



Futong Technology
Development Holdings Limited
富通科技發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 465

Placing and Public Offer

Sole Sponsor



Sole Bookrunner and Sole Lead Manager



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Futong Technology Development Holdings Limited
富通科技發展控股有限公司
(incorporated in the Cayman Islands with limited liability)

**LISTING ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
PLACING AND PUBLIC OFFER**

**Number of Offer Shares : 75,000,000 Shares (subject to the
Over-allotment Option)**
**Number of Placing Shares : 67,500,000 Shares (subject to the
Over-allotment Option and re-allocation)**
Number of Public Offer Shares : 7,500,000 Shares (subject to re-allocation)
**Offer Price : Not more than HK\$2.06 per Offer Share
(payable in full on application and subject
to refund, plus brokerage of 1%, Stock
Exchange trading fee of 0.005% and SFC
transaction levy of 0.004%) and expected
to be not less than HK\$1.41 per Offer Share**
Nominal value : HK\$0.10 each
Stock code : 465

Sole Sponsor



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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between Taifook Securities (on behalf of the Underwriters) and the Company on or before Friday, 27 November 2009 or such later time as may be agreed between the parties, but in any event, no later than 9:00 p.m. (Hong Kong time) on Monday, 30 November 2009. If, for any reason, Taifook Securities (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 9:00 p.m. (Hong Kong time) on Monday, 30 November 2009, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will fall within the Offer Price range stated in this prospectus unless otherwise announced, as explained below. Investors applying for Offer Shares must pay the maximum Offer Price of HK\$2.06 per Offer Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%. Taifook Securities (on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below that as stated in this prospectus (which is HK\$1.41 per Offer Share to HK\$2.06 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notice of the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.futong.com.hk. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced such applications cannot be subsequently withdrawn.

Pursuant to the force majeure provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer, Taifook Securities (on behalf of the Public Offer Underwriters) has the right in certain circumstances, subject to its sole and absolute opinion (for itself and on behalf of the Public Offer Underwriters), to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be Friday, 4 December 2009). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting" in this prospectus.

24 November 2009

EXPECTED TIMETABLE

2009
(Note 1)

Application lists of the Public Offer open (Note 2) 11:45 a.m. on Friday, 27 November

Latest time for lodging **WHITE** and **YELLOW**

Application Forms 12:00 noon on Friday, 27 November

Latest time to give **electronic application instructions**

to HKSCC (Note 3). 12:00 noon on Friday, 27 November

Application lists of the Public Offer close (Note 2) 12:00 noon on Friday, 27 November

Expected Price Determination Date on or before Friday, 27 November

Announcement of the final Offer Price,

the indication of the level of interests in the Placing,

the level of applications in the Public Offer and the basis

of allotment of the Public Offer Shares to be published

in the South China Morning Post (in English) and

the Hong Kong Economic Times (in Chinese), on

the Company's website (www.futong.com.hk) and

the Stock Exchange's website (www.hkex.com.hk) on or before Thursday, 3 December

Results of allocations in the Public Offer,

including the Hong Kong identity card/passport/

Hong Kong business registration certificate numbers

(where applicable) of successful applicants will be

made available through a variety of channels, including

the Company's website (www.futong.com.hk) and the

Stock Exchange's website (www.hkex.com.hk), as

described in the paragraph headed "Publication of results"

in the section headed "How to apply for the Public

Offer Shares" in this prospectus from Thursday, 3 December

Despatch of refund cheques in respect of wholly successful or

(where applicable) wholly or partially unsuccessful applications

under the Public Offer on or before (Note 4) Thursday, 3 December

Despatch/collection of Share certificates on or before

(Notes 4, 5 and 6) Thursday, 3 December

Dealings in the Shares on the Main Board expected to

commence on Friday, 4 December

EXPECTED TIMETABLE

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus.
2. If a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 27 November 2009, the application lists will not open and close on that day. See the paragraph headed “Effect of bad weather on the opening of the application lists” in the section headed “How to apply for the Public Offer Shares” of this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed “How to apply by giving **electronic application instructions** to HKSCC” in the section headed “How to apply for the Public Offer Shares” of this prospectus.
4. Applicants who apply with **WHITE** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect their refund cheques and/or Share certificates in person from the Company’s Hong Kong branch share registrar and transfer office may collect refund cheques (where applicable) and/or Share certificates in person from the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Thursday, 3 December 2009. Identification and authorization documents (where applicable) acceptable to Tricor Investor Services Limited must be produced at the time of collection. Applicants who apply with **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect their refund cheques in person may collect their refund cheques (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post and at the own risk of the applicants shortly after the day as described in the paragraphs headed “Despatch/collection of Share certificates and refund of application money” and/or “Deposit of Share certificates into CCASS” under the section headed “How to apply for the Public Offer Shares” of this prospectus.
5. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on Thursday, 3 December 2009 for credit to the respective CCASS Participant’s stock accounts designated by the Placing Underwriter, the placees or their agents, as the case may be.
6. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be Friday, 4 December 2009) provided that (i) the Share Offer becomes unconditional in all respects and (ii) the right of termination as described in the paragraph “Grounds for termination” in the section headed “Underwriting” of this prospectus has not been exercised thereto and has lapsed.

Pursuant to the force majeure provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer, Taifook Securities (on behalf of the Public Offer Underwriters) has the right in certain circumstances, subject to its sole and absolute opinion (for itself and on behalf of the Public Offer Underwriters), to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Friday, 4 December 2009). Further details of the terms of the force majeure provisions are set out in the section headed “Underwriting” of this prospectus.

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You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.

The Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms.

Any information or representation not made in this prospectus and the related Application Forms must not be relied on by you as having been authorized by the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or affiliates of any of them or any other person or parties involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Being one of the leading distributors of enterprise IT products in the PRC, the Group is principally engaged in the provision of IT solutions, the distribution of enterprise IT products and provision of IT technical support services in the PRC. The Group distributes a variety of enterprise hardware and software products, including mainly enterprise servers, system storage products, software in association with servers and system storage products, and provides IT technical support services in association with the distribution of enterprise IT products.

The Group is an authorized distributor of certain enterprise IT products in the PRC for IBM, Oracle and Huawei Symantec, with IBM's group companies being the Group's major suppliers. Since 1996, the Group or previously through Futong ComputerLand has developed non-exclusive distribution relationship in the PRC with IBM, the leading global provider for enterprise IT products. IBM's products that the Group distributes in the PRC include (i) enterprise servers (System p servers and System x servers), (ii) system storage products like disk systems, tape systems and SAN switches, and (iii) various middleware. According to the report "IDC — PRC IT Market Overview and Forecast", IBM's non-x86 servers (including System p servers), external disk storage products and tape storage products ranked first and its x-86 servers (including System x servers) and middleware ranked second in terms of sales revenue generated from the PRC IT market in 2008. During the Track Record Period, IBM's products accounted for approximately 78.7%, 78.7%, 80.1% and 84.0% of the Group's total purchases and approximately 85.0%, 90.2%, 91.9% and 93.7% of the Group's revenue for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively.

As at 30 June 2009, IBM had in the PRC 20 authorized distributors for System p server and system storage products, 11 authorized distributors for System x server products and 6 authorized distributors for software products, all on non-exclusive basis, and about 5 out of those 20 authorized distributors, including the Group, were considered as core distributors by IBM for distribution of IBM's System p server and system storage products in the PRC. Furthermore, IBM confirmed that the Group was one of the top three authorized distributors of IBM's hardware and software products in the PRC from 2006 to 2008. The Group or previously through Futong ComputerLand has received various awards and recognitions from IBM for its recognized achievements in distribution of enterprise IT products of IBM in the PRC since 1997, the details of which are set out in the paragraph headed "Awards and recognitions" under the section headed "Business" in this prospectus. In addition to direct purchase of enterprise IT products from IBM, the Group or previously through Futong ComputerLand has been authorized and admitted to the SDI Program by IBM since 2004 to establish its own assembly line in Beijing, which is certified under ISO9001:2000 quality management system,

SUMMARY

for certain System p servers, which enables the Group to (i) offer tailor-made assembled enterprise IT products which are customized to suit its customers' needs; (ii) respond faster to its customers' needs by shortening the order-to-delivery time; and (iii) reduce the inventory risk by stocking up the components or ISUs instead of complete sets of models with prescribed specifications.

Other than IBM's enterprise IT products, the Group also distributes database management software, middleware for integration services, business intelligence, collaboration, content management and application server, as well as tools for developing applications from Oracle and server, storage and IT security products from Huawei Symantec in the PRC, on a non-exclusive basis. Being one of the leading distributors of enterprise IT products in the PRC, in association with the sales of enterprise IT products, the Group adds value to its customers by providing a series of comprehensive IT technical support services throughout the whole cycle from negotiation, sales conclusion to after sales, including (i) the formulation of cost effective and quality IT solutions; (ii) provision of IT implementation services; (iii) provision of IT technical training services; and (iv) provision of after-sales IT technical support services.

