	
	Shares	%	Share	%	Shares	%
Directors (Note 1) Willie International Holdings Limited (Note 2)	133,347,736	7.47%	133,347,736	4.98%	200,021,604	7.47%
China Railway Scientific Technology Development Company (Note 3)	150,630,000	8.43%	150,630,000	5.62%	225,945,000	8.43%
Scania AB (publ) (Note 4)	140,000,000	7.84%	140,000,000	5.23%	210,000,000	7.84%
Heritage International Holdings Limited (Note 5)	98,204,000	5.50%	98,204,000	3.67%	147,306,000	5.50%
Underwriter (note 6)	0	0.00%	892,906,512	33.33%	0	0.00%
Public Shareholders	1,172,799,288	65.67%	1,172,799,288	43.78%	1,759,198,932	65.67%
Total	1,785,813,024	100.00%	2,678,719,536	100.00%	2,678,719,536	100.00%

Notes:

- This excludes 150,000 Shares held by Ms. Warphon Suwannahong, the spouse of Mr. Louis Wen, an executive Director of the Company.
- Willie International Holdings Limited (Stock code: 273), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Pearl Decade Limited.
- China Railway Investments Group (Hong Kong) Limited (中鐵開發投資集團(香港)有限公司) is wholly-owned by China Railway Investments Group Limited (中鐵多經投資集團有限公司) which in turn wholly-owned by China Railway Scientific Technology Development Company (中鐵科學技術開發公司).

LETTER FROM THE BOARD

4. The issued share capital of Scania Trade Development AB is wholly-owned by Scania CV AB (publ) which in turn, is wholly-owned by Scania AB (publ).
5. Dollar Group Limited is wholly-owned by Coupeville Limited which in turn is wholly-owned by Heritage International Holdings Limited.
6. The Underwriter has undertaken that (i) if all the Rights Shares are taken by the Underwriter pursuant to the terms of the Underwriting Agreement, the Underwriter will on sell such Shares to not less than 6 subscribers who are independent of the Company and its connected persons; (ii) it will not place the untaken Shares to any single person or entity to the extent that such person or entity would become a substantial shareholder of the Company for the purpose of the Listing Rules; (iii) it will not become a substantial shareholder of the Company as a result of the Rights Issue.

5. Warning of the risks of dealing in Shares and Rights Shares

Existing Shares are expected to be dealt in on an ex-rights basis from 20 December 2007.

Dealings in the Rights Shares in nil-paid form are expected to take place from 10 January 2008 to 17 January 2008 (both days inclusive). If the Underwriting Agreement is terminated (see the section headed “Termination of the Underwriting Agreement” above), or if the conditions of the Rights Issue (see the section headed “Conditions of the Rights Issue” above) are not fulfilled or waived, the Rights Issue will not proceed.

Any buying or selling of the Shares from now up to the date on which all such conditions are fulfilled, and any buying or selling of nil-paid Rights Shares, are at investors’ own risk.

If in any doubt, investors should consider obtaining professional advice.

6. Listing and Dealings

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

LETTER FROM THE BOARD

The Shares are listed on the Stock Exchange and none of the securities of the Company are listed or dealt in or on any other stock exchange and no such listing or permission to deal is being or proposed to be sought. The Company has no debt securities listed or dealt in or on any stock exchange and no such listing or permission to deal is being or proposed to be sought.

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

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted to CCASS. You should seek the advice of your licensed securities dealer or other professional advisers for details of those settlement arrangements and how such arrangements will affect your rights and interests. The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Thursday, 31 January 2008.

Dealing in the Rights Shares, in both their nil-paid and fully-paid forms, will be subject to the payment of stamp duty in Hong Kong.

7. Taxation

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

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8. Reasons for the Rights Issue and use of the proceeds

The Directors consider that it is prudent to finance the Group's long-term growth by long term funding, preferably in the form of equity which will not increase the Group's finance costs. Furthermore, the Directors consider that it is in the interest of the Company to enlarge its capital base by way of the Rights Issue which will allow all Shareholders the opportunity to participate in the growth of the Company.

Besides, the Board considers that in view of the volatile stock market conditions, the Company should seize this chance to secure equity funding for the shareholders and the Company as a whole because the underwriter has underwritten the Rights Issue. The Rights Issue allows the Company to broaden shareholders' base without diluting their corresponding shareholdings and allows the shareholder to participate in the long term growth of the Company at a lower price than the current market level.

As per 2007 interim report and the subsequent announcements made by the Company, the Company has different businesses in operation which include trading and distribution of Scania motor trucks, coaches and vehicle accessories, investing in development, management and operation of an e-ticketing system in PRC, selling and distribution of Nissan motors, the operation of the Nissan 4S shops, provision of heavy motor vehicle repair and maintenances services in PRC, property investments. Each operation may have different capital requirements depending on the market conditions and the status of business development during the financial year. The Company can utilize available cash in hand immediately to expand its business as and when the opportunity arises.

The net proceeds from the Rights Issue is expected to be approximately HK\$172 million, which will be used by the Company for the reduction of the borrowing and other investment purposes. As at the Latest Practicable Date, the Company had total assets of approximately HK\$1 billion and the total liabilities of approximately HK\$620 million, which results in total equity of approximately HK\$380 million. The Company would like to use the net proceeds from the Rights Issue to reduce its liability and improve its debt to equity ratio so as to strengthen the financial position of the Company in the long run. As at the Latest Practicable Date, the Company has not identified any specific investment opportunities.

The total cash and cash equivalents is HK\$828.90 million before the completion of the Rights Issue and will increase to approximately HK\$1 billion after the completion of the Rights Issue.

LETTER FROM THE BOARD

9. Capital-raising activities during past 12 months

Apart from the capital raising activities mentioned below, the Company has not carried out other capital raising activities during the 12 months immediately preceding the Latest Practicable Date. The net proceeds of approximately HK\$962 million raised by the Company from the capital raising activities during the 12 months immediately preceding the Latest Practicable Date are summarized below, which is in line with the intended use of proceeds as disclosed in the relevant announcements of the Company:

Date of Announcement	Capital Raising Activity	Net Proceeds Raised (HK\$)	Intended use of proceeds	Actual Use of Proceeds
16 February 2007	Placing of 488,447,736 Shares to Wealth Style Limited	HK\$98 million	HK\$20 million – develop service centres & exhibition halls in the PRC	HK\$20 million – not yet utilized as at the Latest Practicable Date and is expected to be used in developing service centers and exhibition halls in the PRC
			HK\$34 million – develop auto-leasing business in the PRC	HK\$34 million – not yet utilized as at the Latest Practicable Date and is expected to be used in developing auto-leasing business in the PRC
			HK\$44 million – general working capital	HK\$19.7 million – general working capital HK\$24.3 million – not yet utilized as at the Latest Practicable Date and is expected to be used as general working capital
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

LETTER FROM THE BOARD

Date of Announcement	Capital Raising Activity	Net Proceeds Raised (HK\$)	Intended use of proceeds	Actual Use of Proceeds
3 July 2007	Placing of 229,856,000 Shares	HK\$85 million	As general working capital and other possible investments in the future	HK\$ 29.1 million – investment in acquisition of properties HK\$1.3 million – related expense for the acquisition of properties HK\$54.6 million – not yet utilized as at the Latest Practicable Date and is expected to be used as other possible investments in the future
10 July 2007	Placing of convertible notes in a principal amount of HK\$150 million on a fully underwritten basis and placing of convertible notes in a principal amount up to HK\$600 million on a best effort basis (completed on 16 August 2007)	HK\$731 million	For the proposed acquisition of a company incorporated in British Virgin Islands and as general working capital	HK\$80 million – investment of Natural Harvest Investments Limited (e-ticketing project) HK\$2.5 million – related expense for (e-ticketing project) HK\$26.7 million – investment in Golden Fame International Investments Group Ltd. HK\$ 20 million – investment in Leapfly Limited HK\$601.8 million – not yet utilized as at the Latest Practicable Date and expected to be used as general working capital
	Total	<u>962 million</u>		

LETTER FROM THE BOARD

10. Business review and prospects

The Company resumed the trading of its shares in the Stock Exchange of Hong Kong Limited on 18 April 2007 since the suspension of its trading from 14 May 2004.

Since the resumption of trading of its shares and the aboard of the new management, the Company carried out a series of corporate exercises to increase the Group's general working capital and ability to invest on various projects for the diversification of the Group.

The Company has changed its name from "Forefront International Holdings Limited" to "Forefront Group Limited" and adopt "福方集團有限公司" as its new Chinese name for identification purpose in order to align the Company's objective to further diversify its motor vehicle business as well as other business for the long term growth of the Group.

In the past 12 months, the Company has raised HK\$962 million. As at the Latest Practicable Date, the Company has unaudited total assets of approximately HK\$1 billion and unaudited total liabilities of approximately HK\$620 million, which results in unaudited total equity of approximately HK\$380 million. The main business of the Company in the past was trading and distribution of Scania motor trucks, coaches and vehicle accessories. Despite management spending substantial effort and resources to increase the efficiency and performance of the distribution business of Scania motors and trucks, the profitability and the return on equity were low and the Group recorded unaudited loss of HK\$6.5 million for the six months period ended 30 June 2007. Therefore, the Company started to diversify its business in order to improve profitability and long-term growth. Currently, the Company has different businesses in operations which includes, investing in development, management and operation of an e-ticketing system in PRC, selling and distribution of Nissan motors, the operation of the Nissan 4S shops, provision of heavy motor vehicle repair and maintenances services in PRC and property investments. With the immediately available cash in hand, the Company can expand its business as and when the opportunity arises. Besides, the Company expects to use the funds raised from this Right Issue to reduce its debt so as to improve its debt to equity ratio and financial position and to expand its business as and when the opportunities arises.

III. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board of
FOREFRONT GROUP LIMITED
Yeung Ming Kwong
Executive Director

1. SUMMARY OF FINANCIAL STATEMENTS

1.1 Financial Summary

Summary of the consolidated results and of the assets and liabilities of the Group for the period from 1 January 2007 to 30 June 2007 and the years ended 31 December 2006, 2005 and 2004 is set out below:

RESULTS

	Unaudited	Audited		
	Six months	Years ended 31 December		
	ended	2006	2005	2004
	30 June			
	2007	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	39,916	94,987	137,979	176,896
Cost of sales and services	(32,729)	(79,414)	(117,957)	(163,047)
Gross profit	7,187	15,573	20,022	13,849
Other income	2,185	1,771	16,666	2,865
Distribution and selling expenses	(1,446)	(2,872)	(1,156)	(2,319)
General and administrative expenses	(22,862)	(38,792)	(149,706)	(67,980)
Changes in fair value of financial assets at fair value through profit or loss	(5,835)	–	–	–
Loss from operations	(20,771)	(24,320)	(114,174)	(53,585)
Finance costs	(649)	(432)	(4,191)	(1,775)
Loss before taxation	(21,420)	(24,752)	(118,365)	(55,360)
Taxation	–	–	1,261	–
Loss for the year/period	<u>(21,420)</u>	<u>(24,752)</u>	<u>(117,104)</u>	<u>(55,360)</u>
Attributable to:				
Equity holders of the parent	(21,420)	(24,752)	(117,104)	(55,360)
Minority interests	–	–	–	–
	<u>(21,420)</u>	<u>(24,752)</u>	<u>(117,104)</u>	<u>(55,360)</u>
Dividend	–	–	–	–
Loss per share – basic (<i>HK cents</i>)	<u>(3.2)</u>	<u>(5.7)</u>	<u>(26.9)</u>	<u>(12.7)</u>

ASSETS AND LIABILITIES

	Unaudited	Audited		
	As at	As at 31 December		
	30 June	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	3,392	3,524	313	53,764
Land lease prepayment	–	–	–	2,450
Interests in unconsolidated subsidiaries	–	–	48,174	149,054
Amounts due from unconsolidated subsidiaries	–	–	–	1,130
Investment securities	–	–	–	–
	<u>3,392</u>	<u>3,524</u>	<u>48,487</u>	<u>206,398</u>
Current assets				
Financial assets at fair value through profit or loss	85,950	–	–	–
Interests in unconsolidated subsidiaries held for sale	–	48,174	–	–
Inventories	32,879	30,355	34,108	35,847
Trade and other receivables	15,661	18,414	66,266	68,801
Pledged deposits	558	558	1,474	–
Bank balances and deposits held in a broker account	45,350	6,262	62,805	14,311
	<u>180,398</u>	<u>103,763</u>	<u>164,653</u>	<u>118,959</u>
Current liabilities				
Trade and other payables	19,464	30,089	29,913	26,598
Amounts due to unconsolidated subsidiaries	–	–	51,742	41,003
Amounts due to unconsolidated subsidiaries held for sale	–	52,539	–	–
Current portion on interest-bearing borrowings	–	–	9,366	5,854
Zero coupon convertible bonds	–	–	72,710	–
Taxation	–	–	–	1,536
	<u>19,464</u>	<u>82,628</u>	<u>163,731</u>	<u>74,991</u>

APPENDIX I
FINANCIAL AND OTHER INFORMATION

	Unaudited	Audited		
	As at	As at 31 December		
	30 June	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets	160,934	21,135	922	43,968
Total assets less current liabilities	164,326	24,659	49,409	250,366
Non-current liabilities				
Long-term interest-bearing borrowings	–	–	–	9,756
Zero coupon convertible bonds	–	–	–	69,930
	–	–	–	79,686
Net assets	<u>164,326</u>	<u>24,659</u>	<u>49,409</u>	<u>170,680</u>
Capital and reserves				
Share capital	114,929	43,577	43,577	43,577
Reserves	49,397	(13,535)	5,832	127,103
Reserve attributable to interests in unconsolidated subsidiaries held for sale	–	(5,383)	–	–
Equity attributable to equity holders of the parent	164,326	24,659	49,409	170,680
Minority interests	–	–	–	–
Total equity	<u>164,326</u>	<u>24,659</u>	<u>49,409</u>	<u>170,680</u>

1.2 Unaudited and audited financial statements

Set out below are the unaudited financial statements of the Group for the period from 1 January 2007 to 30 June 2007 as extracted from the interim report of the Company for the period ended 30 June 2007 and the audited financial statements of the Group for the years ended 31 December 2006, 2005 and 2004 as extracted from the 2006, 2005 and 2004 annual reports of the Company. Reference to page numbers in the audited financial statements of the Group is to the page numbers of the relevant annual report of the Company. The Company's auditor issued qualified opinions on the Company's financial statements for each of the three years ended 31 December 2006, 2005 and 2004.

CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June 2007	Audited Years ended at 31 December		
	<i>Note</i>	<i>HK\$'000</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	39,916	94,987	137,979	176,896
Cost of sales and services		(32,729)	(79,414)	(117,957)	(163,047)
Gross profit		7,187	15,573	20,022	13,849
Other income	3	2,185	1,771	16,666	2,865
Distribution and selling expenses		(1,446)	(2,872)	(1,156)	(2,319)
General and administrative expenses		(22,862)	(38,792)	(149,706)	(67,980)
Changes in fair value of financial assets at fair value through profit or loss		(5,835)	–	–	–
Loss from operations		(20,771)	(24,320)	(114,174)	(53,585)
Finance costs	4(i)	(649)	(432)	(4,191)	(1,775)
Loss before taxation	4	(21,420)	(24,752)	(118,365)	(55,360)
Taxation	7	–	–	1,261	–
Loss for the period		<u>(21,420)</u>	<u>(24,752)</u>	<u>(117,104)</u>	<u>(55,360)</u>
Attributable to:					
Equity holders of the parent		(21,420)	(24,752)	(117,104)	(55,360)
Minority interests		–	–	–	–
		<u>(21,420)</u>	<u>(24,752)</u>	<u>(117,104)</u>	<u>(55,360)</u>
Dividend		–	–	–	–
Loss per share – basic (<i>HK cents</i>)	9	<u>(3.2)</u>	<u>(5.7)</u>	<u>(26.9)</u>	<u>(12.7)</u>

CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000	Audited As at 31 December 2005 HK\$'000	2004 HK\$'000
	<i>Note</i>				
Non-current assets					
Property, plant and equipment	10	3,392	3,524	313	53,764
Land lease prepayment		–	–	–	2,450
Interests in unconsolidated subsidiaries		–	–	48,174	149,054
Amounts due from unconsolidated subsidiaries	11	–	–	–	1,130
Investment securities	12	–	–	–	–
		<u>3,392</u>	<u>3,524</u>	<u>48,487</u>	<u>206,398</u>
Current assets					
Financial assets at fair value through profit or loss		85,950	–	–	–
Interests in unconsolidated subsidiaries held for sale	11	–	48,174	–	–
Inventories	14	32,879	30,355	34,108	35,847
Trade and other receivables	15	15,661	18,414	66,266	68,801
Pledged deposits	16	558	558	1,474	–
Bank balances and deposits held in a broker account		45,350	6,262	62,805	14,311
		<u>180,398</u>	<u>103,763</u>	<u>164,653</u>	<u>118,959</u>
Current liabilities					
Trade and other payables	17	19,464	30,089	29,913	26,598
Amounts due to unconsolidated subsidiaries	11	–	–	51,742	41,003
Amounts due to unconsolidated subsidiaries held for sale	11	–	52,539	–	–
Current portion on interest-bearing borrowings	19	–	–	9,366	5,854
Zero coupon convertible bonds	20	–	–	72,710	–
Taxation		–	–	–	1,536
		<u>19,464</u>	<u>82,628</u>	<u>163,731</u>	<u>74,991</u>
Net current assets		<u>160,934</u>	<u>21,135</u>	<u>922</u>	<u>43,968</u>
Total assets less current liabilities		<u>164,326</u>	<u>24,659</u>	<u>49,409</u>	<u>250,366</u>

APPENDIX I
FINANCIAL AND OTHER INFORMATION

		Unaudited	Audited		
		As at	As at 31 December		
		30 June	2006	2005	2004
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities					
Long-term interest-bearing					
		–	–	–	9,756
		–	–	–	69,930
		–	–	–	79,686
Net assets					
		<u>164,326</u>	<u>24,659</u>	<u>49,409</u>	<u>170,680</u>
Capital and reserves					
	22	114,929	43,577	43,577	43,577
		49,397	(13,535)	5,832	127,103
		–	(5,383)	–	–
		164,326	24,659	49,409	170,680
		–	–	–	–
Total equity					
		<u>164,326</u>	<u>24,659</u>	<u>49,409</u>	<u>170,680</u>

BALANCE SHEET

		Audited		
		As at 31 December		
		2006	2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	<i>13a</i>	52,373	172,613	349,417
Investment securities	<i>12</i>	–	–	–
		<u>52,373</u>	<u>172,613</u>	<u>349,417</u>
Current assets				
Interests in subsidiaries				
held for sale	<i>13b</i>	40,389	–	–
Other receivables	<i>15</i>	1,514	39,195	39,058
Pledged deposits		558	316	–
Bank balances and cash		211	17,608	340
		<u>42,672</u>	<u>57,119</u>	<u>39,398</u>
Current liabilities				
Other payables	<i>17</i>	7,528	3,039	4,393
Amounts due to subsidiaries	<i>13c</i>	32,713	97,296	128,207
Amounts due to subsidiaries				
held for sale	<i>13d</i>	38,620	–	–
Current portion on interest-bearing				
borrowings	<i>19</i>	–	9,366	5,854
Zero coupon convertible bonds	<i>20</i>	–	72,710	–
		<u>78,861</u>	<u>182,411</u>	<u>138,454</u>
Net current liabilities		<u>(36,189)</u>	<u>(125,292)</u>	<u>(99,056)</u>
Total assets less current liabilities		<u>16,184</u>	<u>47,321</u>	<u>250,361</u>
Non-current liabilities:				
Long-term interest-bearing borrowings		–	–	9,756
Zero coupon convertible bonds		–	–	69,930
		<u>–</u>	<u>–</u>	<u>79,686</u>
NET ASSETS		<u>16,184</u>	<u>47,321</u>	<u>170,675</u>
Capital and Reserves				
Share capital	<i>22</i>	43,577	43,577	43,577
Reserves	<i>24</i>	(27,393)	3,744	127,098
TOTAL EQUITY		<u>16,184</u>	<u>47,321</u>	<u>170,675</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent									Total Equity HK\$'000
	Issued Capital HK\$'000	Share Premium HK\$'000	Capital Reserve HK\$'000	Redemption Reserve HK\$'000	Properties Revaluation Reserve HK\$'000	Cumulative Translation Reserve HK\$'000	Accumulated Deficit HK\$'000	Total HK\$'000	Minority Interests HK\$'000	
At 1 January 2004	44,170	243,800	10,482	580	3,197	(5,790)	(62,874)	233,565	-	233,565
Translation adjustments	-	-	-	-	-	69	-	69	-	69
Surplus on revaluation of properties	-	-	-	-	1,904	-	-	1,904	-	1,904
	44,170	243,800	10,482	580	5,101	(5,721)	(62,874)	235,538	-	235,538
Disposal of properties	-	-	-	-	(596)	-	-	(596)	-	(596)
Repurchase of shares	(593)	(8,309)	-	593	-	-	(593)	(8,902)	-	(8,902)
Loss for the year	-	-	-	-	-	-	(55,360)	(55,360)	-	(55,360)
At 31 December 2004	43,577	235,491	10,482	1,173	4,505	(5,721)	(118,827)	170,680	-	170,680
At 1 January 2005	43,577	235,491	10,482	1,173	4,505	(5,721)	(118,827)	170,680	-	170,680
Translation adjustments	-	-	-	-	-	338	-	338	-	338
Deficit on properties	-	-	-	-	(4,505)	-	-	(4,505)	-	(4,505)
Loss for the year	-	-	-	-	-	-	(117,104)	(117,104)	-	(117,104)
At 31 December 2005	43,577	235,491	10,482	1,173	-	(5,383)	(235,931)	49,409	-	49,409
At 1 January 2006	43,577	235,491	10,482	1,173	-	(5,383)	(235,931)	49,409	-	49,409
Translation adjustments	-	-	-	-	-	2	-	2	-	2
Loss for the year	-	-	-	-	-	-	(24,752)	(24,752)	-	(24,752)
At 31 December 2006	43,577	235,491	10,482	1,173	-	(5,381)	(260,683)	24,659	-	24,659

(Note)

Note: Cumulative translation reserve included a debit amount of HK\$5,383,000 which is attributable to interests in unconsolidated subsidiaries held for sale and a credit amount of HK\$2,000 which is attributable to interests in a subsidiary incorporated in Mainland China.

CONSOLIDATED CASH FLOW STATEMENT

	Audited		
	Year ended 31 December		
	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities			
Cash (used in)/generated from operations	(11,430)	(8,199)	9,958
Finance Costs	(432)	(1,411)	(1,775)
Overseas taxation paid	–	37	(7)
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in)/generated from operating activities	(11,862)	(9,573)	8,176
	<u> </u>	<u> </u>	<u> </u>
Investing activities			
Proceeds from disposal of property, plant and equipment	102	52,667	5,161
Proceeds from disposal of land lease prepayment	–	1,500	–
Interest received	594	167	15
Proceeds on disposal of interest in a subsidiary	–	7,370	–
Purchase of property, plant and equipment	(3,867)	(270)	(1,333)
Increase in amounts due from unconsolidated subsidiaries	–	–	(1,130)
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in)/generated from investing activities	(3,171)	61,434	2,713
	<u> </u>	<u> </u>	<u> </u>
Financing activities			
Repayment of interest-bearing borrowings	(9,366)	(6,244)	(186,079)
Redemption of zero coupon convertible bonds	(33,860)	–	(46,620)
Repurchase of shares	–	–	(8,902)
Increase in amounts due to unconsolidated subsidiaries (held for sale)	797	4,393	100,666
Proceeds from issue of zero coupon convertible bonds	–	–	77,700
New loans from bank and financial institutions	–	–	53,833
	<u> </u>	<u> </u>	<u> </u>
Net cash used in financing activities	(42,429)	(1,851)	(9,402)
	<u> </u>	<u> </u>	<u> </u>
Effect on cumulative translation adjustments			
	3	(42)	61
	<u> </u>	<u> </u>	<u> </u>

	Audited		
	Year ended 31 December		
	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (decrease)/increase in cash and cash equivalents	(57,459)	49,968	1,548
Cash and cash equivalents at beginning of year	64,279	14,311	52,447
Cash and cash equivalents attributable to unconsolidated subsidiaries at beginning of year	—	—	(39,684)
Cash and cash equivalents at balance sheet date, represented by bank balances and cash and pledged deposits	<u>6,820</u>	<u>64,279</u>	<u>14,311</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. Corporation information

The activities and particulars of the Company and its subsidiaries (hereinafter, collectively referred to as the “**Group**”) are set out in the corporation information and report of the directors in the 2006 annual report.

2. Principal accounting policies***Basis of preparation***

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and Hong Kong Accounting Standards (“**HKASs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance except for the exclusion of consolidation of Taiwan Subsidiaries as set out below. The measurement basis used in the preparation of these financial statements is historical cost.

Taiwan Subsidiaries

As detailed in the Company’s previous Interim Reports, Annual Reports and certain announcements, the Group was involved in a dispute concerning control over its subsidiaries operation in Taiwan in early 2005, namely Forefront International Automotive Limited (“**FIAL**”), Sunshine Credit Limited (“**SSC**”) and U-Drive Smart Card Company Limited (collectively referred to as “**Taiwan Subsidiaries**”). Certain former members of the Board actively obstructed the Group’s legitimate exercise of control over the Taiwan Subsidiaries resulting in the Group losing control over the Taiwan Subsidiaries until June 2005. After regaining control of the Taiwan Subsidiaries in June 2005, it became apparent that the operating assets of the Taiwan Subsidiaries had been used illegally by the former management of the Taiwan Subsidiaries without proper authorisation. Multiple civil and criminal litigation proceedings were initiated against the former management of the Taiwan Subsidiaries to recover the assets. The books and records of the Taiwan Subsidiaries were found to be insufficient for the preparation of financial statements and consolidation into the consolidated accounts of the Group for the financial years ended 2004, 2005 and 2006. Accordingly, it is not possible for the Group to ascertain the exact amount of assets and liabilities of the Taiwan Subsidiaries at the balance sheet date of these financial statements.

As a result, the financial statements of the Taiwan Subsidiaries have not been included in the consolidated financial statements of the Group as, in the opinion of the directors, the inclusion of these financial statements may result in an inaccurate picture of the Group's financial position and performance for the year. Whilst the directors consider that the exclusion of these subsidiaries is the best way of presenting the Group's financial position and results for the year in the circumstances, the reason for the exclusion is not one of the reasons for exclusion provided for in Hong Kong Accounting Standard 27 "Consolidated and separate financial statements" issued by the Hong Kong Institute of Certified Public Accountants ("HKAS 27") and, in this respect, the financial statements are not in compliance with HKAS 27. For this reason, the Company's auditors have disclaimed their opinion on the financial statements.

On 30 December 2006, the Company entered into a sales and purchase agreement with Smeatons Development Limited, being an independent third party purchaser, in respect of the disposal of the Taiwan Subsidiaries ("**Disposal Agreement**"). The Disposal Agreement was approved by independent shareholders on 30 March 2007 and completed on the same day. More information of the disposal is set out in Note 32.

Impact of new HKFRSs and HKASs

At the date of authorisation of these financial statements, the HKICPA has issued a number of accounting standards and interpretations that are not yet effective for the current year. The directors anticipate that the adoption of these new HKFRSs in the future would have no material impact on the results of the Group.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year. All inter-company transactions and balances have been eliminated on consolidation.

Subsidiaries

A subsidiary is an entity, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investment in subsidiaries is stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Financial instruments

Financial assets and liabilities are recognised on the trade date basis, when the Group becomes a party to the contractual provisions of the instruments. The derecognition of a financial asset takes place when the Group's contractual rights to future cash flows from the financial asset expire or the Group transfers the contractual rights to future cash flows to a third party. The Group derecognises financial liability when, and only when the liability is extinguished.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Bank borrowings

Bank borrowings are initially recognised at cost, being the fair value of the consideration received, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Trade receivables and payables

Trade receivables and payables are recognised at cost which approximates their fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvement	50%
Furniture and fixture	20%-50%
Motor vehicles	20%-33%

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. For motor vehicles, cost is determined on the specific identification basis, while for other inventories, cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense and charged to the income statement immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditure for which a provision has been recognised are charged against the related provision in the year in which the expenditure is incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is stated at the present value of the expenditure expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with when goods are delivered to customers and title has passed.

Service fee income is recognised when the services are rendered.

Foreign currencies

Items included in the financial statements of each of the Groups entities are measured using currency of the primary economic environment in which the entity operates (“**the functional currency**”). The consolidated financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency.

Transactions involving foreign currencies are translated into functional currency at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates prevailing on the balance sheet date. Translation differences are included in the income statement.

On consolidation, the balance sheets of foreign operations denominated in currencies other than Hong Kong dollars are translated at the rates of exchange ruling at the balance sheet date while the income statement is translated at average rates for the year. All exchange differences arising on consolidation are dealt with in through the translation reserve.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the timing difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Cash equivalents

Cash equivalents in the consolidated cash flow statement represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

Operating leasing

Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Related parties

A party is related to the Group if (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group; (b) the party is an associate of the Group; (c) the party is a joint venture in which the Group is a venturer; (d) the party is a member of the key management personnel of the Group or its parent; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarise estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for inventories

The Group reviews an ageing analysis of inventories at each balance sheet date, and make allowance for obsolete and slow-moving inventory items identified that are no longer recoverable or suitable for use. The management estimates the net realisable value for inventory based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowances for obsolete items.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the accounts receivables and on management's judgement. At the balance sheet date, the accounts receivables were stated net of provision. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance will be required.

*Employee benefits**Defined contribution plans*

The obligations for contributions to defined contribution retirement schemes are recognised as expenses in the income statement as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

Long service payment

The Company's net obligation in respect of long service payment under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets, including retirement scheme benefit, is deducted.

Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables, operating cash and investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the destination of shipment of merchandise and total assets and capital expenditure are where the assets are located.

3. Turnover and revenue

Turnover and revenue recognised by category are analysed as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Turnover		
Sale of motor trucks, coaches and vehicle accessories	65,762	105,985
Provision of motor vehicle repairs and maintenance services	25,439	27,010
Fuel commission income	3,786	4,754
Provision of other motor vehicle related services	–	230
	<u>94,987</u>	<u>137,979</u>
(b) Other income		
Interest income	594	167
Gain on disposal of interests in a subsidiary	–	7,953
Gain on disposal of property, plant and equipment and land lease prepayment	50	6,985
Others	1,127	1,561
	<u>1,771</u>	<u>16,666</u>

4. Loss before taxation

This is stated after charging (crediting):

(i) Finance costs

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	117	698
Zero coupon convertible bonds	173	2,780
Interest paid to supplier	142	713
	<u>432</u>	<u>4,191</u>

(ii) Other items

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	1,000	940
Depreciation of property, plant and equipment	603	4,335
Amortisation on land lease prepayment	–	46
Allowance on inventories	1,559	1,193
Operating lease charges on premises	7,475	987
Settlement of legal claim	–	7,000
Impairment loss on interests		
in unconsolidated subsidiaries	–	100,800
Provision on amounts due		
from unconsolidated subsidiaries	–	1,133
Provision for success fee (<i>note 26</i>)	3,500	–
Allowance on trade and other receivables written back	(1,962)	(4,398)
Staff costs, including directors' emoluments:		
– Salaries and other allowances	18,558	19,161
– Contributions to pension schemes	659	647
Gain on exchange	(26)	(170)
	<u>(26)</u>	<u>(170)</u>

5. Directors' remuneration

The remuneration of the Company's directors is as follows:

Name of Director	Year ended 31 December 2006			2005	
	Fees	Basic salaries, allowances and other benefits	Pension contribution	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Alistair Macleod	300	–	–	300	300
Mr. Arne Karlsson	300	–	–	300	175
Mr. Cosimo Borrelli (<i>Note i</i>)	–	–	–	–	–
Mr. David Giles Maund (<i>Note ii</i>)	–	–	–	–	–
Mr. Cheong Ying Chew, Henry	300	–	–	300	300
Mr. Kelvin Edward Flynn (<i>Note iii</i>)	75	–	–	75	–
Mr. Lau Siu Ki, Kevin	300	–	–	300	300
Mr. Louis Wen (<i>Note iv</i>)	–	834	–	834	–
Mr. Paul Gerard Davies (<i>Note v</i>)	–	–	–	–	200
	<u>1,275</u>	<u>834</u>	<u>–</u>	<u>2,109</u>	<u>1,275</u>

- Note:*
- (i) Mr. Borrelli resigned on 22 September 2006
 - (ii) Mr. Maund was appointed as executive Director on 22 September 2006
 - (iii) Mr. Flynn was re-designated from executive Director to non-executive Director on 22 September 2006
 - (iv) Mr. Wen was appointed as executive Director on 1 September 2006
 - (v) Mr. Davies retired on 26 May 2006

No director waived any emoluments during the year. No incentive payment nor compensation for loss of office was paid or payable to any director for the year ended 31 December 2006 (2005: Nil).

6. Individuals with highest emoluments

Among the five individuals with the highest emoluments, one (2005: Nil) was an executive director whose emoluments are disclosed in Note 5.

The emoluments paid to the other four highest (2005: five) individuals during the year were as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Basic salaries and allowances	2,954	3,342
Pension scheme contributions	36	38
	<u>2,990</u>	<u>3,380</u>

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
HK\$Nil – HK\$1,000,000	3	4
HK\$1,000,001 – HK\$1,500,000	1	1

During the year, no payments were paid to the four highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

7. Taxation

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands. Hong Kong Profits Tax has not been provided in the financial statements as the Company and its subsidiaries either have no assessable profits or have unutilised tax losses to set off against current year's assessable profits for both of the years of 2006 and 2005.

