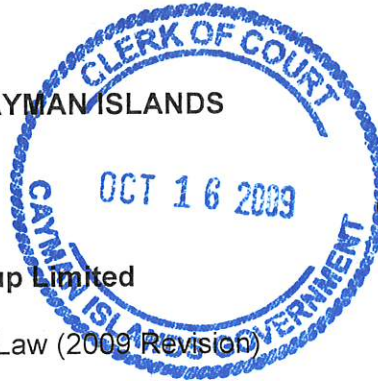


GRAND COURT OF THE CAYMAN ISLANDS



CAUSE NO. 516

OF 2009



THE MATTER OF Forefront Group Limited

AND in the matter of the Companies Law (2009 Revision)

AND the Grand Court Rules 1995 Order 102

PETITION

TO: The Grand Court of the Cayman Islands

THE PETITION of Forefront Group Limited shows as follows:

1. The object of this Petition is to seek an Order of the Court pursuant to section 15 of the Companies Law (2009 Revision) (the "Companies Law") confirming a reduction of the capital of your Petitioner **Forefront Group Limited** (the "Company").
2. The Company was incorporated under the Companies Law on 10 September, 1998 with the name "FOREFRONT INTERNATIONAL HOLDINGS LIMITED" and registered in the Cayman Islands as an exempted company with registration number 84526. On 29 June, 2007, the name of the Company was changed from "FOREFRONT INTERNATIONAL HOLDINGS LIMITED" to "Forefront Group Limited".
3. The registered office of the Company is situated at the offices of Maples and Calder, P.O. Box 309, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.
4. Upon the date of incorporation of the Company, its authorised share capital HK\$100,000,000 divided into 1,000,000,000 ordinary shares of a nominal or par value of HK\$0.10 each (the "Shares").
5. On 30 March 2007, an ordinary resolution was passed by the shareholders of the

Company at its extraordinary general meeting to increase the authorised share capital of the Company from HK\$100,000,000 to HK\$130,000,000 divided into 1,300,000,000 Shares with a nominal or par value of HK\$0.10.

6. On 29 June 2007, an ordinary resolution was passed by the shareholders of the Company at its extraordinary general meeting to increase the authorised share capital of the Company from HK\$130,000,000 to HK\$1,000,000,000 divided into 10,000,000,000 Shares with a nominal or par value of HK\$0.10.
7. On 15 October, 2008, a special resolution was passed by the shareholders of the Company at its extraordinary general meeting to, conditional upon fulfillment of certain conditions set out in the notice of extraordinary general meeting of the Company dated 16 September, 2008:-
  - (a) reduce the issued share capital of the Company by cancelling the issued and paid up capital to the extent of HK\$0.075 on each issued share of the Company thereby reducing the nominal value of each issued share from HK\$0.10 to HK\$0.025 (the "2008 Capital Reduction"); and
  - (b) consolidate every 4 issued and reduced shares of HK\$0.025 each of the Company into one issued consolidated share of HK\$0.10 each (the "2008 Consolidation").
8. The 2008 Capital Reduction and 2008 Consolidation (collectively, the "2008 Capital Reorganisation") became effective on 25 November, 2008 after all of the conditions thereto, including confirmation of the 2008 Capital Reduction by this Honourable Court, were fulfilled.
9. On 11 August, 2009, an ordinary resolution was passed by the shareholders of the Company at its extraordinary general meeting to increase the authorised share capital of the Company from HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each to HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each.

10. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 July 2001. Over the years, the Company has allotted and issued various tranches of ordinary shares, being the only class of shares of the Company in issue. As at the date of this Petition, the authorised share capital of the Company is HK\$5,000,000,000 divided into 50,000,000,000 Shares of a nominal or par value of HK\$0.10 each and its issued share capital is HK\$219,692,233.00 divided into 2,196,922,330 Shares of HK\$0.10 each.
11. The objects for which the Company was established are unrestricted.
12. The Articles of Association of the Company provide, *inter alia*, as follows:

"Article 63 (a) The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with

their rights and interests or may be paid to the Company for the Company's benefit;

- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Law; and
- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, subject nevertheless to the provisions of the Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

- (b) The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Law."

13. By a special resolution of the Company (the "Special Resolution") duly passed in accordance with section 14(1) of the Companies Law at an extraordinary general meeting held on 25 September, 2009 (the "Extraordinary General Meeting"), it was resolved:

"**THAT** conditional upon (i) approval of the Capital Reduction (as defined below) by the Grand Court of the Cayman Islands (the "Court"); (ii) registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Capital Reduction (as defined below) and the minute approved by the Court containing the

particulars required under the Companies Law of the Cayman Islands in respect of the Capital Reduction (as defined below) and compliance with any conditions as may be imposed by the Court in relation to the Capital Reduction (as defined below); and (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares (as defined below) in issue, upon the date (the "Effective Date") on which the Capital Reduction (as defined below) becomes effective:

