



## THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)  
(the “Exchange”)

30 September 2010

**The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”) censures the following parties for breaching the Exchange Listing Rules:**

- (1) Forefront Group Limited (the “Company”) (Stock Code: 885);**
- (2) Mr Yeung Ming Kwong, a current executive director of the Company (“Mr Yeung”);**
- (3) Ms Lo Oi Kwok, Sheree, a current executive director of the Company (“Ms Lo”);  
and**
- (4) Mr Ting Wing Cheung, Sherman, a former executive director of the Company,  
resigned on 17 May 2010 (“Mr Ting”).**

On 24 August 2010, the Listing Committee conducted a hearing into the conduct of, among others, the Company and Mr Yeung, Mr Ting and Ms Lo (collectively, the “**Relevant Directors**”) in relation to their obligations under the Exchange Listing Rules and the Declaration and Undertaking with regard to Directors given by the Relevant Directors to the Exchange in the form set out in Appendix 5 Form B to the Exchange Listing Rules (the “Director’s Undertaking”).

### **Facts**

On 7 August 2007, the Company published an announcement (the “**MOU Announcement**”) that it had on that day, entered into a MOU with the Vendor for the Group’s intended acquisition of 100 per cent shares in Natural Harvest Investment Holdings Limited (“**Natural Harvest**”) for \$80 million. Natural Harvest held 61.25 per cent interest in Talenteam Development Limited (“**Talenteam**”) which in turn held 80 per cent interest in a sino-foreign equity joint venture in the PRC formed with a PRC partner to operate, own and derive economic benefits in China’s rail ticket reservation business through China Railway Web Portal (the “**Project**”).

The MOU Announcement disclosed, among other things, that the MOU was non-binding save as to the provisions relating to the earnest money of \$4 million paid to the Vendor; and the proposed acquisition might or might not proceed. Following the signing of the MOU, negotiation of the proposed acquisition continued.

On 21 August 2007 after trading hours, the Company published an announcement (“**S&P Announcement**”) disclosing that the Company and the Vendor had on that day entered into an agreement for the Group’s acquisition of Natural Harvest at \$80 million.

## Non-disclosure of Subsequent Events

After completion of the acquisition on 7 September 2007, there were material developments concerning the Project (“**Subsequent Events**”) including:

- (1) Difficulties encountered with the PRC partner in the Project in relation to the Group eliciting relevant documents and information (including financial information) about the Project, the joint venture company through which the Project was to be conducted.
- (2) The Group’s disputes with the PRC partner over the latter’s demand for further immediate capital payment by the Group of \$150 million into the Project.
- (3) By November 2007, management of the Company considered the Project suspended and the PRC partner had commenced and had since progressed the arbitration proceedings against the Company and Talenteam in the PRC over the disputes including that mentioned at (2) above.

In late April 2008, the Company disclosed the Subsequent Events in its 2007 Annual Results.

At all material time between September 2007 and April 2008, Mr Yeung, Mr Ting and Ms Lo were aware of the Subsequent Events. Mr Yeung directly communicated with the PRC partners concerning the disputes. However they all took the view that no disclosure of the Subsequent Events was required under Rule 13.09 of the Exchange Listing Rules. They did not refer the Subsequent Events to the full board for consideration.

The Company eventually booked impairment in full of the investment i.e. \$80 million in its 2007 Annual Results.

## Continued reference to the Project as being among the Group’s businesses in the Company’s documents

On 4 December 2007, 4 January 2008, 11 February 2008 and 25 February 2008, the Company published four announcements and circulars (the “**Documents**”) in which the Company continued to describe its business or principal business as including “*the operation of an e-ticketing system in the PRC*” (i.e. the Project).

## **Assertions made by the Listing Division**

### Breach of Rule 13.09

Rule 13.09(1) imposes an obligation on issuers to keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group: (a) which is necessary to enable them and the public to appraise the position of the group; (b) which is necessary to avoid the establishment of a false market in its securities; and (c) which might be reasonably expected materially to affect market activity in and the price of its securities. Further, as specified in Note 11(ii) to Rule 13.09, the disclosure obligation must be discharged without delay where to the knowledge of the directors, there is such a change in the issuer’s financial condition or in the performance of its business or in the issuer’s expectation of its performance that knowledge of the change is likely to lead to substantial movement in the price of its listed securities.