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Income tax credit for the year		
– Over provision in prior year	–	(1,261)
	<u>–</u>	<u>(1,261)</u>
	<u>–</u>	<u>(1,261)</u>

Reconciliation of tax expenses

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Loss before taxation	<u>(24,752)</u>	<u>(118,365)</u>
Income tax at Hong Kong Profits Tax rate of 17.5%	(4,332)	(20,714)
Net effect of non-deductible expenses/ tax-exempted revenue	2,889	20,980
Over provision of income tax in prior year	–	(1,261)
Utilisation of previously unrecognised tax losses	(702)	–
Unrecognised deferred tax assets in respect of tax losses	<u>2,145</u>	<u>(266)</u>
Taxation as per consolidated income statement	<u>–</u>	<u>(1,261)</u>

8. Loss attributable to shareholders

The loss attributable to shareholders includes a loss of approximately HK\$31,137,000 (2005: HK\$123,354,000) which has been dealt with in the financial statements of the Company.

9. Loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders for the year of approximately HK\$24,752,000 (2005: HK\$117,104,000) and on the weighted average of 435,772,000 shares (2005: 435,772,000 shares) in issue during the year. No dilutive loss per share is presented as the effect of conversion of the convertible bonds into ordinary shares is not considered since the average market price of the Company's shares was substantially lower than the conversion price during the year 2005.

As explained in Note 26 and Note 32, the Company has agreed to pay Alvarez & Marsal Asia Limited ("A&M") a success fee that comprises in part a certain amount of the Company's shares. At the balance sheet date, the necessary conditions for the award of the success fee have not yet been met and therefore no contingently issuable ordinary shares in respect of this success fee have been included in the calculation of diluted loss per share.

10. Property, plant and equipment

	Land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year 2005	49,150	992	2,699	923	53,764
Additions	–	–	270	–	270
Disposal upon disposal of interests in a subsidiary	–	–	(205)	–	(205)
Disposals	(43,332)	(155)	(887)	(404)	(44,778)
Depreciation charged for the year	(1,402)	(837)	(1,603)	(493)	(4,335)
Deficit debited to reserve	(4,505)	–	–	–	(4,505)
Translation adjustments	89	–	15	(2)	102
	<u>–</u>	<u>–</u>	<u>289</u>	<u>24</u>	<u>313</u>
At 31 December 2005					
Cost	–	–	8,308	1,959	10,267
Accumulated depreciation	–	–	(8,019)	(1,935)	(9,954)
	<u>–</u>	<u>–</u>	<u>289</u>	<u>24</u>	<u>313</u>
At beginning of year 2006	–	–	289	24	313
Additions	–	2,867	561	439	3,867
Disposals	–	–	(52)	–	(52)
Depreciation charged for the year	–	(312)	(218)	(73)	(603)
Translation adjustments	–	–	(1)	–	(1)
	<u>–</u>	<u>2,555</u>	<u>579</u>	<u>390</u>	<u>3,524</u>
At 31 December 2006					
Cost	–	2,867	5,855	1,762	10,484
Accumulated depreciation	–	(312)	(5,276)	(1,372)	(6,960)
	<u>–</u>	<u>2,555</u>	<u>579</u>	<u>390</u>	<u>3,524</u>

11. Interests in unconsolidated subsidiaries (held for sale)

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests in unconsolidated subsidiaries	149,054	149,054
<i>Less: Impairment loss</i>	<u>(100,880)</u>	<u>(100,880)</u>
	48,174	48,174
Reclassification to interests in unconsolidated subsidiaries held for sale	<u>(48,174)</u>	<u>–</u>
	<u>–</u>	<u>48,174</u>

As explained in Note 2 to the financial statements, the financial statements of the Group's Taiwan Subsidiaries have not been included in the consolidated financial statements of the Group in accordance with the Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" issued by the HKICPA and the Hong Kong Companies Ordinance as in the opinion of the Directors, the inclusion of these financial statements may result in an inaccurate picture of the Group's financial position and performance for the year. The Group's share of the net assets of these entities, based on audited financial information as at 31 December 2003 and after recognising an impairment loss of HK\$100,880,000 has been included in the 2005 and 2006 consolidated balance sheet as interests in unconsolidated subsidiaries and interests in unconsolidated subsidiaries held for sale respectively in the amount of HK\$48,174,000.

On 30 December 2006, a disposal agreement was entered between the Company and an independent purchaser to dispose interests in the Taiwan Subsidiaries at a disposal consideration of HK\$54,979,000. The disposal agreement was approved by the Company's independent shareholders and completed on 30 March 2007. As a result, the interests in unconsolidated subsidiaries and amounts due to unconsolidated subsidiaries to be disposed of have been reclassified as interests in unconsolidated subsidiaries held for sale and amounts due to unconsolidated subsidiaries held for sale respectively as at 31 December 2006. More information of the disposal is set out in Note 32 to the financial statements.

The amounts due to unconsolidated subsidiaries (held for sale) are unsecured, non-interest bearing and have no fixed repayment term.

12. Investment securities

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost less impairment loss				
Unlisted equity interest				
in Taiwan, at cost	6,908	6,908	6,908	6,908
Less: Impairment loss	(6,908)	(6,908)	(6,908)	(6,908)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13. Interests in subsidiaries

	The Company	
	2006	2005
	HK\$'000	HK\$'000
(a) Unlisted shares, at cost	22,568	74,934
Amounts due from subsidiaries	248,505	313,279
	<u> </u>	<u> </u>
	271,073	388,213
Less: Provision	(218,700)	(215,600)
	<u> </u>	<u> </u>
	52,373	172,613
	<u> </u>	<u> </u>
(b) Unlisted shares held for sale, at cost	52,366	–
Less: Impairment loss	(11,977)	–
	<u> </u>	<u> </u>
	40,389	–
	<u> </u>	<u> </u>
(c) The amounts due from/to subsidiaries are unsecured, non-interest bearing and have no fixed repayment term.		
(d) The amounts due to subsidiaries held for sale are unsecured, non-interest bearing and have no fixed repayment term.		

(e) Details of the subsidiaries at 31 December 2006 were as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interests held by the Company		Principal activities
			Directly	Indirectly	
Allen Motor Co, Limited	Hong Kong	HK\$2	–	93.7%	Provision of agency services for insurance and financing of motor vehicles
Cybergear Limited	British Virgin Islands	US\$1	100%	–	Investment holdings
Cyber Centre Limited	Hong Kong	HK\$2	–	100%	Inactive
Digital Cyber Technologies Group Ltd	British Virgin Islands	US\$1	–	100%	Inactive
Forefront Automotive Services Company Limited	Hong Kong	HK\$20	–	100%	Trading of motor vehicle accessories and provision of motor vehicle repairs and maintenance services
Forefront (China) Company Limited	Hong Kong	HK\$20	–	100%	Investment holdings
Forefront Finance Co Limited	Hong Kong	HK\$2,000,000	–	93.7%	Provision of hire purchase financing
Forefront International Automotive Limited (<i>Note 11</i>)	British Virgin Islands/ Taiwan	US\$3,254,681	100%	–	Trading of motor trucks, coaches and vehicle accessories and provision of motor vehicle repairs and maintenance services
Forefront International (Hong Kong) Limited	Hong Kong	HK\$100,000 Ordinary share HK\$6,000,000 Non-voting deferred shares (<i>i</i>)	–	100%	Trading of motor trucks and coaches
Forefront International Trading (Shanghai) Co Ltd. (<i>ii</i>)	Mainland China	US\$200,000	–	100%	Trading of motor trucks and vehicle Accessories
Forefront Investment Holdings Limited	British Virgin Islands	US\$47,752	100%	–	Investment holdings
Forefront (Macau) Automotive Limited	Macau	MOP25,000	–	100%	Trading of coaches and vehicle accessories and provision of motor vehicle repairs and maintenance services
福方汽車服務(深圳) 有限公司 (<i>iii</i>)	Mainland China	HK\$625,000 (<i>iii</i>)	–	100%	Trading of motor trucks, coaches and vehicle accessories
Forerunner (China) Development Co Ltd	Hong Kong	HK\$10,000	–	63.75%	Investment holdings

APPENDIX I
FINANCIAL AND OTHER INFORMATION

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interests held by the Company		Principal activities
			Directly	Indirectly	
Griffin Holdings Limited	Hong Kong	HK\$1	-	100%	Investment holdings
Merryork International Ltd	British Virgin Islands	US\$1	100%	-	Investment holdings
Pureland Development Corporation	British Virgin Islands	US\$1	-	100%	Investment holdings
Prime Wish Development Limited	Hong Kong	HK\$2	-	93.7%	Investment holdings
Scantle Management Limited	British Virgin Islands	US\$2	100%	-	Investment holdings
Stareast International Limited	British Virgin Islands	US\$2	-	100%	Investment holdings
Sunshine Credit Limited (<i>Note 11</i>)	Taiwan	NT\$201,000,000	-	93.7%	Provision of hire purchase financing
U-Drive Company Limited	Hong Kong	HK\$1,000	-	93.7%	Provision of chain services to vehicle customers
U-Drive Smart Card Company Limited (<i>Note 11</i>)	Taiwan	NT\$360,000,000	-	93.7%	Development and operation of multi- application smart card system
V-Guard Technology Limited	Hong Kong	HK\$100	-	93.7%	Provision of telematics services

Notes:

- (i) Holders of deferred shares have no rights to vote at general meetings or receive any dividend. Upon winding up, they are entitled to one half of the balance of the company's assets after HK\$100,000,000,000 has been distributed to holders of ordinary shares.
- (ii) Forefront International Trading (Shanghai) Co., Ltd. is a wholly foreign owned enterprise established in People's Republic of China ("Mainland China") to be operated for a period of 50 years up to May 2050. The Company is in the process of voluntary winding up.
- (iii) 福方汽車服務(深圳)有限公司(Forefront Automotive Services (Shenzhen) Company Limited) is a wholly foreign owned enterprise established in Mainland China to be operated for a period of 30 years up to June 2036. The authorised share capital of the company is HK\$3,500,000.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2006.

14. Inventories

	The Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Motor trucks and coaches	24,843	24,772
Vehicle accessories	8,029	15,354
	<u>32,872</u>	<u>40,126</u>
<i>Less: Provision for obsolete and slow-moving inventories</i>	<u>(2,517)</u>	<u>(6,018)</u>
	<u><u>30,355</u></u>	<u><u>34,108</u></u>

At 31 December 2006, the amount of inventories included in above carried at net realisable value totalled approximately HK\$2,497,000 (2005: HK\$5,750,000) and the balance of approximately HK\$27,858,000 (2005: HK\$28,358,000) was at cost.

15. Trade and other receivables

	The Group		The Company	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	10,265	18,790	–	–
Other receivables				
Deposits, prepayments and other debtors	8,149	47,476	1,514	39,195
	<u>18,414</u>	<u>66,266</u>	<u>1,514</u>	<u>39,195</u>

Included in deposits, prepayments and other debtors at 31 December 2005 was a receivable of approximately HK\$38,850,000 being US\$5 million of unpaid proceeds from the US\$15 million zero coupon convertible bonds issued by the Company in 2004 (*Note 20*).