- (A) the nominal value of all of the issued shares of the Company ("Shares") be reduced from HK\$0.10 each to HK\$0.02 each (the "Reduced Shares") by cancelling paid-up capital to the extent of HK\$0.08 on each Share in issue as of the Effective Date by way of a reduction of capital (the "Capital Reduction") and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued capital hereby cancelled be made available for issue of new shares of the Company so that the authorised capital of the Company of HK\$5,000,000,000 remains unchanged on the Effective Date;
- (B) the credit arising from the Capital Reduction be applied towards cancelling the accumulated deficit of the Company (if any) with the balance (if any) to be transferred to the distributable capital reduction reserve account of the Company where it may be utilised by the directors of the Company as distributable reserves in accordance with the articles of association of the Company and all applicable laws;
- (C) subject to and forthwith upon the Capital Reduction becoming effective, every five issued Reduced Shares be consolidated into one issued adjusted share of HK\$0.10 each (the "Adjusted Shares") and any fraction of Adjusted Shares arising from the share consolidation shall not be allocated to the holders of the Reduced Shares otherwise entitled thereto but such fractions shall be aggregated and be sold, if possible, for the benefit of the Company ("Share Consolidation");
- (D) all of the Adjusted Shares resulting from the Capital Reduction and Share Consolidation shall rank pari passu in all respects and have the rights and

privileges and be subject to the restrictions contained in the Company's articles of association; and

- (E) the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect and implement the Capital Reorganisation.

For the purpose of this resolution, "**Capital Reorganisation**" shall mean the steps as set out in the above paragraphs (A), (B) and (C) collectively.

Each of the capitalised terms referred to in the Special Resolution above is defined in the information circular exhibited to the affirmation of Mr. Yeung Ming Kwong ("YMK - 5").

14. The number of members of the Company present and voting in person or by corporate representatives or by proxy at the Extraordinary General Meeting is as set out in the table below:-

	<b>Present &amp; Voting</b>	<b>For</b>	<b>Against</b>
<b>How Present</b>	<b>No.</b>	<b>No. of shares voted</b>	<b>No. of shares voted</b>
In person/by corporate representatives	12 members	936,110,205 shares	1,955,000 shares
By proxy	Nil member	Nil share	Nil share
Total	12 members	936,110,205 shares	1,955,000 shares

The resolution was voted on by way of poll and the members present and voting in person or by corporate representatives or by proxy at the Extraordinary General Meeting represents more than three-fourths of the votes cast for the resolution approved the Capital Reduction and therefore the chairman of the Extraordinary General Meeting declared the resolution passed in accordance with the Articles of Association of the Company.

15. The Company had an audited accumulated loss of about HK\$615 million for the year ended 31 December, 2008. Based on the latest unaudited accounts of the Company for the period ended 31 August, 2009 (the "Management Accounts"), there were unaudited accumulated losses of about HK\$619 million. The credit arising from the Capital Reduction will be used to cancel the accumulated losses of the Company with the balance to be transferred to the distributable capital reduction reserve account of the Company, if any. It is expected that part of the accumulated losses of the Company will be eliminated after the Capital Reduction. The proposed Capital Reduction and Consolidation (as defined in paragraph 13 above) (collectively, the "Capital Reorganisation") will reduce the total number of Shares currently in issue. As such, it is expected to bring about a corresponding upward adjustment in the trading price of the Adjusted Shares (as defined in paragraph 13 above) on the Stock Exchange, which will reduce the overall transaction costs for dealings in the Adjusted Shares. In addition, the Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility for the issue of new Adjusted Shares in the future. Accordingly, the Board is of the view that the Capital Reorganisation is beneficial to the Company and the shareholders as a whole.
16. The proposed Capital Reduction does not involve either the diminution of any liability in respect of unpaid capital and the Company has no intention to make any payment of paid up capital to any shareholder. Furthermore, the Capital Reduction will not alter the underlying assets, business operations, management or financial position of the Company nor will it affect the proportionate interests of the shareholders of the Company.
17. The form of Minute proposed to be registered is as follows:-

*"The issued share capital of Forefront Group Limited (the "Company") was by virtue of a Special Resolution passed on 25 September, 2009 and with the sanction of an Order of the Grand Court of the Cayman Islands dated [        ], 2009, reduced from HK\$0.10 per each issued share to HK\$0.02 per each issued share (the "Capital Reduction"). Upon the Capital Reduction becoming effective, every five issued shares of HK\$0.02 each shall be consolidated into one share of HK\$0.10 each in the capital of the Company fully paid up or credited as being fully paid up. At the date of the registration of this Minute,*

*the authorised share capital of the Company is HK\$5,000,000,000 divided into 50,000,000,000 shares with a nominal or par value of HK\$0.10 each"*

Your Petitioner, the Company, therefore prays as follows:

- (1) That the Capital Reduction of the Company proposed to be effected by the Special Resolution set forth in paragraph 13 of this Petition may be confirmed and that the above-mentioned Minute may be approved by the Court.
- (2) That to this end, all necessary inquiries and directions may be made and given.
- (3) Such further and other order as this Honourable Court shall think fit.

NOTE: It is intended to serve this Petition on Forefront Group Limited, at its registered office located at the offices of Maples and Calder, P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

DATED THIS \_\_\_ DAY OF \_\_\_\_\_ 2009.



**CONYERS/DILL & PEARMAN**  
**Attorneys-at-Law for the Petitioner herein**

Notice of Hearing

This Petition having been presented to the Court on the \_\_\_\_\_ day of 2009 will be heard at the Law Courts, George Town, Grand Cayman on the \_\_\_ day of \_\_\_\_\_ 2009 at \_\_\_\_\_ am/pm or as soon thereafter as the Petition can be heard.

This Petition was filed by Conyers Dill & Pearman, Attorneys-at-Law for and on behalf of the Petitioner herein whose address for service is that of its Attorneys, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands