

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL



0117

CAUSE NO. FSD OF 2012

IN THE MATTER OF Forefront Group Limited

AND in the matter of the Companies Law (2011 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 (2011 Revision) (the "Companies Law") confirming a reduction of the share 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". The Company is an investment holding company, and through its subsidiaries and an associated company, is principally engaged in the provision of logistic services in Hong

Kong and the PRC; investing in forest interest; properties investments; securities trading and money lending businesses.

3. The registered office of the Company is situated at the offices of Maples and Calder, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.
4. Upon the date of incorporation of the Company, its authorised share capital was HK\$100,000,000 divided into 1,000,000,000 ordinary shares with 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 each.
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 each.
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. On 25 September 2009, a special resolution was passed by the shareholders of the Company at its extraordinary general meeting to, conditional upon fulfilment of certain conditions set out in the notice of extraordinary general meeting of the Company dated 2 September 2009:
- (a) reduce the issued share capital of the Company by cancelling the issued and paid up capital to the extent of HK\$0.08 on each issued share of the Company thereby reducing the nominal value of each issued share from HK\$0.10 to HK\$0.02 (the “2009 Capital Reduction”); and

- (b) consolidate every 5 issued and reduced shares of HK\$0.02 each of the Company into one issued consolidated share of HK\$0.10 each (the "2009 Consolidation").
11. The 2009 Capital Reduction and 2009 Consolidation became effective on 22 December 2009 after all of the conditions thereto, including confirmation of the 2009 Capital Reduction by this Honourable Court, were fulfilled.
12. On 10 January 2011, a special resolution was passed by the shareholders of the Company at its extraordinary general meeting to, conditional upon fulfilment of certain conditions set out in the notice of extraordinary general meeting of the Company dated 17 December 2010:
- (a) consolidate every 10 issued shares of HK\$0.10 each of the Company into one issued consolidated share of HK\$1.00 each;
 - (b) reduce the issued share capital of the Company by cancelling the issued and paid up capital to the extent of HK\$0.99 on each issued share of the Company thereby reducing the nominal value of each issued share from HK\$1.00 to HK\$0.01 (the "2011 Capital Reduction"); and
 - (c) sub-divide each authorised but unissued share of the Company of par value of HK\$1.00 each into ten (10) shares of par value of HK\$0.01 each (collectively with (a) and (b), the "2011 Capital Reorganisation").

13. The 2011 Capital Reduction and 2011 Capital Reorganisation became effective on 7 March 2011 after all of the conditions thereto, including confirmation of the 2011 Capital Reduction by this Honourable Court, were fulfilled.
14. 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\$0.01 each and its issued share capital is HK\$40,202,169.77 divided into 4,020,216,977 Shares of HK\$0.01 each.
15. The objects for which the Company was established are unrestricted.
16. 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.”

17. By a special resolution of the Company (the "Special Resolution") duly passed in accordance with section 14(1) of the Companies Law (2011 Revision) at an extraordinary general meeting held on 14 August 2012 (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 aforesaid conditions are fulfilled:

- (A) every ten (10) issued shares of par value of HK\$0.01 each in the capital of the Company be consolidated ("Share Consolidation") into one consolidated share of

par value of HK\$0.10 each ("Consolidated Share") with the total number of issued Consolidated Shares be rounded down to the nearest whole number;

- (B) immediately following the Share Consolidation, the issued and paid up share capital of the Company be reduced ("Capital Reduction") by cancelling the paid-up capital to the extent of HK\$0.099 on each Consolidated Share in issue so that each issued Consolidated Share of HK\$0.10 each of the Company be treated as one fully paid-up share of HK\$0.001 par value each ("Adjusted Share(s)") in the share capital of the Company 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 thereby cancelled be made available for issue of new shares of the Company;
- (C) the credit arising from the Capital Reduction shall be applied to set-off the accumulated deficit of the Company and the balance (if any) will be transferred to a distributable reserve of the Company called the distributable capital reduction reserve account of the Company which may be utilised by the directors of the Company as a distributable reserve in accordance with the articles of association of the Company and all applicable laws;
- (D) immediately following the Capital Reduction, each authorized but unissued share of the Company of par value of HK\$0.01 each shall be sub-divided into ten (10) Adjusted Shares of par value of HK\$0.001 each ("Share Subdivision");
- (E) all of the Adjusted Shares resulting from the Share Consolidation, Capital Reduction and Share Subdivision 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

- (F) 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 (which term means the steps set out in the above paragraphs (A), (B), (C) and (D) collectively)"

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

18. 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:

	Present & Voting	For	Against
How Present	Number of shares voted	Number of shares voted	Number of shares voted
In person/by corporate representatives	14 members	2,684,357,833 shares	219,506 shares
By proxy	2 members	200 shares	0 shares
Total	16 members	2,684,358,033 shares	219,506 shares

The Special Resolution was presented to the meeting and voted on by way of a poll. The members present and voting in person or by corporate representative or by proxy,

representing not less than three-fourths of the votes cast, voted to approve the Special Resolution and the chairman of the Extraordinary General Meeting declared the resolution passed in accordance with the Articles of Association of the Company.

19. The proposal put forward to shareholders of the Company to consolidate every ten (10) issued shares of par value of HK\$0.01 each into one consolidated share of par value of HK\$0.10 each of the Company; to effect the Capital Reduction; to apply the credit arising from the Capital Reduction to set-off the accumulated deficit of the Company and to transfer the balance (if any) to a distributable reserve of the Company, called the distributable capital reduction reserve account of the Company; and, to subdivide each authorised but unissued share of the Company of par value of HK\$0.01 each into ten (10) adjusted shares of par value of HK\$0.001 each, 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 of HK\$0.001 of the Company (the "Adjusted Shares") on the Stock Exchange, which will reduce the overall transaction costs for dealings in the Adjusted Shares.
20. 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 proposed 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.
21. The form of Minute proposed to be registered is as follows:

“Following a share consolidation of every ten (10) issued shares of HK\$0.01 each of Forefront Group Limited (the “Company”) into one consolidated share of HK\$0.10 each, the issued share capital of the Company was by virtue of a Special Resolution passed on 14 August 2012 and with the sanction of an Order of the Grand Court of the Cayman Islands dated 2012, reduced by a round down of the total number of issued consolidated shares of HK\$0.10 each to the nearest whole number and a cancellation of capital paid up to the extent of HK\$0.099 on each issued consolidated share from HK\$0.10 to HK\$0.001 per each issued share (the “Capital Reduction”). Immediately following the Capital Reduction, every authorised but unissued share of HK\$0.01 each shall be sub-divided into ten (10) shares of HK\$0.001 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 5,000,000,000,000 shares of HK\$0.001 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 17 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, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

Dated this 24th day of August 2012

Conyers Dill & Pearman (Cayman) Limited
Conyers Dill & Pearman (Cayman) Limited
Attorneys-at-Law for the Petitioner herein

Notice of Hearing

This Petition having been presented to the Court on the _____ day of _____, 2012 will be heard at the Law Courts, George Town, Grand Cayman on the ___th day of _____, 2012 at _____ am/pm or as soon thereafter as the Petition can be heard.

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