At 31 December 2006 other receivables included an amount of approximately HK\$307,000 (2005: HK\$2,362,000) due from Scania CV AB (publ) (“Scania”), the Group’s principal supplier and the holding company of Scania Trade Development AB, a substantial shareholder of the Company.

The Group grants to its customers credit terms ranging from 1 to 3 months. The ageing analysis of the trade receivables at the balance sheet date is as follows:

	The Group	
	2006	2005
	<i>HK\$’000</i>	<i>HK\$’000</i>
0 to under 3 months	10,257	16,457
3 to under 6 months	61	2,342
6 to under 9 months	–	129
9 to under 12 months	56	88
Over 12 months	5,623	7,939
	<u>15,997</u>	<u>26,955</u>
<i>Less: Allowance on bad and doubtful debts</i>	<i>(5,732)</i>	<i>(8,165)</i>
	<u>10,265</u>	<u>18,790</u>

16. Pledged deposits

As at 31 December 2006, the Group pledged deposits approximately HK\$558,000 (2005: HK\$1,474,000) as collateral to satisfy contingent warranty and delivery obligations in relation to certain sales contracts.

17. Trade and other payables

	The Group		The Company	
	2006	2005	2006	2005
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Trade payables	14,991	18,223	–	–
Other payables				
Accrued charges and other creditors	15,098	11,690	7,528	3,039
	<u>30,089</u>	<u>29,913</u>	<u>7,528</u>	<u>3,039</u>

The ageing analysis of the trade payables at the balance sheet date is as follows:

	The Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to under 3 months	13,686	15,126
3 to under 6 months	1,027	1,059
6 to under 9 months	–	1,747
9 to under 12 months	–	–
Over 12 months	278	291
	<u>14,991</u>	<u>18,223</u>

Included in trade payables at 31 December 2006 was approximately HK\$10,119,000 (2005: HK\$9,333,000) due to Scania.

18. Defined contribution plans

The group companies in Hong Kong participate in the Mandatory Provident Fund (the “**MPF Scheme**”) which is a defined contribution scheme managed by independent trustees. The assets of the fund are held separately from those of the group companies and are managed by independent professional fund managers. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the MPF Scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employees are subject to a cap of HK\$1,000 and thereafter contributions are voluntary.

Contributions of approximately HK\$106,000 (2005: HK\$106,000) were payable to the fund at 31 December 2006.

20. Zero coupon convertible bonds

The zero coupon convertible bonds were fully redeemed, repurchased and cancelled in 2006. In February 2006, the Company redeemed approximately US\$4 million of the convertible bonds together with redemption premium interest and signed an agreement with Mr. Michael Tsai to repurchase the remaining approximately US\$5 million of the convertible bonds that were subscribed by him but proceeds were unpaid for HK\$1. The repurchased approximately US\$5 million of convertible bonds was then cancelled pursuant to the terms of the bonds issue upon the repurchase by the Company being completed in May 2006.

21. Deferred taxation

Deferred taxation is calculated on temporary differences under liability method using applicable tax rate of 17.5% (2005: 17.5%) for group companies incorporated in Hong Kong.

The Group has not recognised deferred tax asset in respect of unused tax losses of HK\$123,100,000 (2005: HK\$110,841,000) relating to certain Hong Kong incorporated subsidiaries. The tax losses have no expiry date under current tax legislation. The deferred tax asset has not been recognised due to uncertainty of its recoverability.

22. Share capital

	2006		2005	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
<i>Authorised:</i>				
At beginning of year and at balance sheet date at HK\$0.10 (2005: HK\$0.10) each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.10 each at beginning of year	<u>435,772</u>	<u>43,577</u>	<u>435,772</u>	<u>43,577</u>
At balance sheet date	<u>435,772</u>	<u>43,577</u>	<u>435,772</u>	<u>43,577</u>

23. Share options

The Company has a share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose any shares issued on the exercise of options granted under the scheme. The exercise price will be determined by the Company's board of directors, and will not be less than the higher of:

- (i) the closing price of the shares as stated in the Stock Exchange daily quotations sheet on the date of offer;
- (ii) the average closing price of the shares as stated in the Stock Exchange daily quotations sheets for the five business days immediately preceding the date of offer; or
- (iii) the nominal value of the shares.

At the balance sheet date, no option has been granted under the share option scheme.

24. Reserves

The Company

	Share Premium	Capital Contributed Surplus	Capital Reserve	Capital Redemption Reserve	Accumulated Deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2005	235,491	16,692	4,492	1,173	(130,750)	127,098
Loss for the year	-	-	-	-	(123,354)	(123,354)
At 31 December 2005	<u>235,491</u>	<u>16,692</u>	<u>4,492</u>	<u>1,173</u>	<u>(254,104)</u>	<u>3,744</u>
At 1 January 2006	235,491	16,692	4,492	1,173	(254,104)	3,744
Loss for the year	-	-	-	-	(31,137)	(31,137)
At 31 December 2006	<u>235,491</u>	<u>16,692</u>	<u>4,492</u>	<u>1,173</u>	<u>(285,241)</u>	<u>(27,393)</u>

25. Cash used in operations

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(24,752)	(118,365)
Finance costs	432	4,191
Interest income	(594)	(167)
Depreciation of property, plant and equipment and amortisation of land lease prepayment	603	4,381
Gain on disposal of property, plant and equipment and land lease prepayment	(50)	(6,985)
Gain on disposal of interests in a subsidiary	–	(7,953)
Impairment loss on interests in unconsolidated subsidiaries	–	100,880
Provision on amounts due from unconsolidated subsidiaries	–	1,133
Changes in working capital:		
Inventories	3,753	(1,779)
Trade and other receivables	9,002	(433)
Trade and other payables	176	10,552
Amounts due to unconsolidated subsidiaries	–	6,346
	<hr/>	<hr/>
Cash used in operations	(11,430)	(8,199)
	<hr/> <hr/>	<hr/> <hr/>

26. Contingent liabilities*Guarantee in relation to SSC*

As at 31 December 2006, the Company had no outstanding guarantees (2005: HK\$17,445,000) to Taiwanese banks in respect of facilities provided by the banks to SSC.

Alleged agreement on investment in a customer

Mr. Lo Chia Yu (“**Mr. Lo**”) has allegedly claimed a verbal agreement was entered into on 12 March 2002 by his wholly owned company, Global Travel Holdings Limited (“**Global Travel**”) and Forefront Automotive Services Company Limited (“**FAS**”), a wholly owned subsidiary of the Company, relating to an equity investment by FAS in Global Travel amounting to HK\$7,800,000. FAS’s position is that the agreement was subject to it conducting due diligence on Global Travel to its satisfaction. As requested, FAS paid a deposit of HK\$2,000,000 to Mr. Lo. Subsequently, the accounting firm employed by FAS reported unsatisfactory due diligence, therefore FAS did not elect to proceed with the alleged agreement. Mr. Lo has filed proceedings claiming HK\$7,800,000 together with alternative damage and FAS has lodged a counter claim to Mr. Lo for the return of the HK\$2,000,000 paid as deposit. A contingent liability netting off the counter claims as set out above amounting to HK\$5,800,000 are alleged to be due from FAS to Global Travel. The matter has not progressed after an initial hearing and was adjourned to a further date to be determined by the court subject to its receipt of sufficient documents from the two parties. The Company has not received any notice in relation to any specific dates for any further hearing.

Alleged claim for investment lost in the Company’s shares

On October 2006, Gains Investment Corporation and (“**Plaintiffs**”) claimed that Yang Kwn San’s family (“**Yang Family**”) had defrauded them into acquiring the Company’s shares while also dissipating FIAL’s assets. The Plaintiffs sued the Company, Taiwan Subsidiaries and the Yang Family for damages of NT\$1,520,000 (approximately HK\$366,000) in the Taiwanese court. The Company’s Taiwan legal advisors advised that the case is pending and no hearing date has been set.

Success Fee to A&M

On 27 April 2006, the Company entered into a new engagement with A&M for a period of up to 9 months from 8 January 2006 until 7 October 2006. The A&M engagement was extended on 8 October 2006 on the same terms and conditions to 7 April 2007. Pursuant to the A&M engagement, the Company agreed to pay A&M a monthly fee capped at HK\$375,000 and a success fee which includes a cash payment of HK\$3.5 million and the A&M Allotment. The remuneration package of the monthly fee and success fee payable by the Company to A&M was arrived at after arm's length negotiation between the Company and A&M. A&M assisted the Company to submit a resumption proposal to the Stock Exchange on 2 June 2006. A provision of HK\$3,500,000 in cash was therefore made accordingly in respect of the success fee.

No provision was made in relation to the A&M Allotment as it is subject to the necessary approvals being obtained as required by the Listing Rules.

27. Commitments*(i) Capital expenditure commitments*

At the balance sheet date of 2006 and 2005, the Group had no capital expenditure committed for either year.

(ii) Operating lease commitments payable

At the balance sheet date, the Group had total outstanding commitments in respect of land and buildings under non-cancelable operating leases, which are payable as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,210	5,736
In the second to fifth years inclusive	2,698	130
	<u>6,908</u>	<u>5,866</u>

28. Banking facilities

At balance sheet date, the Group had no available banking facility (2005: HK\$9,366,000).

29. Related party transactions

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Scania (<i>Note i</i>):		
– Purchases and services provided	56,776	38,322
– Warranty claim	3,376	1,499
– Interest paid	142	565
– Miscellaneous income	406	–
– Disposal of subsidiary	–	7,798
Griffin Automotive Limited (<i>Note i</i>)		
– Sales	–	130
– Purchases	15	–
Scania Singapore Pte Ltd (<i>Note i</i>)		
– Sales	311	–
– Purchases and services provided	25	–
FIAL (<i>Note ii</i>)		
– Purchases	–	6,345
A & M (<i>Note iii</i>)		
– Professional fee paid	6,775	2,887
RSM Nelson Wheeler Corporate Advisory Services Limited (<i>Note iii</i>)		
– Professional fee paid	–	3,113
Forefront Automobile Industry Limited (<i>Note ii</i>)		
– Purchases	–	3

Notes

- (i) Scania is the principal supplier of the Group and a holding company of Scania Trade Development AB, a substantial shareholder since May 2005. Both Griffin Automotive Limited and Scania Singapore Pte Ltd are wholly owned subsidiaries of Scania.
- (ii) Forefront International Automotive Limited is a wholly owned subsidiary of the Company and of which Forefront Automobile Industry Limited is an associated company.
- (iii) The Company had engaged A&M (which acquired the business of RSM Nelson Wheeler Corporate Advisory Services Limited with effect from July 2005) since December 2004 to provide financial and operational monitoring support, initiate improved controls and to assist with regards to prudential and corporate governance issues for the Group. It was disclosed in the Announcements that A&M was a connected person by virtue of being an associate of Mr. Cosimo Borrelli and Mr. Kelvin Edward Flynn who together control more than 30% of the voting shares of A&M, who were then Directors of the Company, therefore, the entering in the engagements with A&M constituted connected transactions.

A&M subsequently ceased to be a connected person to the Company due to the fact that:

Mr. Borrelli and Mr. Flynn both resigned from A&M in September 2006 and ceased to have any shareholding interests in A&M. Mr. Borrelli resigned from the Company on 22 September 2006 and A&M ceased to be an associate of Mr. Borrelli and Mr. Flynn. As such, A&M is no longer an associate of any Director of the Company, therefore, the extended A&M engagement with the Company in October 2006 was no longer constitutes a connected transaction.