The details of the current distribution agreements signed with IBM, Oracle and Huawei Symantec are summarized as below (please refer to the paragraph headed "Distributorship" in the section headed "Business" for details of the distributorship of the Group):

Supplier	Product	Commencement date	Expiry date
IBM World Trade Corporation	System p servers, system storage products and other ancillary products	7 May 2009	6 May 2010
IBM World Trade Corporation	System x servers	12 March 2009	11 March 2010
IBM (China) Company Limited (formerly known as IBM Global Services (China) Co., Ltd.)	System p servers, System x servers, system storage products and other ancillary products	30 April 2009	29 April 2010
IBM Technology Product (Shenzhen) Co., Ltd.*	System x servers	30 April 2009	29 April 2011
IBM Technology Product (Shenzhen) Co., Ltd.*	system storage products (DS3000)	24 April 2009	23 April 2011
IBM Engineering Technology (Shanghai) Co., Ltd.	middleware	23 July 2009	22 July 2010

SUMMARY

Supplier	Product	Commencement date	Expiry date
Oracle	Software products, learning credits and technical support services in association with the software products (to Oracle's resellers)	14 April 2009	13 April 2012
Oracle	Software products, learning credits and technical support services in association with the software products (to end-users)	24 January 2008	23 January 2010
Oracle	Oracle's technology based training software products, learning credits, education services, and vouchers and bundles of Oracle Certified Professional (OCP) examination (to end-users)	29 June 2009	28 June 2010
Huawei Symantec	Servers, storage products, and IT security products	1 January 2009	31 December 2009

* *With effect from 1 August 2009, due to the business restructuring of IBM in the PRC, the rights and obligations of IBM Technology Product (Shenzhen) Co., Ltd. under the agreements have been transferred to IBM (China) Company Limited.*

Suppliers of IBM's products have implemented various rebate schemes to reward their business partners, including the Group, upon achievement of certain purchase and sales targets on different models and types of products. The rebate schemes implemented by suppliers of IBM's products vary from time to time solely at their discretion based on the then market conditions, their selling prices of products and their sales and marketing strategies in order to encourage more purchases from business partners and more sales by business partners of their products while maintaining the price competitiveness of their products in the market. In determining the selling prices for IBM's products, it is the practice of the Group to maximize its profitability by taking into account a number of factors including the cost of purchases, payment terms, the possible rebates on the products and the then market demand on the products. During the Track Record Period, the total rebates recorded by the Group from suppliers of IBM's products amounted to approximately HK\$56.3 million, HK\$45.6 million, HK\$67.2 million and HK\$10.2 million for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively and approximately HK\$69.1 million, HK\$47.2

SUMMARY

million, HK\$60.1 million and HK\$18.5 million were realized in the cost of sales respectively, representing approximately 3.8%, 2.5%, 2.5% and 1.7% respectively of the Group's total cost of sales before rebates for the corresponding periods. Although the Directors believe that suppliers of IBM's products will continue to offer incentives to their distributors, there is no assurance that there would not be any significant change to the current incentive policy from suppliers of IBM's products applicable to the Group. If no rebates were received from suppliers of IBM's products for the three years ended 31 December 2008 and for the six months ended 30 June 2009, the Group would have recorded a gross profit of approximately HK\$32.5 million, HK\$123.8 million, HK\$129.1 million and HK\$88.9 million respectively and a net (loss)/profit after tax of approximately HK\$(57.8 million), HK\$(12.1 million), HK\$(4.5 million) and HK\$20.3 million respectively in these periods. As at the Latest Practicable Date, the Group has not received any indication from the suppliers of IBM's products that the principal terms of any rebate schemes being implemented will change significantly and the Directors were not aware of any commercial reason why IBM would terminate the operation of rebate schemes as one of its sales strategies in the near future.

The Group maintains a nationwide network of customers with business relationships up to 9 years, covering end-users and business partners. Other than purchasing enterprise IT products directly from the Group, end-users may have business application which requires services from system integrators or independent software vendors who are able to provide IT solutions for such business application integrating the application software and the enterprise IT products that the Group distributes. Hence, the Group also sells enterprise IT products to those system integrators and independent software vendors and consider them as business partners of the Group. During the Track Record Period, approximately 86.2%, 87.6%, 84.8% and 63.1% of the Group's revenue was derived from the sales to business partners respectively. The end-users of the enterprise IT products that the Group sells (either directly or through business partners) include government bodies (such as tax bureau, security bureau, statistics bureau and government), national financial institutions (such as the five largest national banks, four of which are listed, and the largest national life insurance (listed) and non-life insurance companies), large-scale listed national companies engaging in industries of telecommunications, petroleum (such as the three largest listed national petroleum companies) and manufacturing, and small to medium enterprises in the PRC.

Headquartered in Beijing, the PRC, the Group currently has 13 branch/representative offices in different regions of the PRC covering Beijing, Shanghai, Guangzhou, Nanjing, Hangzhou, Shenyang, Jinan, Xi'an, Wuhan, Chengdu, Fuzhou and Shenzhen respectively for business development and liaison. The Group is equipped with a sales and marketing force of approximately 130 staff, which is generally divided into teams specifically covering different products, sectors and sales regions and are fully supported by a pool of over 90 IT technical support personnel.

COMPETITIVE STRENGTHS

The Directors believe that the following are the key components to the success of the Group.

- Extensive nationwide sales network in the PRC
- Well established long term relationships with leading international IT vendors

SUMMARY

- Experienced management personnel and qualified IT technical and sales force
- Strong capability to deliver value-added services

FUTURE PLANS AND PROSPECTS

The PRC IT industry represented only a small fraction of the worldwide IT industry in terms of the amount of IT spending from 2006 to 2008. However, that proportion is expected to continue to grow in the PRC on an accelerated level as anticipated by IDC. According to the 2006-2020 National Information Technology Development Plan, the PRC government will encourage the development of IT industry in the PRC including the promotion of the use of IT in various enterprises, enabling electronic public services, developing advanced cultural network, facilitating a digital economy, improving information-based facilities and enhancing the competitiveness of IT industry in the PRC. The Directors are confident that the IT industry in the PRC continues to be one of the fastest growing markets in Asia, with the enterprise IT market in the PRC continuing to grow steadily. According to the China Statistical Yearbook 2009, the business volume of telecommunication services, government expenditure and total energy production increased by approximately 19.7%, 25.7% and 8.3% respectively from 2007 to 2008. The Directors believe that the Group's business operation in the PRC will benefit from the continued development in various sectors of the PRC economy.

As a result of the foregoing, being one of the leading providers of cost effective IT solutions, quality enterprise IT products and comprehensive IT technical support services in the PRC, the Group intends to enhance its market leading position by formulating a series of development plans as set out below.

- Strategic extension of sales network and coverage
- Broadening of IT product range and procurement network
- Expansion of the IT service provision in the PRC

USE OF PROCEEDS

Based on an Offer Price of HK\$1.73 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.41 per Offer Share and HK\$2.06 per Offer Share), the gross proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$129.75 million. The net proceeds of the Share Offer after deducting the expenses payable by the Company, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$105.0 million. At present, the Directors intend to apply the net proceeds of approximately HK\$105.0 million in the following manner:

- approximately HK\$10.5 million or 10% for incorporation of five branch offices, tentatively at Kunming, Changsha, Shijiazhuang, Nanning and Ha'erbin in the PRC, to complement the Group's current sales and technical support coverage in the PRC, which is expected to cover recruitment of corresponding IT technical and sales force, lease of office premises, office renovation and facilities, and product demonstration facilities;

SUMMARY

- approximately HK\$26.25 million or 25% for sourcing new enterprise IT products in the PRC, which is expected to cover product sales, marketing and promotion activities, staff recruitment and training, product demonstration facilities and initial stock up of enterprise IT products for distribution;
- approximately HK\$15.75 million or 15% for establishment of four IT solution support centers, tentatively at Shenyang, Xi'an, Chengdu and Wuhan in the PRC, and expansion of the Group's another three existing IT solution support centers located at Beijing, Shanghai and Guangzhou to further strengthen its IT solution delivery and support service capability, which is expected to cover (i) rental and renovation, recruitment of corresponding IT technical force and purchase of enterprise IT equipment for four newly set-up centers, and (ii) renovation and enterprise IT equipment upgrade and replacement for three existing centers;
- approximately HK\$10.5 million or 10% for set up of six IT training centers, tentatively at Beijing, Shanghai, Guangzhou, Xi'an, Chengdu and Wuhan in the PRC, to offer more industry-specific IT trainings of different variety as a source of extensive and tailor-made IT technical support to the Group's business partners and end-users and to provide more intensive internal IT trainings to enrich IT technical know-how and uplift IT service capability of the Group's IT technical and sales teams, which is expected to cover center rental and renovation, purchase of training facilities and enterprise IT equipment for training purpose and recruitment of corresponding qualified IT trainers;
- approximately HK\$31.5 million or 30% for acquisition of potential targets with brilliant servicing capabilities and expertise for IT products that the Group currently sells, through which the Group can relatively speed up its business development in the IT servicing field and reinforcement of its IT servicing capabilities; and
- approximately HK\$10.5 million or 10% for general working capital purposes of the Group.

The Group has not identified any potential target for acquisition and there is currently no concrete plan for the Group to apply the net proceeds towards the acquisition of any specific company.

In the event that the Offer Price is fixed at HK\$2.06 per Offer Share, being the highest end of the indicative Offer Price range, the net proceeds from the Share Offer will be increased by approximately HK\$23.9 million (assuming the Over-allotment Option is not exercised). The Directors intend to apply such additional net proceeds in the manner and proportions as set out above.

In the event that the Offer Price is fixed at HK\$1.41 per Offer Share, being the lowest end of the indicative Offer Price range, the net proceeds from the Share Offer will be decreased by approximately HK\$23.2 million (assuming the Over-allotment Option is not exercised). The Directors intend to apply the reduced net proceeds in the manner and proportions as set out above.

Should the Over-allotment Option be exercised in full, based on an Offer Price of HK\$1.73 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.41 per Offer

SUMMARY

Share and HK\$2.06 per Offer Share), the net proceeds will be increased by approximately HK\$18.8 million. The Directors intend to apply such additional net proceeds in the manner and proportions as set out above. In the event that the Offer Price is fixed at HK\$2.06 per Offer Share or HK\$1.41 per Offer Share, being the highest and lowest ends of the indicative Offer Price range respectively, the net proceeds will be increased by approximately HK\$22.4 million or approximately HK\$15.3 million respectively. The Directors intend to apply such additional net proceeds in the same manner and proportions as set out above for both the highest and lowest points of the indicative Offer Price range.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with licensed banks and/or financial institutions in Hong Kong and/or the PRC.

TRADING RECORD

The following table is a summary of the combined results of the Group for the three years ended 31 December 2008 and the six months ended 30 June 2008 and 30 June 2009 which has been extracted from, and should be read in conjunction with, the accountants' report set out in Appendix I to this prospectus.