The Listing Division alleged that the Company breached Rule 13.09:

- (1) The Subsequent Events were significant unexpected adverse developments of the Project. Information concerning the Subsequent Events was material information discloseable under Rule 13.09(1)(a), (b) and (c).
- (2) The obligation to disclose the Subsequent Events under Rule 13.09 arose:
  - (a) no later than the end of November 2007 in respect of the disputes with the PRC partner and the latest status of the Project; and
  - (b) on or shortly after 15 January 2008 in respect of the arbitration proceedings.
- (3) As disclosure of the Subsequent Events was made only on 27 April 2008, the Company breached Rule 13.09. The delay in disclosure was about five months and three months respectively.

#### Breach of Rule 2.13

The Listing Division alleged that the Company breached Rule 2.13 in that, given the Subsequent Events which had occurred in particular that the Directors had treated the Project as having been suspended in November 2007, the description of the Project as being among the Group's business or principal business, was inaccurate, incomplete and misleading.

#### Breach of the Director's Undertaking

The Listing Division alleged that Mr Yeung, Mr Ting and Ms Lo breached their Director's Undertaking for failing to use their best endeavours to procure the Company's compliance with Rules 13.09 and 2.13 in that they did not procure the Company's disclosure of the Subsequent Events at the relevant time and having knowledge of the Subsequent Events, they nevertheless authorised publication of the Documents which described the Project as among the Group's business or principal business.

#### **Decision**

The Listing Committee concluded that:

- (1) The Company breached Rules 2.13 and 13.09 of the Exchange Listing Rules; and
- (2) Each of Mr Yeung, Mr Ting and Ms Lo breached the Director's Undertaking for failing to use best endeavours to procure the Company's compliance with the Exchange Listing Rules in relation to the Company's breaches of Rules 13.09 and 2.13.

The Listing Committee decided to impose a public censure on the Company and each of the Relevant Directors for their respective breaches mentioned in (1) and (2) above.

Further, the Listing Committee directed as follows:

- (1) that the Company appoint a Compliance Adviser satisfactory to the Listing Division to provide guidance to the Company on compliance matters under Rule 3A.20 for a period of two years, the appointment to be made within one month after publication of this news release;
- (2) that each of Mr Yeung and Ms Lo, who remains as a current director of the Company, undergo training on compliance and corporate governance matters for a total period of 24 hours to be given by a recognised professional organisation satisfactory to the Listing Division to be completed within six months from publication of this news release. The Company should provide the Listing Division with the training provider's written certification of full compliance with this training requirement by these directors within two weeks after their satisfaction of the requirement;
- (3) that before Mr Ting, who is no longer a director of the Company is next appointed as a director of any company listed on the Exchange, he must undergo training on compliance and corporate governance matters for 24 hours to be provided by a recognised professional organisation satisfactory to the Division. Mr Ting must in respect of and prior to that next appointment only: (a) have fully complied with the training requirement before the effective date of that proposed next appointment; and (b) provide the Listing Division with evidence satisfactory to the Listing Division, of full compliance with the training requirement upon the Listing Division's request;
- (4) that the Company publish an announcement to confirm that each of the directions in sub-paragraphs (1) and (2) above has been fully complied with within one week after the fulfillment of each of those directions. The last announcement required to be published under this requirement is to include the confirmation that all directions in sub-paragraphs (1) and (2) above have been complied with; and
- (5) that the Company submit drafts of the announcement referred to in sub-paragraph (4) above for the Listing Division's comment and may only publish the announcements after the Listing Division has confirmed it has no further comment on them.

For the avoidance of doubt, the Exchange confirms that this public censure applies only to the Company and the Relevant Directors and not to any other past or present members of the Company's Board of Directors.