- (iv) Sales and purchases were charged at market prices.
- (v) Professional fee and interest expenses were charged at the pre-agreed rates.

30. Financial risk management

The Group's principal financial instruments are cash and short-term deposits. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The credit policy on extending credit terms to customers includes assessing and valuing of customer's creditworthiness and financial standing. Management also closely monitors all outstanding debts and reviews the collectability of trade debtors periodically. At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Foreign exchange risk

The Group's foreign currency exposures arise mainly from the exchange rate movements of the United States Dollars. The Group has not historically incurred substantial foreign currency gains or losses as the relevant exchange rates have remained relatively stable.

Liquidity risk

Liquidity risk refers to the risk whereby the Group is unable to meet its short-term obligations. Liquidity risk is managed by matching the payments and receipts cycles. The Group's operations are financed mainly through its business activities.

31. Segment information*a. By business segments*

The Group is principally engaged in the trading of motor trucks, coaches and vehicle accessories, provision of motor vehicle repairs and maintenance services and provision of other motor vehicle related services. An analysis by business segment is as follow:

Year 2006

	Trading of motor trucks, coaches and vehicles accessories HK\$'000	Provision of motor vehicle repairs and maintenance services HK\$'000	Provision of other motor vehicle related services HK\$'000	Investment holdings HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Total HK\$'000
Turnover							
Sales to external customers	65,762	25,439	3,786	-	-	-	94,987
Inter-segment sales	-	5,481	-	-	-	(5,481)	-
Total turnover	<u>65,762</u>	<u>30,920</u>	<u>3,786</u>	<u>-</u>	<u>-</u>	<u>(5,481)</u>	<u>94,987</u>
Operating results							
Segment results	<u>(1,140)</u>	<u>(11,319)</u>	<u>3,870</u>	<u>-</u>	<u>(16,163)</u>		<u>(24,752)</u>
Taxation							-
Loss attributable to shareholders							<u>(24,752)</u>
Other information							
Assets	<u>30,816</u>	<u>14,663</u>	<u>11,328</u>	<u>48,174</u>	<u>2,306</u>		<u>107,287</u>
Liabilities	<u>13,124</u>	<u>6,670</u>	<u>2,678</u>	<u>-</u>	<u>60,156</u>		<u>82,628</u>
Capital expenditure	<u>1,125</u>	<u>2,738</u>	<u>4</u>	<u>-</u>	<u>-</u>		<u>3,867</u>
Depreciation and other non-cash expenditure	<u>(553)</u>	<u>1,169</u>	<u>(476)</u>	<u>-</u>	<u>(36)</u>		<u>104</u>

Year 2005

	Trading of motor trucks, coaches and vehicles accessories HK\$'000	Provision of motor vehicle repairs and maintenance services HK\$'000	Provision of other motor vehicle related services HK\$'000	Investment holdings HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Total HK\$'000
Turnover							
Sales to external customers	105,985	27,010	4,984	-	-	-	137,979
Inter-segment sales	-	8,063	-	-	-	(8,063)	-
Total turnover	<u>105,985</u>	<u>35,073</u>	<u>4,984</u>	<u>-</u>	<u>-</u>	<u>(8,063)</u>	<u>137,979</u>
Operating results							
Segment results	<u>(4,826)</u>	<u>(1,836)</u>	<u>4,502</u>	<u>(95,899)</u>	<u>(20,306)</u>		<u>(118,365)</u>
Taxation							<u>1,261</u>
Loss attributable to shareholders							<u>(117,104)</u>
Other information							
Assets	<u>75,944</u>	<u>17,544</u>	<u>13,953</u>	<u>48,174</u>	<u>57,525</u>		<u>213,140</u>
Liabilities	<u>17,206</u>	<u>6,506</u>	<u>2,545</u>	<u>-</u>	<u>137,474</u>		<u>163,731</u>
Capital expenditure	<u>21</u>	<u>249</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>270</u>
Depreciation and other non-cash expenditure	<u>(1,261)</u>	<u>(2,055)</u>	<u>(163)</u>	<u>101,501</u>	<u>3,129</u>		<u>101,151</u>

b. By geographical segments

The Group's activities are conducted predominantly in Hong Kong and People's Republic of China ("Mainland China") and previously in Taiwan. An analysis by geographical segment is as follows:

Year 2006

	Taiwan	Hong Kong	Mainland China	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	–	92,183	2,804	–	94,987
Segment results	–	(7,740)	(707)	–	(8,447)
Loss from operations	–	(23,147)	(1,173)	–	(24,320)
Assets	48,174	54,615	2,192	2,306	107,287
Capital expenditure	–	3,658	209	–	3,867

Year 2005

	Taiwan	Hong Kong	Mainland China	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	544	125,534	11,901	–	137,979
Segment results	(95,516)	367	(2,353)	–	(97,502)
Loss from operations	(95,582)	(14,802)	(3,790)	–	(114,174)
Assets	48,174	98,825	9,022	57,119	213,140
Capital expenditure	213	55	2	–	270

32. Subsequent events

On 16 February 2007 and 8 March 2007, the Group announced that a Subscription Agreement was entered with Wealth Style Limited on 7 December 2006. Pursuant to the Subscription Agreement, the Subscriber will subscribe for not less than 453,558,612 and not more than 535,854,571 new shares, being not less than 51% and not more than 53.22% of the enlarged issued share capital of the Company at a total consideration of not less than HK\$100 million and not more than approximately HK\$104 million (the “**Subscription**”). It is a condition to the Subscription that a sale and purchase agreement in respect of the disposal of the Taiwan Subsidiaries be entered into prior to 31 December 2006. The Disposal Agreement was entered into between the Company and an independent third party on 30 December 2006 which constitutes a major transaction under the Listing Rules.

The Subscription is conditional upon, inter alia, The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting a conditional approval for the resumption of trading of the Company’s shares on the Stock Exchange and the Subscriber applying and the Executive granting the Whitewash Waiver. The Subscription shares will be issued after taking into account the issues of new shares pursuant to the A&M Allotment, and the Jerry Liu Option, for granting a share option of 10,894,300 shares representing 2.5% of the Company’s existing issued share capital to Mr. Liu Chen Wei, Jerry (“**Mr. Liu**”) at an exercise price of HK\$0.213.

On 14 March 2007, the Company despatched an extraordinary general meeting notice together with a circular setting out the details of (i) the Disposal Agreement, the Subscription Agreement and the Whitewash Waiver, the A&M Allotment, the Jerry Liu Option, appointment of director and the increase in authorised share capital; (ii) a letter from the Subscriber; (iii) a letter from the Independent Board Committee; (iv) a letter of advice from CIMB-GK Securities (HK) Limited as the independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Whitewash Waiver and the Jerry Liu Option.

Subscription of new shares

The Subscription was approved by independent shareholders on 30 March 2007 and the completion of the Subscription is pending the Stock Exchange granting a conditional approval for the resumption of trading of the Company’s shares on the Stock Exchange.

Disposal of Taiwan Subsidiaries

On 30 December 2006, the Company, entered into a sales and purchase agreement with Smeatons Development Limited, being an independent third party purchaser, in respect of the disposal of the Taiwan Subsidiaries at a disposal consideration of HK\$54,979,000. The consideration to be received will be the aggregation of the estimated total cash proceeds of HK\$2,440,000 and the novation of debts due to Taiwan Subsidiaries of approximately HK\$52,539,000.

The Disposal Agreement was approved by independent shareholders on 30 March 2007 and completed on the same day. Upon completion of the disposal, the Company will record a net gain of approximately HK\$1,422,000, which is arrived at by deducting the carrying net book value of the Taiwan Subsidiaries of approximately HK\$48,174,000 and translation reserve of approximately HK\$5,383,000 relating to the disposal from the disposal consideration of HK\$54,979,000.

Jerry Liu option

On 30 March 2007, the independent shareholders approved to grant a share option of 10,894,300 shares representing 2.5% of the Company's issued share capital prior to the Subscription and A&M Allotment to Mr. Liu at an exercise price of HK\$0.213.

A&M Allotment

On 30 March 2007, the independent shareholders approved the A&M Allotment of 33,520,923 new shares representing 3.5% of the Company's enlarged issued share capital to be issued to A&M. The allotment is subject to and conditional upon the Stock Exchange granting or agreeing to grant listing of and permission to deal in the new shares.

Increase in authorised share capital

On 30 March 2007, the authorised share capital of the Company has been approved by shareholders to be increased from HK\$100,000,000 to HK\$130,000,000, divided into 1,300,000,000 shares of HK\$0.10 each.

2. INDEBTEDNESS

At the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the total indebtedness of the Group amounted to approximately HK\$614.9 million, representing bank borrowings amounting to HK\$14.9 million secured by certain land and buildings of the Group and principal amount of convertible notes amounting to HK\$600 million.

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

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 November 2007, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group except for the issuance of convertible bonds during the period since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up.

3. WORKING CAPITAL

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

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

The following is an unaudited pro forma statement of consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue as if it had been undertaken and completed on 30 June 2007. This statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group on the completion of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 June 2007 <i>(Note ii)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note iii)</i> <i>HK\$'000</i>	Unaudited pro forma consolidated net tangible assets of the Group attributable to the Shareholders after the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets per Share as at 30 June 2007 <i>(Note iv)</i> <i>HK\$</i>	Unaudited pro forma consolidated net tangible assets per Share after the Rights Issue <i>(Note v)</i> <i>HK\$</i>
Rights Issue of 892,906,512 Rights Shares <i>(Note i)</i>	164,326	172,447	336,773	0.14	0.13

Notes:

- (i) The Rights Issue of 892,906,512 Rights Shares is based on 1,785,813,024 Shares, representing the total of 1,785,813,024 Shares as at the Latest Practicable Date.
- (ii) The amount of unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 June 2007 is derived from the 2007 interim report of the Company.
- (iii) The estimated net proceeds from the Rights Issue is based on 892,906,512 Rights Shares to be issued at the subscription price of HK\$0.20 per Rights Share, after the deduction of the estimated related expenses of approximately HK\$6.1 million.
- (iv) The calculation of the unaudited consolidated net tangible assets per Share is based on 1,149,288,659 Shares in issue as at 30 June 2007.
- (v) The calculation of the unaudited pro forma consolidated net tangible assets per Share after the Rights Issue is based on 2,678,719,536 Shares which represent the 1,785,813,024 Shares and 892,906,512 Rights Shares expected to be issued on the completion of the Rights Issue.



MAZARS CPA LIMITED
馬賽會計師事務所有限公司
34th Floor, The Lee Gardens,
33 Hysan Avenue, Causeway Bay, Hong Kong
香港銅鑼灣希慎道33號利園廣場34樓

4 January 2008

The Directors
Forefront Group Limited
Room 328, Hi-Tech Centre
9 Choi Yuen Road
Sheung Shui
New Territories
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Forefront Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 73 under the heading of statement of unaudited pro forma consolidated net tangible assets of the Group in Appendix II of the Company’s prospectus dated 4 January 2008 (the “Prospectus”) in connection with the proposed rights issue (the “Rights Issue”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only to provide information about how the Rights Issue might have affected the financial information of the Group as at 30 June 2007. The basis of preparation of the pro forma financial information is set out on page 73 to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANTS

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

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

BASIS OF OPINION

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

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

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2007 or any future date.