	For the year ended			For the six months	
	31 December			ended 30 June	
	2006	2007	2008	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
Revenue	1,846,684	2,018,822	2,554,539	1,282,757	1,183,906
Cost of sales	<u>(1,745,103)</u>	<u>(1,847,796)</u>	<u>(2,365,375)</u>	<u>(1,183,671)</u>	<u>(1,076,527)</u>
Gross profit	101,581	171,026	189,164	99,086	107,379
Other income	7,495	2,202	2,811	1,698	521
Distribution costs	(55,259)	(65,853)	(81,655)	(39,315)	(41,631)
Administrative expenses	<u>(14,926)</u>	<u>(39,984)</u>	<u>(22,740)</u>	<u>(15,530)</u>	<u>(16,512)</u>
Profit from operations	38,891	67,391	87,580	45,939	49,757
Finance costs	<u>(29,876)</u>	<u>(30,810)</u>	<u>(34,209)</u>	<u>(17,566)</u>	<u>(11,529)</u>
Profit before taxation	9,015	36,581	53,371	28,373	38,228
Income tax	<u>(1,454)</u>	<u>(4,643)</u>	<u>(4,377)</u>	<u>(2,359)</u>	<u>(3,096)</u>
Profit for the year/period	<u>7,561</u>	<u>31,938</u>	<u>48,994</u>	<u>26,014</u>	<u>35,132</u>
Earnings per Share					
— Basic and diluted (<i>HK\$</i>)	<u>0.03</u>	<u>0.14</u>	<u>0.22</u>	<u>0.12</u>	<u>0.16</u>

SUMMARY

UNAUDITED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

Forecast combined net profit attributable to equity holders of the Company for the year ending 31 December 2009 (*Notes 1 and 2*) Not less than HK\$65.0 million

Unaudited pro forma forecast earnings per Share (*Note 3*) Not less than HK\$0.22

Notes:

1. The bases and assumptions on which the above profit forecast for the year ending 31 December 2009 has been prepared are summarized in Appendix III to this prospectus.
2. The unaudited forecast combined net profit attributable to equity holders of the Company for the year ending 31 December 2009 prepared by the Directors are based on, in the absence of unforeseen circumstances, the audited combined financial statements of the Group for the six months ended 30 June 2009, the unaudited combined management accounts of the Group for the three months ended 30 September 2009 and a forecast of the combined results of the Group for the three months ending 31 December 2009.
3. The calculation of the unaudited forecast earnings per share on a pro forma basis is based on the forecast combined net profit for the year ending 31 December 2009, assuming that the Company had been listed since 1 January 2009 and a total of 300,000,000 Shares were issued during the entire year. This calculation does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

STATISTICS OF THE SHARE OFFER

	Based on an Offer Price of	
	HK\$1.41 per Offer Share	HK\$2.06 per Offer Share
Expected market capitalization ⁽¹⁾	HK\$423 million	HK\$618 million
Prospective price/earnings multiple ⁽²⁾	6.5 times	9.5 times
Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	HK\$1.19	HK\$1.34

Notes:

1. The calculation of market capitalization is based on the multiple of the Offer Price and 300,000,000 Shares expected to be in issue immediately following the Share Offer and the Capitalization Issue, but takes no account of any Shares which may fall to be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates granted to the Directors for the allotment and issue or repurchase of Shares as referred to in the paragraph headed "Resolutions in writing of the Shareholders passed on 11 November 2009 and 18 November 2009" in Appendix VI to this prospectus.

SUMMARY

2. The calculation of the prospective price/earnings multiple on a pro forma basis is based on the forecast combined net profit attributable to equity holders of the Company for the year ending 31 December 2009 of approximately HK\$65.0 million, the respective Offer Prices of HK\$1.41 and HK\$2.06 per Offer Share and on the basis of a total of 300,000,000 Shares in issue and to be issued as mentioned herein. This calculation does not take into account any Shares which may fall to be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company.
3. The unaudited pro forma adjusted net tangible assets per Share as at 30 June 2009 has been arrived at after making the adjustments set out under the paragraph headed “Unaudited pro forma adjusted net tangible assets” in the section headed “Financial information” in this prospectus and on the basis of a total of 300,000,000 Shares in issue and to be issued as mentioned herein.

RISK FACTORS

The Group’s operations are subject to a number of risks, a detailed discussion of which is set out in the section headed “Risk factors” in this prospectus. These risks can be broadly classified as: (i) risks relating to the business of the Group; (ii) risks relating to the industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Share Offer. A list of risks is set out below.

Risks relating to the business of the Group

- Reliance on the supply of IBM’s enterprise IT products
- Reliance on a small number of key suppliers and products
- The Group may not be able to keep updates on IT technology change, its suppliers’ technologies and consumer preference
- The Group may not be able to deliver the products on a timely basis
- Sustainability of revenue, gross profit margin and net profit margin in the future
- Reliance on rebates from suppliers of IBM’s products
- Reliance on key management
- Inventory risks
- Trade and other receivables and liquidity risks
- The quality of products manufactured by the suppliers is not subject to the Group’s control
- Reliance on suppliers’ credit
- The Group’s customers may order IT products directly from the Group’s suppliers
- Dividend policy

SUMMARY

- The Group's results may be adversely affected by the recent economic downturn in the world
- The Group's net cash outflow from operating activities

Risks relating to the industry

- Reduced spending on enterprise IT products and services may affect the Group's business
- Intense competition in the IT industry in the PRC

Risks relating to conducting business in the PRC

- Political and economic policies of the PRC government could affect the Group's business
- Any changes in the PRC government policies regarding foreign investments in the PRC may adversely affect the Group's business, financial condition and results of operations
- Distribution and transfer of funds may be subject to restrictions under PRC laws
- Foreign exchange considerations
- The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect the Group's business and results of operations
- The preferential tax treatments the Group currently enjoys may be changed or discontinued, which may adversely affect the Group's profitability
- Recent changes to the PRC tax laws, and any future changes may have material adverse impact on the Group's financial condition and results of operations
- PRC rules and regulations on foreign exchange control may adversely affect the Company
- Potential recurrence of severe acute respiratory syndrome (SARS), pandemic influenza, avian influenza (including H5N1) or influenza A (H1N1) (also sometimes referred to as swine influenza) or other widespread public health problem

Risks relating to the Share Offer

- Liquidity and possible price volatility of the Shares
- Accuracy of official government statistics, facts and other information contained in this prospectus with respect to the PRC and its respective economy
- Issue of new Shares under the Share Option Scheme will have a dilution effect and may affect the Group's profitability
- Risks associated with forward-looking statements

DEFINITIONS

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

“Application Form(s)”	WHITE application form(s) and YELLOW application form(s), or where the context so requires, any of them, to be used in relation to the Public Offer
“Articles of Association” or “Articles”	the articles of association of the Company adopted on 11 November 2009 and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Deep Thought”	北京深思軟件股份有限公司 (Beijing Deep Thought Software Co., Ltd.), a company established in the PRC and owned as to approximately 69.98% by a brother of Mr. Chen Jian, as to approximately 17.49% by Ms. Zhang Yun, as to approximately 0.72% by Mr. Xie Hui, the vice president of Futong Dongfang, and eight other individuals who are Independent Third Parties
“Board”	the board of Directors
“Business Cooperation Agreement”	the business cooperation agreement dated 31 December 2003 (as supplemented by the supplemental agreement dated 4 June 2004 and was terminated with effect from 1 January 2006 by an agreement dated 3 January 2005 and supplemented on 1 January 2006) entered into between Futong ComputerLand and Futong HK in relation to, inter alia, the procurement of IT products by Futong ComputerLand from certain manufacturers on behalf of Futong HK
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of the Company referred to in the paragraph headed “Resolutions in writing of the Shareholders passed on 11 November 2009 and 18 November 2009” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CEPA”	Mainland and Hong Kong Closer Economic Partnership Arrangement
“ChinaEquity”	ChinaEquity Investment Company Limited (now known as A.C. China Team Holdings Limited), a company incorporated in Hong Kong with limited liability on 30 March 2001, which is a subsidiary of ChinaEquity Holdings and one of the Minority Ex-Shareholders
“ChinaEquity Holdings”	ChinaEquity International Holdings Limited, a company incorporated in the BVI with limited liability and the holding company of ChinaEquity
“China Group Associates”	China Group Associates Limited, a company incorporated in the BVI with limited liability on 26 April 2004 and is wholly owned by Mr. Chen Jian, being one of the Controlling Shareholders
“Circular 75”	the Notice on Issues relating to Foreign Exchange Control on Fund Raising and Round-trip Investments by Domestic Residents through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》)
“Cognos”	Cognos Inc., a company that develops business intelligence and performance management software and was acquired by IBM in 2008
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company”	Futong Technology Development Holdings Limited (富通科技發展控股有限公司), an exempted company incorporated in the Cayman Islands on 29 July 2009 under the Companies Law with limited liability
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means China Group Associates, Rich China, Rich World and Mr. Chen Jian or, where the context so requires, any of them

DEFINITIONS

“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)
“Director(s)”	director(s) of the Company
“Fuqing Fujie”	福清福捷塑膠有限公司 (Fuqing Fujie Plastics Co., Ltd.), a manufacturing and trading company established in the PRC and a then subsidiary of Start Technology
“Futong BVI”	Futong Technology Co. Ltd., a company incorporated in the BVI with limited liability on 8 July 1999 and a direct wholly-owned subsidiary of the Company
“Futong ComputerLand”	北京富通天地電腦有限公司 (Beijing Futong ComputerLand Co. Ltd.), a company established in the PRC on 10 September 1996, which was owned as to 80% by Futong Times and as to 20% by Ms. Zhang Yun and was deregistered on 10 July 2009
“Futong Dongfang”	北京富通東方科技有限公司 (Beijing Futong Dongfang Technology Co., Ltd.), a WFOE established in the PRC on 4 December 2003 and an indirect wholly-owned subsidiary of the Company
“Futong HK”	Futong Technology (HK) Company Limited (富通科技(香港)有限公司), a company incorporated in Hong Kong with limited liability on 26 November 1999 and an indirect wholly-owned subsidiary of the Company
“Futong Times”	北京時代興達電腦有限公司 (Beijing Times Xingda Computer Co., Ltd.) (formerly known as 北京富通時代電腦有限公司 (Beijing Futong Times Computer Co. Limited), 北京富通時代電腦公司 (Beijing Futong Times Computer Co.) and 北京曉通電腦公司 (Beijing Xiaotong Computer Co.)), a company established in the PRC in 1993 and is owned as to 80% by Mr. Chen Jian and as to 20% by Ms. Zhang Yun
“Futong Unica”	北京富通東方優尼卡科技有限公司 (Beijing Futong Dongfang Unica Technology Co. Ltd.), a company established in the PRC on 24 July 2009 which is owned as to 55% by Futong Dongfang and as to 45% by an Independent Third Party
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company, some or any of them and the businesses carried on by such subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huawei Symantec”	Huawei Symantec Technologies Co. Ltd. and its group of companies, which is a supplier of the Group
“IBM”	International Business Machines Corporation and its group of companies, which is a supplier of the Group
“IDC”	International Data Corporation, a premier global provider of market intelligence, advisory services and events for the information technology, telecommunications, and consumer technology markets
“Independent Third Party (ies)”	a person(s) or company(ies) which is/are independent of and not connected with any member of the Group, the Directors, the chief executives and the substantial shareholders of the Company and its subsidiaries and their respective associates
“Intel”	Intel Corporation, a leading manufacturer of computer components, networking and communications products based in the US
“Latest Practicable Date”	18 November 2009, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which trading of the Shares on the Main Board first commences, which is currently expected to be 4 December 2009
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market operated by the Stock Exchange, which excludes Growth Enterprises Market of the Stock Exchange and the options market
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

DEFINITIONS

“Minority Ex-Shareholders”	ChinaEquity, SCS, Phoenix International Management Holdings Limited, Kemble Green Limited and Aventures 1 Pte Ltd., being the former minority shareholders of Futong BVI immediately before the Reorganization
“Mr. Chen Jian”	Mr. Chen Jian, the chairman of the Board, an executive Director, a director of various subsidiaries of the Company, a Controlling Shareholder and the brother-in-law of Ms. Zhang Yun
“Ms. Zhang Yun”	Ms. Zhang Yun, an executive Director who holds approximately 33.33% equity interest in Rich China and the sister-in-law of Mr. Chen Jian
“Offer Price”	the final price for each Offer Share (excluding the Stock Exchange trading fee, transaction levy imposed by the SFC and brokerage fee payable thereon) at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, particulars of which are described under “Price payable on application” in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Oracle”	Oracle Corporation and its group of companies, which is a supplier of the Group
“Over-allotment Option”	the option expected to be granted by the Company to Taifook Securities, at any time within a period commencing from the Listing Date and ending on the 30th day after the last date for lodging of applications under the Public Offer, to require the Company to allot and issue the Over-allotment Shares at the Offer Price to cover over-allocations in the Placing and/or to satisfy the obligation of Taifook Securities to return securities borrowed under the Stock Borrowing Agreement subject to the terms of the Placing Underwriting Agreement
“Over-allotment Shares”	up to an aggregate of 11,250,000 new Shares to be issued pursuant to the exercise of the Over-allotment Option, representing 15% of the number of Shares initially available under the Share Offer
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriter on behalf of the Company for cash at the Offer Price with professional, institutional and individual investors as described in the section headed “Structure and conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Shares”	the 67,500,000 new Shares initially offered for subscription under the Placing subject to Over-allotment Option and re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter”	the underwriter listed in the paragraph headed “Placing Underwriter” under the section headed “Underwriting” in this prospectus, being the underwriter of the Placing
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing to be entered into between the Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor and Taifook Securities
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC government”	the government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
“Price Determination Agreement”	the agreement to be entered into between the Company and Taifook Securities (on behalf of the Underwriters) at or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Friday, 27 November 2009, or such later date as Taifook Securities (on behalf of the Underwriters) and the Company may agree but in any event no later than 9:00 p.m. (Hong Kong time) on Monday, 30 November 2009, on which the Offer Price will be fixed for the purposes of the Share Offer
“Public Offer”	the conditional offer of the Public Offer Shares by the Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the related Application Forms
“Public Offer Shares”	the 7,500,000 new Shares initially offered for subscription under the Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters listed in the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” in this prospectus, being the underwriters of the Public Offer

DEFINITIONS

“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 23 November 2009 relating to the Public Offer and entered into between the Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, Taifook Securities and the Public Offer Underwriters
“Reorganization”	the corporate reorganization of the Group in preparation for the Listing as described under the paragraph headed “Group reorganization” in Appendix VI to this prospectus
“Rich China”	Rich China Investments And Trading Ltd., a company incorporated in the BVI on 25 November 1999 and is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun, being one of the Controlling Shareholders
“Rich World”	Rich World Development Ltd., a company incorporated in BVI on 30 August 1999 and is owned as to approximately 81.67% by Mr. Chen Jian, as to approximately 13.33% by Mr. Guan Tao (an executive Director), as to approximately 3.33% by Mr. Xie Hui (the vice president of Futong Dongfang) and as to approximately 1.67% by Mr. Jie Wen (an employee of Futong Dongfang), being one of the Controlling Shareholders
“SAFE”	中華人民共和國國家外匯管理局 (State Administration of Foreign Exchange of the PRC)
“SCS”	SCS Computer Systems Pte. Ltd. (formerly known as Singapore Computer Systems Limited), a company incorporated in Singapore, an indirect wholly owned subsidiary of Singapore Telecommunications Limited (the shares of which are listed on the Singapore Exchange Securities Trading Limited and the ASX Limited) and one of the Minority Ex-Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 11 November 2009, a summary of its principal terms of which is set out under the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus

DEFINITIONS

“Start Technology”	Start Technology Company Limited (now known as Fintronics Holdings Company Limited) (stock code: 706), an investment holding company incorporated in Bermuda with limited liabilities on 23 December 1997, which shares are listed on the Stock Exchange
“Stepping Stones”	Stepping Stones Limited, a company incorporated in the BVI on 11 September 1992, a wholly-owned subsidiary of Start Technology
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between China Group Associates and Taifook Securities, pursuant to which Taifook Securities may borrow up to an aggregate of 11,250,000 Shares to cover any over-allocation in the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Taifook Capital” or “Sole Sponsor”	Taifook Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity for the purpose of SFO, being the sole sponsor to the Share Offer
“Taifook Securities” or “Sole Bookrunner” or “Sole Lead Manager”	Taifook Securities Company Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities for the purpose of SFO, being the sole bookrunner and the sole lead manager of the Share Offer
“Technical Services Cooperation Agreement”	the technical services cooperation agreement dated 31 December 2003 (as supplemented by the supplemental agreement dated 4 June 2004 and was terminated with effect from 1 May 2005 by an agreement dated 29 April 2005) entered into between Futong ComputerLand and Futong Dongfang in relation to, inter alia, the technical support and services provided by Futong Dongfang to Futong ComputerLand and its customers
“Track Record Period”	the period comprising the three years ended 31 December 2008 and the six months ended 30 June 2009
“Underwriters”	the Placing Underwriter and the Public Offer Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US” or “United States”	the United States of America
“WFOE”	wholly foreign-owned enterprise

DEFINITIONS

“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the US
“sq. m.”	square metre(s)
“%”	per cent

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:

<i>US\$1</i>	<i>HK\$7.8</i>
<i>RMB0.8815</i>	<i>HK\$1</i>

No representation is made that any amounts in US\$, RMB, or HK\$ were or could have been converted at the above rates or at any other rates or at all.

For ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both the Chinese and English languages. The English names of these companies and entities are only English translation of their respective official Chinese names. In the event of any inconsistency, the Chinese version shall prevail.

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with the Company and its business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“AIX”	Advanced Interactive eXecutive, an open, standard-based operating system developed by IBM that conforms to the UNIX specification and supports for 32-bit and 64-bit applications
“bit”	a basic unit of information storage and communication
“business intelligence”	a technology and practice of applying information to make decisions
“CPU” or “processor”	central processing unit, a chip that functions as the brain of a computer, interpreting and executing instructions
“database”	a structured and organized collection of information and data stored in computer systems that can be easily accessed, managed and updated
“database management”	using systems to store and delete, organize, search, retrieve, and manage access to data in a database
“enterprise IT products”	the IT products for corporate use
“hardware”	mechanical devices, such as the CPU, monitor, modem, printers, disk drives that comprise a computer system and are capable of performing communication, computation and control functions
“ISO”	International Organization for Standardization, a non-governmental organization that develops and publishes international standards
“ISO 9001:2000”	one of the management standards and guidelines of ISO which states the requirement for quality management systems and covers the following management principles — customer focus, leadership, involvement of people, process approach, system approach management, continual improvement, factual approach to decision making and mutually beneficial supplier relationship
“ISU”	incomplete system unit
“IT”	information technology
“Linux”	a free and open-source UNIX-type operating system

GLOSSARY

“middleware”	software layer that facilitates exchange of information between the operating system and the applications on the system
“NAS”	Network Attached Storage, a file-level data storage connected to a computer network providing data access to other devices on the network
“network”	the linking of a number of devices, such as computers, workstations and printers, into a network (system) for the purpose of sharing resources and information
“Non-x86”	hardware architecture comprised of CPU(s) other than the x86-based CPU(s)
“operating system”	a master control program that manages and coordinates a computer’s internal functions and provides a means of control to a computer’s operations and file system
“port(s)”	attachment point(s) for connection of different computer hardware for communication and exchange of information
“Power Systems server”	includes System p server and System i server from IBM
“processing”	the manipulation of data by a computer in accordance with its instructions or programming
“router”	a system that controls message distribution between multiple optional paths in a network, which uses routing protocols to gain information about the network, routing metrics and algorithms to select the “best route”
“routing”	a process of delivering a message across a network or networks
“SAN”	Storage Area Network, a network infrastructure of shared multi-host storage, linking all storage devices as well as interconnecting remote sites
“SDI Program”	Solution Delivery Integration Program (formerly known as Authorized Assembler Program), an program commissioned by IBM which authorizes its hardware distributors or resellers to assemble and test approved products and as a distributor to market approved products to IBM’s resellers or as a solution provider to market approved products to end-users
“server”	a network device that provides service to the network user by managing shared resources

GLOSSARY

“SMP”	Symmetric Multi-Processing, a computer configuration where many CPUs, being the main processing chip of a computer, share a common operating system, main memory and disks
“software”	computer program that instructs the operation of computer hardware
“storage”	an electronic memory device
“switch”	a device that responds to originator signals and dynamically connects the caller to the desired communication destination, which is normally used to connect two networks
“system integrator” or “SI”	a company that offers engineering design, connection, implementation and management services for diverse network resources and wireless systems
“System i server”	formerly known as AS/400 or iSeries server from IBM, includes a range of servers running on IBM i (formerly known as OS/400) operating system
“System p server”	formerly known as RS/6000 or pSeries server from IBM, includes a range of 64-bit high performance servers with large memory capabilities and running on UNIX (including AIX or Linux) operating system
“System x server”	formerly known as eServer xSeries server from IBM, includes a range of servers based on Intel’s processors running on Windows or Linux operating system
“UNIX”	a computer operating system developed by Bell Laboratories, which is a single stable specification to be used to develop portable applications that run on systems conforming to the single UNIX specification
“user acceptance testing”	formal testing conducted to determine whether or not a system meets the requirements specified in the contract or by the user
“Windows”	an operating system developed by Microsoft Corporation, a US-based multinational computer technology corporation
“x86”	hardware architecture comprised of x86-based CPU(s)

RISK FACTORS

Potential investors should carefully consider all information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Group before making any investment decision in relation to the Company. Particular attention should be paid to the fact that the Company is incorporated in the Cayman Islands and the Group's principal operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on the Group's business, results of operations, financial condition or on the trading price of the Shares, and hence on all or part of the investment in the Company.