OPINION

In our opinion:

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

Yours faithfully,
Mazars CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus 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.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>1,000,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>		
<u>1,785,813,024</u>	Shares as at the Latest Practicable Date	<u>178,581,302.40</u>
<i>Issued share capital upon completion of the Rights Issue</i>		
1,785,813,024	Shares as at the Latest Practicable Date	178,581,302.40
892,906,512	Rights Shares to be allotted and issued under the Rights Issue	89,290,651.20
<u>2,678,719,536</u>	Shares	<u>267,871,953.60</u>

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Shares in issue are listed on the Stock Exchange.

All of the Rights Shares to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital, and with all Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

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

Dealings in the shares of the Company may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser for details of these settlement arrangements and how such arrangements may affect your rights and interest.

As at the Latest Practicable Date, there are Options to subscribe up to an aggregate of 147,491,872 Shares under the share option scheme of the Company adopted on 6 August 2007 based on the scheme mandate limit available to the Company and Convertible Notes to be converted into 1,200,000,000 Shares (based on the conversion price of HK\$0.5) outstanding. Save for the Options and the Convertible Notes, there were no outstanding options, warrants or securities convertible or exchangeable into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

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

(i) Long positions in Shares

Name of director	Capacity	Number of Shares	Approximately % of shareholding
Ms. Lo Oi Kwok, Sheree	Beneficial owner	20,000,000	1.12%
Mr. Ting Wing Cheung, Sherman	Beneficial owner	10,000,000	0.56%
Ms. Yau Shum Tek, Cindy (Note 1)	Interest of controlled corporation	88,447,736	4.95%
Mr. Yeung Ming Kwong	Beneficial owner	14,900,000	0.83%
Mr. Louis Wen (Note 2)	Interest attributed by spouse	150,000	0.01%

Note:

- Ms. Yau Shum Tek, Cindy holds the Shares of the Company through her wholly-owned company, Wealth Style Limited.
- Shares held by Ms. Warphon Suwannahong who is the spouse of Mr. Louis Wen, an executive director of the Company.

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

(b) Interests of substantial Shareholders

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

(i) Interest in the Shares and underlying Shares:

Name of Shareholder	Capacity	Number of Shares (Long position)	Approximate % of shareholding
Willie International Holdings Limited (Note 1)	Interest of Controlled Corporation	150,630,000	8.43%
Pearl Decade Limited (Note 1)	Beneficial owner	150,630,000	8.43%
China Railway Scientific Technology Development Company (中鐵科學技術 開發公司) (Note 2)	Interest of Controlled Corporation	140,000,000	7.84%

Name of Shareholder	Capacity	Number of Shares (Long position)	Approximate % of shareholding
China Railway Investments Group Limited (中鐵多經投資集團有限公司) (Note 2)	Interest of Controlled Corporation	140,000,000	7.84%
China Railway Investments Group (Hong Kong) Limited (中鐵開發投資集團(香港)有限公司) (Note 2)	Beneficial owner	140,000,000	7.84%
Scania AB (publ) (Note 3)	Interest of Controlled Corporation	98,204,000	5.50%
Scania CV AB (publ) (Note 3)	Interest of Controlled Corporation	98,204,000	5.50%
Scania Trade Development AB (Note 3)	Beneficial owner	98,204,000	5.50%
Heritage International Holdings Limited (Note 4)	Interest of Controlled Corporation	90,832,000	5.09%
Coupeville Limited (Note 4)	Interest of Controlled Corporation	90,832,000	5.09%
Dollar Group Limited (Note 4)	Beneficial owner	90,832,000	5.09%

Notes:

1. Willie International Holdings Limited (Stock code: 273), a company listed on the Stock Exchange, is interested in the share capital of the Company indirectly through its wholly-owned subsidiary, Pearl Decade Limited.

2. China Railway Investments Group (Hong Kong) Limited (中鐵開發投資集團(香港)有限公司) is wholly-owned by China Railway Investments Group Limited (中鐵多經投資集團有限公司) which in turn wholly-owned by China Railway Scientific Technology Development Company (中鐵科學技術開發公司).
3. The issued share capital of Scania Trade Development AB is wholly-owned by Scania CV AB (publ) which in turn is wholly-owned by Scania AB (publ).
4. Dollar Group Limited is wholly-owned by Coupeville Limited which in turn is wholly-owned by Heritage International Holdings Limited. Mr. Chung Yuk Lun, an independent non-executive director of the Company, is also an independent non-executive director of Heritage International Holdings Limited.

(ii) *Other members of the Group:*

Name of subsidiary	Name of shareholder	Approximate percentage of shareholding
Forerunner (China) Development Co. Ltd.	Shenzhen Sinotrans Storage and Transportation Co.	36.25%
Talenteam Development Ltd.	China Railway Investments Group (Hong Kong) Ltd.	38.75%
鐵流網信息技術有限公司 (China Railway Information and Technology Limited)	中鐵傳媒有限公司 (China Railway Media Limited)	20.00%

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who had any interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

(c) Interest of assets

Mr. Zhuang You Dao, an executive director of the Company, holds indirectly a 50% interest of the registered capital of 天津市凱聲汽車有限公司 (Tianjin Kai Sheng Automobile Service Co., Ltd.) (“Tianjin JV”), a sino-foreign equity joint venture. As set out in the announcement of the Company dated 18 October 2007, Crown Creation Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement on 11 October 2007 with Z & Z International Limited, whereby Crown Creation Limited agreed to acquire the entire issued share capital of Leapfly Limited which in turn holds the entire issued share capital of Suntrend China Limited which in turns holds a 50% interest of the registered capital of Tianjin JV. Completion has taken place on 23 November 2007 and the Company indirectly holds 50% of the registered capital of Tianjin JV. Save as disclosed above, none of the directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete directly or indirectly with the business of the Group or any other conflicts of interest with the Group.

5. LITIGATION

As at Latest Practicable Date, save for the litigation referred to in paragraph 2 headed “Indebtedness” of Appendix I, neither the Company nor other members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in this Prospectus and the unilateral termination of the distribution agreements mentioned below, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited accounts of the Group were made up.

As disclosed in the announcement of the Company dated 18 October 2007, the Company has entered into two distributor agreements both dated 23 December, 2005 between Forefront International (Hong Kong) Limited (“FIHK”) an indirect wholly-owned subsidiary of the Company and Scania CV Aktiebolag (“Scania”) whereby, inter alia, FIHK has exclusive rights to purchase from Scania truck, buses and related parts for distribution or use only in the Hong Kong and Macau region. The Company has received a letter dated 1 October, 2007 from Scania stating the distributor agreements for Hong Kong region and Macau region will expire and cease to apply after 26 October, 2008.

8. EXPERT’S QUALIFICATION AND CONSENT

Mazars CPA Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert who has given its opinion or advice which is contained in this Prospectus:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, Mazars CPA Limited was not beneficially interested in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor had any interest, either direct or indirect, in any assets which had been, since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up, acquired by or disposal of or leased to or were proposed to be acquired by or disposed of or leased to any member of the Group.

9. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$6.1 million and are payable by the Company.

10. PARTICULARS OF DIRECTORS

Name	Address
Yau Shum Tek, Cindy	Room 3203, 32/F., Convention Plaza Apartment, 1 Harbour Road Wan Chai , Hong Kong.
Yeung Ming Kwong	Flat B3, 13/F., Viking Garden, 40 Hing Fat Street, Causeway Bay, Hong Kong.
Lo Oi Kwok, Sheree	Flat A1, 7/F., North Point Centre, 278-288 King's Road, North Point, Hong Kong.
Ting Wing Cheung, Sherman	Room 2201 Heng Nga House, Hong Nga Court, Lam Tin, Kowloon, Hong Kong.
Louis Wen	Flat D, 46/F., Block 2, Ocean Pointe, 8 Sham Tsz Street, Sham Tseng, New Territories, Hong Kong.
Zhou Qi Jin	Block 19, No.1111-1, Jin Kai Avenue, New North Zone, Chongqing, PRC.
Zhuang You Dao	Room 1504, Ao Quang Building, Da Kuo Nam Lu, Hesi Chui, Tiang Jiang Shi, PRC.
Chung Yuk Lun	Room 2806, 28/F., China United Centre, 28 Marble Road, North Point, Hong Kong.
Kwong Wai Tim, William	Flat D, 21/F., Tower 3, Sky Court, 38 Sung Wong Toi Road, Kowloon, Hong Kong.
Lam Yan Fong, Flora	Flat C, 10/F., King's Court, 14 Village Road, Happy Valley, Hong Kong.
Kristi L Swartz	Flat A, 10/F, The Rednaxela, 1 Rednaxela Terrace, Mid-levels, Hong Kong.

Executive Directors

Ms. Yau Shum Tek, Cindy, aged 38, holds a Master of Business Administration degree from the University of South Australia. Ms. Yau has extensive experience in the management of enterprises engaged in trading and property related businesses in Hong Kong and the People's Republic of China. Ms. Yau was an executive director of Freeman Corporation Limited from November 2000 to August 2006, a company whose shares are listed on the Stock Exchange.

Mr. Yeung Ming Kwong, aged 49, He worked with Wah Lee Resources Holdings Limited as an Executive Director and CEO respectively. He was also an executive director of Goldwiz Holdings Limited from May 2006 to June 2006. He has over 20 years' experience in import and export trading and investment business in the People's Republic of China.

Ms. Lo Oi Kwok, Sheree, aged 39, holds a Bachelor's Degree of Arts from York University, Toronto. She has over 10 years' extensive experience in business development and investment. She was an executive director of Goldwiz Holdings Limited from May 2006 to January 2007.

Mr. Ting Wing Cheung, Sherman, age 49, holds a Bachelor Degree in Arts from the University of Windsor, Canada. He has over 20 years' experience as Managing Director of a sizable auto mobile accessories and consumer household product manufacturer. Mr. Ting, in addition, owns extensive experience in industrial safety design, managing and planning of large manufacturing facilities.

Mr. Louis Wen, aged 73, graduated from City University of New York with a Bachelor of Engineering degree. He has extensive experience in engineering, marketing, and advertising in the United States where he held senior positions at J. Walter Thompson Co. and Dow Jones International Marketing Services for a number of years. From 1993 to 1997, Mr. Wen served as an executive Director of Forefront International (Hong Kong) Limited ("FIHK"), an indirect wholly-owned subsidiary of the Company. He returned to FIHK to take up the position of General Manager in August 2005. Mr. Wen was instrumental in developing the Group's business in Taiwan, Thailand, China, and Hong Kong with over 25 years of experience in the distribution and services businesses relating to the products from the Group's principal supplier, Scania CV AB (publ) ("Scania"). Presently, Mr. Wen is responsible for the Group's business strategy, planning, sales and marketing activities, as well as maintaining ongoing contact with senior management of Scania.

Mr. Zhou Qi Jin, aged 46, holds a Bachelor Degree in Law from the Southwest University of Political Science and Law. He has over ten years experience in large scale outdoor advertising and promotion related industry and also has experience in automobile sales and marketing in Mainland China.