RISKS RELATING TO THE BUSINESS OF THE GROUP

Reliance on the supply of IBM's enterprise IT products

For each of the three years ended 31 December 2008 and for the six months ended 30 June 2009, products supplied by suppliers of IBM's products in each of these periods accounted for approximately 78.7%, 78.7%, 80.1% and 84.0% of the Group's purchases respectively. These IBM's products were mainly enterprise IT products like servers and system storage products which were the most significant contributors to the Group's revenue in these periods, accounting for approximately 85.0%, 90.2%, 91.9% and 93.7% of the Group's revenue respectively. Although the Group will continue to diversify its enterprise IT products portfolio, the Directors expect such IBM's products will continue to account for a relatively large portion of the Group's revenue for the foreseeable future.

Furthermore, consistent with IBM's practice with distributors in the PRC, the Group has entered into separate non-exclusive distribution agreements with four group companies of IBM generally for a term of one year, which, pursuant to those agreements, are automatically renewable for two years after the expiry of the initial term. There is no assurance that the existing distribution agreements with IBM will be renewed upon their expiry or when renewed, will be on commercially acceptable terms to the Group. In addition, these distribution agreements may be terminated by IBM if the Group breaches a material term of the agreements, such as not achieving the minimum purchase attainments, or may be terminated, with or without cause, on three months' written notice. There is no assurance that IBM will not terminate the distribution agreements with the Group in the future.

The Group's business and results of operations rely heavily on the distribution of IBM's enterprise IT products and customers' loyalty towards those products. If there is any circumstance which adversely affects the market acceptance of IBM's enterprise IT products and setback of IBM's financial conditions and/or operating conditions, or if the Group is not able to renew the distribution agreements with IBM or renew those distribution agreements on commercially acceptable terms, or if those distribution agreements are terminated by IBM, the Group's business and operating results may be adversely affected.

Reliance on a small number of key suppliers and products

The Group is an authorized distributor of certain enterprise IT products in the PRC for IBM, Oracle and Huawei Symantec. During the Track Record Period, the Group's five largest suppliers (on group basis) accounted for approximately 92.4%, 88.9%, 89.0% and 91.2% of the Group's total purchases for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively.

RISK FACTORS

Reliance on a small number of suppliers generally involves several risks, including the possibility of defective products from a supplier which does not provide warranty indemnity, loss of market share of supplier's products, failure of supplier's products to keep updates on IT technology change or consumer preference, a shortage of product supply, reduced control over costs and loss of such suppliers. Furthermore, some of the non-exclusive distribution agreements with certain of the Group's major suppliers are renewed annually and some of the distribution arrangements may be terminated by the suppliers at any time (in some cases, without cause) by giving the Group a prior written notice ranging from 30 days to 3 months. If there are significant price fluctuations for such products, any supplier fails to satisfy the requirements of the Group or the Group's relationship with such supplier is terminated or deteriorated for any reason, for example, the failure of the Group to achieve the minimum annual purchase attainment as agreed between the Group and such supplier, the Group's revenue and profitability could be materially and adversely affected, particularly when the Group is unable to identify alternative sources of supply for the same or similar products in a timely manner.

The Group may not be able to keep updates on IT technology change, its suppliers' technologies and consumer preference

The market for the products of the Group's suppliers is characterized by rapidly-changing IT technology and introduction of new products. The demand for enterprise IT products and services are also subject to business cycles, which may rise or fall along with overall economic growth and business investment environment. The success of the Group will depend upon its technical know-how on these new IT technologies, product features and implementation methods, its ability to respond and adapt quickly to IT technology change and business cycles, as well as its capability to understand the changing needs, preferences and requirements of its customers.

If the Group fails to keep updates on IT technology change and introduction of new products, or keep pace with new developments and trends in the IT market and the demands of its customers, its ability to respond effectively to customer demands may be affected, which may undermine the Group's future development and have an adverse impact on the Group's business and financial results.

The Group may not be able to deliver the products on a timely basis

The enterprise IT products that the Group sells are typically part of a larger and more complicated computer system of the end-users (who may be the Group's direct customers or the customers of the Group's business partners). As such, the Group may need to deliver these products according to a pre-agreed master schedule in order for the integration work to be completed as planned. If the Group is responsible for a delay in the delivery of the enterprise IT products, or there are any material disruptions to the supply and/or delivery of these products from the suppliers after the relevant purchase orders are made, the Group may be exposed to claims and its profits and reputation may be materially and adversely affected.

Sustainability of revenue, gross profit margin and net profit margin in the future

The Group generates revenue from the distribution of enterprise IT products and provision of IT technical support services mainly on project basis, which may not be recurring. There is no assurance that the Group can conclude sales on projects of similar number and sales amount in the future. Hence, the Group's revenue may fluctuate and not be sustainable in the future.

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In addition, during the Track Record Period, the Group's gross profit margin was approximately 5.5%, 8.5%, 7.4% and 9.1% respectively and the Group's net profit margin was approximately 0.4%, 1.6%, 1.9% and 3.0% respectively. The sustainability of the Group's profit margin may be affected by a number of factors, including, among other things, the types of products sold and the amount of rebates offered by IBM. The selling price and purchase cost for each order vary according to a combination of factors including, but not limited to, the relative bargaining power of both of the Group's suppliers and customers, the pricing basis, demand and supply in the market and the market price. Many of these factors are beyond control of the Group. Therefore, the selling price and purchase cost for each order may differ even for the same product produced within the same time period. There is no assurance that the Group will be able to achieve or maintain gross profit margin or net profit margin in the future at a similar level as the Track Record Period, which were generally thin for the business of IT product distribution. Please refer to the section headed "Financial information" of this prospectus for a detailed discussion and analysis of the financial condition and results of operation of the Group during the Track Record Period.

Reliance on rebates from suppliers of IBM's products

Suppliers of IBM's products currently offer various performance-related rebates to their distributors, including the Group, in respect of the purchase and sale of IBM's products. During the Track Record Period, the total rebates recorded by the Group amounted to approximately HK\$56.3 million, HK\$45.6 million, HK\$67.2 million and HK\$10.2 million for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively and approximately HK\$69.1 million, HK\$47.2 million, HK\$60.1 million and HK\$18.5 million were realized in the cost of sales respectively, representing approximately 3.8%, 2.5%, 2.5% and 1.7% respectively of the Group's total cost of sales before rebates for the corresponding periods. Although the Directors believe that suppliers of IBM's products will continue to offer incentives to their distributors, there is no assurance that there would not be any significant change to the current incentive policy from suppliers of IBM's products applicable to the Group. If no rebates were received from suppliers of IBM's products for the three years ended 31 December 2008 and for the six months ended 30 June 2009, the Group would have recorded a gross profit of approximately HK\$32.5 million, HK\$123.8 million, HK\$129.1 million and HK\$88.9 million respectively and a net (loss)/profit after tax of approximately HK\$(57.8 million), HK\$(12.1 million), HK\$(4.5 million) and HK\$20.3 million respectively in these periods. In the event that suppliers of IBM's products cease to grant such rebates or if the amount of such rebates decreases, the Group's financial performance and profitability may be adversely affected.

Reliance on key management

The future success of the Group depends upon the continued service of its senior management. Many of its key executive persons, including the executive Directors, namely Mr. Chen Jian, Ms. Zhang Yun and Mr. Guan Tao, have been with the Group or working in the industry related to the Group's business for over ten years. Their experiences have contributed to the success of the Group's business. If the Group loses the services of any of these key personnel and the Group is unable to find suitable replacement, it may adversely affect its operating results and future development.

RISK FACTORS

Inventory risks

The inventory of the Group consists mainly of IT products and other components. These comprised approximately 33.0%, 33.5%, 29.7% and 25.7% of the Group's current assets during the Track Record Period.

In practice, the Group maintains its inventory at a certain level with reference to its sales plan. As such, if there is any sudden change in the demand of enterprise IT products, the Group may face an inventory risk if stock levels are not properly monitored or managed. Should the Group fail to manage its inventory properly, provisions will have to be made for slow-moving stocks, which may adversely affect the Group's profitability.

Trade and other receivables and liquidity risks

Trade and other receivables accounted for approximately 45.3%, 46.2%, 50.5% and 57.7% of the Group's total assets throughout the Track Record Period. There may be a risk of delay in payment by the Group's customers from their respective credit period, which in turn may result in an impairment loss provision. There is no assurance that the Group will be able to fully recover its receivables from the customers or their settlements are made on a timely manner. In the event the settlements from the customers are not made in full or not on a timely manner, the financial position, profitability and cash flow of the Group may be adversely affected.

Furthermore, as a distributor, the Group is generally required to purchase its products from its suppliers first before it sells to its customers. This means that the Group will generally have to pay its suppliers first before it collects payment from its customers. There is a risk that any mismatch between the time the Group sources its products and the time it collects payment from its customers may affect the Group's liquidity if it is not managed properly. If the Group is unable to maintain a sufficient level of liquidity in its business operations, its financial condition and performance may also be adversely affected.

The quality of products manufactured by the suppliers is not subject to the Group's control

The Group currently distributes certain brands of enterprise IT products and the Group has no control on the quality of those products provided by the suppliers. In the event that there are massive product defects, the reputation and the sales of the Group may be adversely affected. The Group may also be subject to legal proceedings initiated by the aggrieved customers in respect of the suppliers' product defects which may divert the Group's attention from its business and the consequences thereof could have material adverse effects on the Group's reputation and financial condition.

Reliance on suppliers' credit

The suppliers of IBM's products extend credit to the Group to allow flexibility for the Group to manage its payment cycle. The Group is generally allowed 60 days from the invoice date to make payments, with interest charged on any outstanding balance over 30 days. The credit charges payable to those suppliers of IBM's products were approximately HK\$9.3 million, HK\$12.5 million, HK\$11.1 million and HK\$3.5 million, accounting for approximately 31.1%, 40.6%, 32.5% and 30.3% of the

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Group's total finance costs for the Track Record Period. The interest rates charged by the suppliers of IBM's products ranged from 8.0% to 12.0% during the Track Record Period. There is no assurance the interest rates to be charged and the credit limit to be offered by the suppliers of IBM's products in the future will remain at the same level. In the event that any suppliers of IBM's products impose a higher credit charge or tighten the credit limit on the Group or terminate the abovementioned credit arrangements and the Group cannot obtain other financing at similar terms and conditions, the financial position of the Group may be adversely affected.

The Group's customers may order IT products directly from the Group's suppliers

With the establishment of sales teams by industries, the Group has built solid relationship with its customers (end-users and business partners) in various industries. Among the customers who signed contracts with the Group for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009, approximately 58.5%, 68.1%, 68.7% and 65.6% of which respectively have made repeated purchases from the Group during the Track Record Period. Leveraging on the Group's accumulated in-depth IT technical know-how on features and functionalities of the enterprise IT products that it distributes and its updated and thorough understanding of business development and associated IT demands of its customers in various industries, the Directors believe that the Group has competitive advantage in delivering more customer-specific value-added IT solutions and services in association with distribution of enterprise IT products. However, there is no assurance that the Group's customers would not order those IT products directly from the Group's suppliers. In the event that the Group's customers order IT products directly from the Group's suppliers, the Group's business and financial results may be adversely affected.

Dividend policy

The declaration, payment and amount of any future dividend of the Company will be subject to the discretion of the Directors, and will depend upon, among others, the Group's results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors prevailing at the time. There is no assurance that dividends will be declared at all in the future, and potential investors should be aware that historical dividends should not be used as a reference or basis upon which future dividends may be determined.

The Group's results may be adversely affected by the recent economic downturn in the world

The recent economic downturn during the second half of the financial year ended 31 December 2008 which could be reflected by the credit tightening, the increased unemployment rate and the liquidity problems of financial institutions, has adversely affected the US and the world economies. With a deteriorating worldwide economy, demand for IT products may diminish and be delayed as a result of cost control on IT budget implemented by enterprises affected in the global financial downturn, which in turn may affect the demand for the Group's enterprise IT products. In addition, the credit tightening environment may aggravate the interest expenses on the Group's bank borrowings, or the banks may even reduce the amount of or discontinue the banking facilities currently granted to the Group. If the economic downturn continues, the business operation and financial position of the Group may be adversely affected.

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The Group's net cash outflow from operating activities

The Group recorded net cash outflow from operating activities of approximately HK\$20.9 million and HK\$66.5 million for the year ended 31 December 2007 and the six months ended 30 June 2009, respectively. The net cash outflow from operating activities for the year ended 31 December 2007 was due to a significant increase in inventories as a result of the significant purchase close to year end. The net cash outflow from operating activities for the six months ended 30 June 2009 was due to the decrease in trade and other payables as a result of the earlier settlement to suppliers to minimize high credit charges imposed by those suppliers. The Group cannot give any assurance that the Group will continue to record positive operating cash flow in the future. The Group's liquidity and financial condition may be materially and adversely affected should its future operating cash flow become negative and the Group can give no assurance that the Group will have sufficient cash from other sources to fund its operations. If the Group resorts to other financing activities to generate additional cash, the Group will incur additional financing costs and the Group cannot guarantee that the Group will be able to obtain financing on terms acceptable to the Group or at all. For the details about the Group's indebtedness and liquidity, financial resources and capital expenditure, please refer to the paragraph headed "Liquidity, financial resources and indebtedness" in the section headed "Financial information" in this prospectus.

RISKS RELATING TO THE INDUSTRY

Reduced spending on enterprise IT products and services may affect the Group's business

The Group's business and revenue growth not only depends on the Group's ability to attract customers to its enterprise IT products and services, but also on the level of spending on enterprise IT products, systems and solutions of its customers.

Furthermore, the general health of the PRC economy will also have an effect on the level of spending on enterprise IT products and services of consumers in the PRC as a whole. Any general economic, business or industry conditions that cause customers or potential customers to reduce or delay their investments in enterprise IT products and services could harm the Group's business. If there is a significant downturn in the PRC market or a significant reduction in consumer demand in the PRC for products distributed or services offered by the Group, the Group's business may be adversely affected.

Intense competition in the IT industry in the PRC

As at the Latest Practicable Date, so far as the Directors are aware, there were a limited number of large distributors engaged in the enterprise IT products distribution business in the PRC. The Group therefore faces intense competition from a number of such large distributors. Moreover, there are other global IT products suppliers that offer enterprise IT products with similar features and functions as those distributed by the Group. Even though the Directors consider that there are some barriers to entry for new entrants to the industry as it would take time to build a comprehensive customer and supplier network, investors should note that there is no assurance that other competitors will not surpass the Group's performance in the future. In the event that competition intensifies or the Group fails to sustain its competitive strengths or effectively implement its business strategies, the Group's business, results of operations and financial position may be materially and adversely affected.

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RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Political and economic policies of the PRC government could affect the Group's business

With the commencement of the PRC government's efforts to reform the Chinese economic system in the late 1970s, the PRC government has placed increasing emphasis on the utilization of market forces to develop the PRC economy. Over the last three decades, the PRC government's reform measures have resulted in the PRC economy experiencing significant growth and social progress. However, many of the reforms are unprecedented or experimental and are expected to be refined and modified from time to time. Any revision or modification to the economic and political strategies and policies of the PRC government could have a material adverse effect on the overall development of the IT products and services market in the PRC. With all of the Group's main operating assets and customers located in China, the Group's operations and financial results could be adversely affected by any stagnation in the development of this market in the PRC. The Group may not in all cases be able to capitalize on economic reform measures adopted by the PRC government. There is no guarantee that the PRC government will not impose economic and regulatory controls that would harm the Group's business.

Any changes in the PRC government policies regarding foreign investments in the PRC may adversely affect the Group's business, financial condition and results of operations

Foreign investments are subject to foreign investment policies and laws of the PRC. Under the Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》) that came into effect on 1 December 2007, the Group's business of "distribution of IT products" does not fall under the prohibited or the restricted categories for foreign investments. There is no assurance that the Group's business would not fall under such prohibited or restricted categories subsequent to any change to the foreign investment policies and laws of the PRC or that the Group could not be subject to more stringent restrictions on its operation and business, which may adversely affect its financial condition and results of operations.

Distribution and transfer of funds may be subject to restrictions under PRC laws

The Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in its subsidiaries. The Company relies entirely on the dividend payments from its subsidiaries, especially its principal operating subsidiaries in the PRC. Under the PRC laws, dividends from its subsidiaries in the PRC may only be paid out of net profit calculated according to PRC accounting principles, which are different in many respects from the International Financial Reporting Standards, and after recovery of accumulated losses and allocations to statutory reserves which are not available for distribution as cash dividends. Distributions by the Company's subsidiaries in the PRC to the Company may be subject to governmental approval and taxation. These requirements and restrictions may affect the ability of the Company's PRC subsidiaries in the distribution and payment of dividends and in turn affect the Company's ability to pay dividends to its Shareholders. Any transfer of funds from the Company to its subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration and/or approval of PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. These limitations on the free flow of

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funds between the Company and its PRC subsidiaries could restrict the Company's ability to act in response to changing market conditions in a timely manner. Furthermore, members of the Group may obtain credit facilities from banks in the future which restrict them from paying dividends to their Shareholders, which may have an adverse impact on their ability to pay dividends to their Shareholders.

Foreign exchange considerations

The exchange rates for RMB against foreign currencies, including US\$ and HK\$, are susceptible to movements based on external factors and there can be no assurance that RMB may not be subject to devaluation. As the Group's revenue and purchases are primarily denominated in RMB and US\$, fluctuations in exchange rates may adversely affect the value, translated or converted into HK\$, of the Group's net assets, earnings and any declared dividends. Although the Group currently does not have very substantial foreign debt obligations, the Group may incur new debt financing which may include foreign currency denominated borrowings. Any adverse fluctuations in exchange rates among these foreign currencies may materially and adversely affect the Group's results of operations. Although the Group may, from time to time, enter into hedging transactions to mitigate its foreign currency exchange risk exposure, the effectiveness of such hedges may be limited and the Group may not be able to successfully hedge its exposure.

The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect the Group's business and results of operations

On 29 June 2007, the National People's Congress of China enacted the Labor Contract Law (《勞動合同法》), which became effective on 1 January 2008 to impose more stringent requirements on employers for entering into labor contracts and dismissal of employees. Further, under the newly promulgated Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to fifteen days, depending on their length of service. Employees who waive such vacation entitlement at the request of employer shall be compensated at three times of their normal salaries for each waived vacation day. As a result of these new protective labor measures, the Group's labor costs may increase and the Group's future operations may be adversely affected.

The preferential tax treatments the Group currently enjoys may be changed or discontinued, which may adversely affect the Group's profitability

Futong Dongfang was accredited as an "advanced and new technology enterprise" located within the Beijing New Technology Industry Development Experimental Zone by Beijing Municipal Science and Technology Commission (北京市科學技術委員會) on 26 December 2003, and it was entitled to certain favorable tax treatments as approved by the tax authorities with authorization from the Beijing People's Government under the Laws of Enterprise Income Tax for Foreign-invested Enterprises and Foreign Enterprises in the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) and the Tentative Regulations of Beijing New Technology Industry Development Experimental Zone (《北京市新技術產業開發試驗區暫行條例》), in particular it was entitled to an applicable enterprise income

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tax rate of 15% with a three year full exemption since 2004, and a preferential enterprise income tax rate of 7.5% for the subsequent three years. Futong Dongfang's status as an advanced and new technology enterprise was reviewed and recognized by Beijing Municipal Science and Technology Commission in 2006 and 2008 respectively.

On 16 March 2007, the National People's Congress of China passed the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "New Tax Law"), which became effective on 1 January 2008, pursuant to which the foreign-invested enterprises and domestic enterprises were subject to a unified enterprise income tax rate of 25% (reduced from original enterprise income tax rate of 33%) effective from 1 January 2008. Pursuant to the GuoFa [2007] No. 39 "Notice on the Implementation of the Transitional Preferential Enterprise Income Tax Policies" (《國務院關於實施企業所得稅過渡優惠政策的通知》國發[2007]39號), enterprises enjoying income tax rates lower than the standard tax rate of 33% are given a fixed-term transitional period, and such enterprises will continue to enjoy a lower tax rate before they are gradually subject to the unified tax rate of 25% within the transition period. Furthermore, the New Tax Law provides a preferential tax treatment for "advanced and new technology enterprises eligible for key support from the State" in the form of a reduced tax rate of 15% subject to competent governmental authorities' review and approval.

Pursuant to the New Tax Law and the Administrative Rules for Recognizing Advanced New Technology Enterprises (《高新技術企業認定管理辦法》) which became effective on 1 January 2008, Futong Dongfang was re-certified to maintain the status of "advanced and new technology enterprise" on 24 December 2008 with an effective term of three years and was further granted an approval from the competent tax authorities, under which it continuously enjoys a 50% tax deduction (i.e., the applicable reduced tax rate of 7.5%) from 1 January 2008 to 31 December 2009, and will enjoy the preferential tax rate of 15% applicable to advanced and new technology enterprises from 1 January 2010 to 31 December 2010. However, there is no assurance that Futong Dongfang will be continuously granted the status of "advanced and new technology enterprises" with the favorable tax rate of 15%, and any change or discontinuation of such favorable tax treatments may adversely affect the Group's profitability.