Mr. Zhuang You Dao, aged 55, graduated from The Institute of Operation Management of China (中國經營管理學院) majoring in corporate management. Mr. Zhuang is currently the chairman of the board of Tianjin Kai Sheng Automobile Service Co. Ltd. (天津凱聲汽車維修有限公司) and the general manager of Tianjin Jinri Automobile Sale & Service Company Limited (天津津日汽車銷售服務有限公司). He is also a senior consultant specially appointed by Shenzhen Lan-you Technology Co., Ltd. (深圳聯友科技有限公司) for the development of management software for the automobile industry. He once worked for Tianjin Ning Fa Automobile Service Centre (天津寧發進口汽車服務中心) as general manager. Mr. Zhuang has over 30 years of experience in the automobile industry of China. Mr. Zhuang was a member of the 9th and 10th Sessions of Tianjin Committee of Chinese People's Political Consultative Conference and a representative of the 10th Session of People's Congress of Heping District of Tianjin Municipality. He is an executive of the Chamber of Industry and Commerce of Xiqing District, Tianjin, a special procurator of the First Branch of the People's Procuratorate of Tianjin Municipality and a representative of the 14th Session of People's Congress of Hedong District.

Independent Non-executive Directors

Mr. Chung Yuk Lun, aged 47, is a fellow member of the Association of Chartered Certified Accountants, a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He has over 23 years' experience in auditing, finance and accounting, investment and business management. He is currently an executive director of Radford Capital Investment Limited and Ming Fung Jewellery Group Limited and an independent non-executive director of Heritage International Holdings Limited.

Mr. Kwong Wai Tim, William, aged 51, holds a MBA degree from the University of Oregon, U.S.A.. Mr. Kwong has over 15 years of experience in banking and corporate finance gained with major international financial institutions including Citicorp, Bankers Trust, Credit Lyonnais Asia Limited and The New China Hong Kong Capital Limited. He is currently an executive director of Freeman Corporation Limited. He was a member of the Council of The Stock Exchange of Hong Kong Limited from 1995 to 1997 and a Director and Chairman of the Finance Committee of Hong Kong Securities Clearing Company Limited from 1996 to 1997. He was an Executive Director of 139 Holdings Limited from August 1998 to August 2000 and was a Director of IFTA Pacific Holdings Limited from July 1999 to March 2000. He was also a non-executive director of Goldwiz Holdings Limited from May 2006 to February 2007.

Ms. Lam Yan Fong, Flora, aged 32, holds a Bachelor Degree in Law from the University of Hong Kong in 1999 and a Postgraduate Certificate in Laws from the University of Hong Kong in 2001. Ms. Lam is a solicitor with practising experience over 3 years in Hong Kong and is currently working at Messrs. Andrew Lam & Co. as an Assistant Solicitor.

Ms. Kristi L Swartz, aged 38 is principal of Swartz Solicitors and is also acts as a consultant for the East Asia Tax Group. Ms. Swartz holds B.B.A., M.B.A. and LL.M. degrees, and is a member of the law societies of Hong Kong, England and Wales. She was previously the legal adviser to the Consulate of Uruguay, a solicitor at Sinclair Roche & Temperley and Head of Corporate Counsel at Henderson (China) Investment Co. Ltd.. Ms. Swartz has a wealth of knowledge on legal matters and corporate structuring, and is also well versed in PRC law, company formation and corporate litigation matters. Ms. Swartz is currently also acting as an Independent Non-executive Director for Mascotte Holdings Ltd. and Unity Investments Holdings Ltd. which are companies listed in Hong Kong.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Office of the Company

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

**Head office and principal place of
business of the Company in Hong Kong**

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

**The Hong Kong branch registrar and
transfer office of the Company**

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Legal advisers to the Company

Richards Butler
20th Floor
Alexandra House
16-20 Chater Road
Central
Hong Kong

Auditors

Mazars CPA Limited
Certified Public Accountants
34th Floor
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Principal bankers

Standard Chartered Bank
15th Floor
Standard Chartered Bank
388 Kwun Tong Road
Kwun Tong
Hong Kong

Authorised representatives

Yeung Ming Kwong
Flat B3, 13/F
Viking Garden
40 Hing Fat Street
Causeway Bay
Hong Kong

Chui Kark Ming
Flat C, 14/F
Tower 13A
South Horizonos
Ap Lei Chau
Aberdeen
Hong Kong

Company secretary

Chui Kark Ming

Underwriter

Chung Nam Securities Limited
30-31/F, China United Centre
28 Marble Road
North Point
Hong Kong

12. MATERIAL CONTRACTS

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

- 1) an agreement dated 30 December 2006 entered into between (i) the Company, (ii) Smeatons Development Limited, (iii) U-Drive Company Limited, an indirectly-owned subsidiary of the Company, (iv) Scantle Management Limited, a direct wholly-owned subsidiary of the Company, (v) Forefront International Automotive Limited (“FIAL”), a direct wholly-owned subsidiary of the Company, (vi) Sunshine Credit Limited, an indirectly-owned subsidiary of the Company, (vii) U-Drive Smart Card Company Limited, an indirectly-owned subsidiary of the Company, and (viii) Yap Way Keong, whereby, inter alia, Smeatons Development Limited agreed to buy and the Company agreed to sell the entire issued share capital of FIAL and Merryork International Limited, both direct wholly-owned subsidiaries of the Company, at a total consideration of approximately HK\$54,979,000;
- 2) the service contracts the Company entered into with Alvarez & Marsal Asia Limited (“A&M”) dated 10 April 2006 (accepted by the Company on 27 April 2006) and 8 October 2006, whereby the contract dated 10 April 2006 has expired and the contract dated 8 October 2006 provides that, A&M is engaged, among other things, to provide professional advice to the Company on corporate turnarounds, improvement in internal control and corporate governance system of the Company at a monthly fee of HK\$375,000 until 7 April 2007 and a success fee which includes a cash payment of HK\$3.5 million and the issue of new shares representing 3.5% of the total issued share capital of the Company at the time of issue. This contract has been completed;
- 3) a subscription agreement entered into between Wealth Style Limited and the Company on 7 December 2006, under which the Company agreed to allot and issue shares representing 51% (subject to adjustment) of the enlarged issue share capital of the Company to Wealth Style Limited, at a price per share of between HK\$0.213 and HK\$0.2293. This contract has been completed;
- 4) an agreement dated 23 May 2007 entered into between the Company, Wealth Style Limited and Chung Nam Securities Limited according to which Wealth Style Limited has agreed to place, through Chung Nam Securities Limited, 191,548,000 existing shares to independent investors at the placing price of HK\$0.26 per share and Wealth Style Limited has agreed to subscribe for 191,548,000 new shares at the subscription price of HK\$0.26 per share. Details of which have been disclosed in the announcement of the Company dated 25 May 2007;

- 5) an agreement dated 3 July 2007 entered into between the Company and Chung Nam Securities Limited regarding the placing of 229,856,000 new shares at HK\$0.38 per share to independent investors. Details of which have been disclosed in the announcement of the Company dated 3 July 2007;
- 6) two agreements both dated 9 July 2007 entered into between the Company and Chung Nam Securities Limited regarding the placing of, on a fully underwritten basis, convertible notes in the aggregate principal of HK\$150 million and, on a best effort basis, convertible notes in an aggregate principal amount of HK\$600 million to independent investors. Details of which have been disclosed in the announcement and circular of the Company dated 10 July 2007 and 20 July 2007;
- 7) a sale and purchase agreement dated 26 July 2007 entered into between Z & Z International Limited, Chu See Ming Bonnie, Au Yeung Kai Wah, Chan Chak Kai and Crown Creation Limited, an indirect wholly owned subsidiary of the Company, to purchase the entire issued share capital of Leapfly Limited at a consideration of HK\$39 million. The agreement was cancelled by way of a cancellation agreement dated 1 August 2007 between all the parties. Details of which have disclosed in the announcement of the Company dated 1 August 2007;
- 8) two sale & purchase agreements both dated 3 August 2007 entered into between Hostbest Limited, an indirect wholly-owned subsidiary of the Company as purchaser and Get Rich Enterprises Limited as vendor, in relation to the sale and purchase of Unit 1 to 3, 22/F., China United Centre, No. 28 Marble Road, North Point, Hong Kong at consideration of HK\$15,798,900 and Unit 5 to 9 , 22/F., China United Centre, No 28 Marble Road, North Point at a consideration of HK\$13,341,900 respectively. Details of which have disclosed in the announcement and circular of the Company dated 3 August 2007 & 17 August 2007;
- 9) a sale and purchase agreement dated 21 August 2007 entered into between Great Journey Limited, an indirect wholly-owned subsidiary of the Company and Mr. Tsang Kai Ming, whereby Tsang Kai Ming agreed to sell and Great Journey Limited agreed to purchase the entire issued share capital of Natural Harvest Investments Limited at a consideration of HK\$80,000,000. Natural Harvest Investments Limited effectively holds 49% equity interest in China Railway Information and Technology Limited. Details of which have disclosed in the announcement and circular of the Company dated 21 August 2007 and 7 September 2007;

- 10) an agreement dated 13 September 2007 entered into between (i) Smart Oriental Limited, an indirect wholly-owned subsidiary of the Company, (ii) B&O Global Invest Limited, (iii) Golden Fame International Investment Group Limited and (iv) Mr. Steve W.F. Lo whereby Smart Oriental Limited agreed to invest in 40% of the enlarged issue share capital of Golden Fame International Investment Group Limited at a consideration of HK\$26,650,000. The agreement has been completed;
- 11) a sale and purchase agreement dated 11 October 2007 entered into between Crown Creation Limited, an indirect wholly owned subsidiary of the Company and Z & Z International Limited, whereby Z & Z International Limited agreed to sell and Crown Creation Limited agreed to purchase entire issue share capital of Leapfly Limited at a consideration of HK\$20 million. Details of which have disclosed in the announcement of the Company dated 18 October 2007; and
- 12) the Underwriting Agreement.

13. DOCUMENT DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of Prospectus Documents, having attached thereto the written consent referred to under the paragraph headed “Expert’s Qualification and Consent” in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance.

14. GENERAL

- (a) The company secretary and qualified accountant of the Company is Chui Kark Ming, a fellow member of the Association of Chartered Certified Accountants and an associate member of each of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and the principal place of business in Hong Kong is Room 328, Hi-Tech Centre, 9 Choi Yuen Road, Sheung Shui, New Territories, Hong Kong.
- (c) The branch share registrar of the Company is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

- (d) There is no contract or arrangement entered into by any member of the Group, subsisting as at the date of the Prospectus in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.
- (e) The English text of this circular will prevail over the Chinese text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Room 328, Hi-Tech Centre, 9 Choi Yuen Road, Sheung Shui, New Territories, Hong Kong from the date of the Prospectus up to and including 31 January 2008:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2004, 31 December 2005 and 31 December 2006;
- (c) the interim report of the Group for the six months ended 30 June 2007;
- (d) the report from Mazars CPA Limited on statement of unaudited pro forma consolidated net tangible assets of the Group dated 4 January 2008, the text of which is set out on page 74 to 75 to the Prospectus;
- (e) the Underwriting Agreement;
- (f) the written consent referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix; and
- (g) all material contracts referred to in the paragraph headed “Material contracts” in this appendix.

1. NOTICE TO SWEDISH RESIDENTS

The offering of Rights Shares in the Company to shareholders resident in Sweden is directed only to such very limited number of designated shareholders in the Company. This document has not been and will not be registered with the Swedish Financial Supervisory Authority (Sq. *Finansinspektionen*). Accordingly, this document may not be made available, nor may the offering otherwise be marketed in Sweden, other than in circumstances which are deemed not to be an offer for which a prospectus is required to be registered pursuant to the Swedish Financial Instruments Trading Act (Sw. *lag (1991:980) om handel med finansiella instrument*).