Recent changes to the PRC tax laws, and any future changes may have material adverse impact on the Group's financial condition and results of operations

Under the New Tax Law, an enterprise established outside the PRC with its "de facto management body" within the PRC is considered as a "resident enterprise" and will be subject to the enterprise income tax at the rate of 25% on its worldwide income. The "de facto management body" is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. Substantially all of the Company's management members are based in the PRC. If the PRC tax authorities subsequently determine that the Company should be classified as a resident enterprise, it is possible that its worldwide income will be subject to income tax at a uniform rate of 25%. Notwithstanding the foregoing provision, the New Tax law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions.

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Therefore, if the Company is classified as a resident enterprise, the dividends received from its PRC subsidiaries may be exempted from income tax. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company having ownership interest in a PRC enterprise.

In addition, under the New Tax Law and its implementation rules, dividends paid to a non-PRC investor are generally subject to a 10% withholding tax (or 5% for a qualified Hong Kong company), if such dividends are derived from sources within the PRC and the non-PRC investor is considered to be a non-resident enterprise without any establishment or place within the PRC or if the dividends paid have no connection with the non-PRC investor's establishment or place within the PRC, unless such tax is eliminated or reduced under an applicable tax treaty. Similarly, any gain realized on the transfer of shares by such investor is also subject to a 10% withholding tax (or 5% for a qualified Hong Kong company) if such gain is regarded as income derived from sources within the PRC, unless such tax is eliminated or reduced under an applicable tax treaty.

If the Company were classified as a resident enterprise, although it is not entirely clear, it is possible that the dividends the Company pays to its Shareholders with respect to its Shares, or any gain an investor may realize from the transfer of Shares, would be treated as income derived from sources within the PRC and be subject to the 10% withholding tax (or 5% for a qualified Hong Kong company).

PRC rules and regulations on foreign exchange control may adversely affect the Company

According to Circular 75 promulgated by SAFE coming into effect on 1 November 2005, the PRC residents (境內居民) who have contributed or intend to contribute their domestic assets or shares into overseas special purpose vehicles with an intent to transfer or swap shares with offshore investor(s) and further conduct round-trip investments shall complete foreign exchange registrations or supplemental registrations for offshore investments with the local foreign exchange authority. Circular 75 further stipulates that without completion of the aforesaid registrations, no profits, dividends, liquidation or decreasing capital shall be transferred to the overseas special purpose vehicle(s). Furthermore, the PRC residents are required to go through registration for modification or filing with the local foreign exchange authority within 30 days from the date of occurrence of any material capital change event, such as increase/decrease of capital, share transfer or swap, merger or splitting, long term equity or debt investments and foreign guarantee, provided however that such material capital change event does not involve round-trip investments. For PRC residents who have set up or otherwise controlled overseas special purpose vehicle(s) and completed the round-trip investments before 1 November 2005, Circular 75 permits them to go through the foreign exchange supplemental registrations at the local foreign exchange authority before 31 March 2006. All the existing beneficial Shareholders that are PRC residents have applied for their foreign exchange registration of overseas investments at the Beijing branch of SAFE, but the registration procedures had not yet been completed as at the Latest Practicable Date. Failure to conduct the above registrations and supplemental registrations, registration for modification or filing of the material capital change event with the local foreign exchange authority may limit the ability of such company to remit its profits, liquidation, share transfer and capital decreasing fees abroad, and punishment could be imposed upon for foreign exchange evasion or other non-compliance.

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Furthermore, there is no assurance that the PRC regulatory authorities will not impose further restrictions on the convertibility of RMB. As the Company's subsidiaries in the PRC generate a significant proportion of the Group's revenue and these revenue are denominated mainly in RMB, future restrictions on currency exchange may limit the Group's ability to repatriate profits by the distribution of dividends to its Shareholders or to fund its other business activities outside of the PRC.

Potential recurrence of severe acute respiratory syndrome (SARS), pandemic influenza, avian influenza (including H5N1) or influenza A (H1N1) (also sometimes referred to as swine influenza) or other widespread public health problem

The outbreak of SARS in early 2003 substantially affected businesses in Asia. The World Health Organization declared that the SARS outbreak had been contained on 5 July 2003, but a number of isolated cases of SARS were still reported in the PRC in April 2004. Currently, the Directors are unable to predict the potential impact of another possible SARS outbreak or an outbreak of other serious contagious diseases. Should another outbreak of SARS or another serious contagious disease take place, the financial condition and results of operations of the Group may be adversely affected as a result of a general adverse impact on the economy or otherwise.

Recently, the outbreak of disease among human beings caused by a new influenza virus of influenza A (H1N1) (also sometimes referred to as swine influenza) which originated in America and spread internationally, and most people do not have immunity to this virus. If any of the Group's employees are identified as a possible source of spreading pandemic, avian or swine influenza or any other similar epidemic, it may be required to quarantine employees suspected of being infected, as well as others that have come into contact with those employees. The Group may also be required to disinfect its affected operating facilities, which may adversely affect its operations.

In addition, any outbreak of any widespread public health problem may affect economic activities locally and internationally, which in turn may affect the financial condition and results of operations of the Group.

RISKS RELATING TO THE SHARE OFFER

Liquidity and possible price volatility of the Shares

Prior to the Share Offer, there has been no public market for the Shares. The final Offer Price for the Shares was the result of negotiations between the Company and Taifook Securities (on behalf of the Underwriters). The final Offer Price may differ significantly from the market price for the Shares following the Share Offer. The Company has applied for the listing of, and permission to deal in, its Shares on the Stock Exchange. There is, however, no assurance that an active trading market for the Shares will develop after Listing, or that if it does develop, will be sustained following the Share Offer, or that the market price of the Shares will not decline following the Share Offer.

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The price and trading volume of the Shares will be determined by the equity market conditions and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to the Group's business, announcements of new investments or acquisitions, the depth and liquidity of the market for the Shares, investors' perceptions of the Company, and general political, economic, social and market conditions in the PRC, Hong Kong or other parts of Asia might cause the market price of the Shares to fluctuate substantially.

Accuracy of official government statistics, facts and other information contained in this prospectus with respect to the PRC and its respective economy

Certain official government statistics, facts and other information in this prospectus relating to the PRC and its respective economy are derived from various official government publications and/or other research agencies sources that believe to be reliable. The Sole Sponsor and the Directors have taken reasonable care in extracting and reproducing such information and statistics derived from official government publications and/or studies from other research agencies. These facts and statistics from government and/or other research agencies have not been independently verified by the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters or any of their respective directors, affiliates or advisers, and therefore, the Company makes no representation as to the accuracy of such facts and statistics from government and/or other research agencies, which may not be consistent with other information compiled within or outside the relevant jurisdiction and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics from government and/or other research agencies contained herein may be inaccurate or may not be comparable from period to period or to statistics from government and/or other research agencies produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. As such, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics and should not place undue reliance on any of such information and statistics.

Issue of new Shares under the Share Option Scheme will have a dilution effect and may affect the Group's profitability

The Company has conditionally adopted the Share Option Scheme. Although no options have been granted thereunder as at the Latest Practicable Date, any exercise of the options granted under the Share Option Scheme in the future and issue of the Shares thereunder would result in reduction in the percentage ownership of the Shareholders in the Company and may result in a dilution in the earnings per Share and net assets value per Share, as a result of the increase in the number of Shares outstanding after the issue.

Under the International Financial Reporting Standards, any options granted to the grantees through the Share Option Scheme will be recognized as share based payment and will be charged to the Group's income statements at fair value at the date of which such options are granted. As such, any grant of options under the Share Option Scheme may increase the expenses of the Group and may thereby affect the Group's profitability.

RISK FACTORS

Risks associated with forward-looking statements

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “expect”, “may”, “ought to”, “should” or “will”. Those statements include, among other things, the discussion of the Group’s growth strategy and expectations concerning its future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Company believes the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this “Risk factors” section, many of which are not within the Group’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by the Company that its plans, or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. The Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, contains particulars given in compliance with the Companies Ordinance, the SFO, the Securities and Futures (Stock Exchange Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading;
2. there are no other matters the omission of which would make any statement in this prospectus misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Share Offer is made solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorized in connection with the Share Offer to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Share Offer.

UNDERWRITING

This prospectus is published in connection with the Share Offer, which is sponsored by Taifook Capital and managed by Taifook Securities and will be fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreements, including Taifook Securities (on behalf of the Underwriters) and the Company agreeing to the Offer Price. Information relating to the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by Taifook Securities (on behalf of the Underwriters) and the Company on or before Friday, 27 November 2009, or such later date as may be agreed between Taifook Securities (on behalf of the Underwriters) and the Company but in any event not later than 9:00 p.m. on Monday, 30 November 2009.

If, for any reason, Taifook Securities (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before 9:00 p.m. on the Price Determination Date, the Share Offer will not become unconditional and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON SALE OF THE SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus or the related Application Forms may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

United States

The Offer Shares have not been, and will not be registered under the US Securities Act or the securities laws of any state of the United States, and subject to certain exceptions may not be offered, sold, pledged or otherwise transferred within the United States, except to qualified institutional buyers in reliance on an exemption from registration under Rule 144A or in reliance on other applicable exemptions from the registration requirements of the US Securities Act, or outside the United States in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S, as applicable. In addition, until 40 days after the later of the commencement of the Share Offer and the completion of the distribution of the Offer Shares, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Share Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act.

THE OFFER SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE SHARE OFFER OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

If at any time the Group is not subject to the reporting requirements of Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended, or exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder, the Group will furnish, upon request, to any owner of the Offer Shares purchased pursuant to Rule 144A or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act to permit compliance with Rule 144A in connection with the resale of the Offer Shares so long as any of the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act. The Group will also furnish to each such owner all notices of Shareholders’ meetings and other reports and communications that the Group generally makes available to Shareholders.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

United Kingdom

This prospectus is not an approved prospectus for the purposes of the UK Prospectus Rules, as implemented further to the EU Prospectus Directive (2003/71/EC). Accordingly, the Offer Shares may only be offered or sold to persons in the UK in one of the circumstances described in section 86 of FSMA in which an approved prospectus is not required.

This prospectus has not been approved under section 21 of the Financial Services and Markets Act 2000 (as amended) (“FSMA”) by a person authorized by the UK Financial Services Authority. The financial promotions contained in this prospectus are directed only at, and this prospectus is only being distributed to, (1) persons who receive this prospectus outside of the UK, and (2) persons in the UK who fall within the exemptions under articles 19 (investment professionals) and 49 (high net worth companies, high value trusts and certain other high net worth entities and unincorporated associations) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as “Relevant Persons”). This prospectus must not be acted upon or relied upon by a person in the UK who is not a Relevant Person. This prospectus is confidential and is provided to recipients in the UK on a personal basis and must not be transferred or assigned to persons who are not Relevant Persons. The transmission of this prospectus to any person other than Relevant Persons in the UK is unauthorized and may contravene FSMA and other UK securities laws and regulations. Any investment or investment activity to which this prospectus relates is available in the UK only to Relevant Persons and will be engaged in only with Relevant Persons.

Singapore

This prospectus has not been and will not be lodged and registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other offering document or material in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or purchase or sold, directly or indirectly, nor may an invitation or offer to subscribe for or purchase any Offer Shares be made, directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with the relevant conditions set out in the SFA.

Where Offer Shares that are initially subscribed or purchased under Section 274 or Section 275 of the SFA are sold within six months from the date of initial subscription or purchase and such sale is not made to an institutional investor or a relevant person pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, the prospectus and registration requirements under the SFA in connection with the Share Offer resulting in that sale shall apply.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Where Offer Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of which is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust, as the case maybe, shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at the prescribed amount of consideration for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

PRC

This prospectus may not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold, directly or indirectly, or offered or sold to any person for re-offering or re-sale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Cayman Islands

No offer of the Offer Shares may be made to members of the public in the Cayman Islands. Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offering of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalization Issue, Shares to be issued pursuant to the Share Offer, any Shares to be issued upon the exercise of the Over-allotment Option, and any additional Shares, up to 10% of the issued share capital of the Company as at the Listing Date, which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, on the Main Board.

No part of the Shares or loan capital of the Company is listed or dealt in on the Main Board or any other stock exchange and at present, no such listing or permission to deal is being or is proposed to be sought on the Main Board or any other stock exchange.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Share Offer will be registered on the Company's branch register of members to be maintained by Tricor Investor Services Limited in Hong Kong. The Company's principal register of members will be maintained by Butterfield Fulcrum Group (Cayman) Limited in the Cayman Islands. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

The Company, the Directors, the Sole Sponsor, the Sole Lead Manager, the Underwriters and any of their respective directors, agents or advisers or any other person involved in the Share Offer do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:30 a.m. on Friday, 4 December 2009. Shares will be traded in board lots of 2,000 each.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Chen Jian	Flat D, 21st Floor Block 10 Park Island Ma Wan New Territories Hong Kong	Chinese
Ms. Zhang Yun	Flat A, 11th Floor Juniper Mansion Harbour View Gardens No.16 Taikoo Wan Road Taikoo Shing Hong Kong	Australian
Mr. Guan Tao	Room 5, 5th Floor Block No. 12 Liu Lin Guan Nan Li Haidian District Beijing The PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Lee Kwan Hung	Flat D, 26th Floor Block 2, Ronsdale Garden 25 Tai Hang Drive Jardine's Lookout Hong Kong	Chinese
Mr. Yuan Bo	27-101 Chang Dao Lan Qiao 9 Lai Guang Ying Dong Lu Chaoyang District Beijing The PRC	Canadian
Mr. Ho Pak Tai Patrick	Flat E, 18th Floor Block 2, Provident Centre 23 Wharf Road North Point Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor	Taifook Capital Limited 25th Floor, New World Tower 16 – 18 Queen’s Road Central Hong Kong
Sole Bookrunner	Taifook Securities Company Limited 25th Floor, New World Tower 16 – 18 Queen’s Road Central Hong Kong
Sole Lead Manager	Taifook Securities Company Limited 25th Floor, New World Tower 16 – 18 Queen’s Road Central Hong Kong
Placing Underwriter	Taifook Securities Company Limited 25th Floor, New World Tower 16 – 18 Queen’s Road Central Hong Kong
Public Offer Underwriters	Taifook Securities Company Limited 25th Floor, New World Tower 16 – 18 Queen’s Road Central Hong Kong CIMB Securities (HK) Limited 25th Floor, Central Tower 28 Queen’s Road Central Hong Kong Grand Vinco Capital Limited Units 4909-10, 49th Floor The Center 99 Queen’s Road Central Hong Kong Shenyin Wanguo Capital (H.K.) Limited 28th Floor, Citibank Tower Citibank Plaza 3 Garden Road Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Company

As to Hong Kong law:
Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Hong Kong

As to PRC law:
King & Wood
40th Floor, Office Tower A
Beijing Fortune Plaza
7 Dongsanhuan Zhonglu
Chaoyang District
Beijing 100020
The PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

**Legal advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong law:
Iu, Lai & Li
20th Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
15th Floor, The Union Plaza
20 Chaoyangmenwai Dajie
Beijing 100020
The PRC

Reporting accountants

KPMG
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Property valuer

Jones Lang LaSalle Sallmanns Limited
17th Floor, Dorset House, Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

Receiving banker

Standard Chartered Bank (Hong Kong) Limited
15th Floor, Standard Chartered Tower
388 Kwun Tong Road, Kwun Tong
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in the PRC	Units B1901 on level 19 and B2001 on level 20 of Tower B Chaowaimen Office Center No. 26 Chaowai Street Chaoyang District Beijing the PRC
Principal place of business in Hong Kong	Rooms 929-935, 9th Floor Sun Hung Kai Centre 30 Harbour Road Wanchai Hong Kong
Authorized representatives	Ms. Zhang Yun Flat A, 11th Floor Juniper Mansion, Harbour View Gardens No. 16 Taikoo Wan Road Taikoo Shing, Hong Kong Mr. Yuen Kwok Hon, CFA, CPA Flat 2, 19th Floor Yan Hei House Yan Shing Court Hong Kong Mr. Chen Jian <i>(Alternate to the authorized representatives)</i> Flat D, 21st Floor Block 10 Park Island Ma Wan New Territories Hong Kong
Compliance adviser	Taifook Capital Limited 25th Floor, New World Tower 16-18 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Company secretary	Mr. Yuen Kwok Hon, CFA, CPA
Audit committee	Mr. Ho Pak Tai Patrick (<i>Chairman</i>) Mr. Lee Kwan Hung Mr. Yuan Bo
Remuneration committee	Mr. Yuan Bo (<i>Chairman</i>) Mr. Chen Jian Mr. Ho Pak Tai Patrick Mr. Lee Kwan Hung
Nomination committee	Mr. Lee Kwan Hung (<i>Chairman</i>) Ms. Zhang Yun Mr. Ho Pak Tai Patrick Mr. Yuan Bo
Website address	www.futong.com.hk (the contents of this website do not form part of this prospectus)
Principal share registrar and transfer office in Cayman Islands	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road, Kwun Tong Hong Kong CITIC Ka Wah Bank Limited 232 Des Voeux Road Central Hong Kong Nanyang Commercial Bank, Ltd. 151 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

The Hongkong and Shanghai Banking Corporation
Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

China Construction Bank (Asia) Corporation Limited
17th Floor, Devon House
979, King's Road
Hong Kong

Bank of Hangzhou
Tower A
Fifth Square Building
3# Chaoyangmen Beidajie
Dongcheng District
Beijing
The PRC

Nanyang Commercial Bank (China) Limited
Ground Floor, Business No. 2
Fortune Time Plaza, No.11
Fenghui Garden, Xicheng District,
Beijing
The PRC

Bank of Beijing
No. 20 Chao Wai Street
Beijing, 100020
The PRC

Bank of DaLian Co., Ltd.
No.13, Zhichun Road
Haidian District
Beijing
The PRC

HSBC Bank (China) Company Limited
1-3 Floor, Block A, Beijing COFCO Plaza
8 Jianguomennei Dajie
Dongcheng District
Beijing
The PRC

China Merchants Bank Co., Ltd.
No. 156 Fuxingmenei Street
Xi Cheng District
Beijing
The PRC

INDUSTRY OVERVIEW

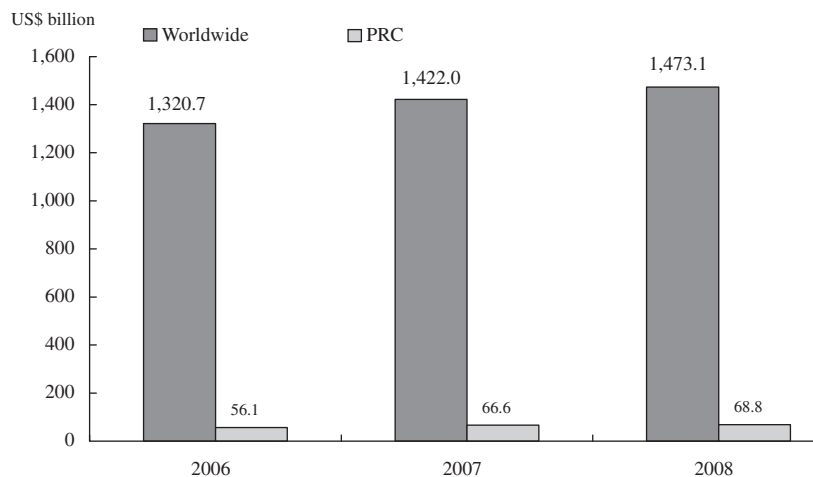
The information provided in this section is partly derived from various government and/or private publications, such as publications of IDC. The Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from such sources has not been prepared or independently verified by the Company, the Sole Sponsor, the Sole Lead Manager or the Underwriters or any of their respective affiliates and advisers, and may not be consistent with other information compiled within or outside the PRC. No representation is given as to its accuracy.

IT INDUSTRY IN THE PRC

Overview

According to IDC, a leading provider of market research for the information technology market, worldwide IT spending (comprising IT related products, software and services markets) increased from approximately US\$1,320.7 billion (equivalent to approximately HK\$10.3 trillion) in 2006 to approximately US\$1,473.1 billion (equivalent to approximately HK\$11.5 trillion) in 2008. The following chart sets forth the comparison between the worldwide and the PRC IT spending from 2006 to 2008:

Worldwide IT spending versus PRC IT spending, 2006 — 2008



Source: IDC — PRC IT Market Overview and Forecast (Note)

Note: The Group commissioned IDC, an Independent Third Party, to produce the “PRC IT Market Overview and Forecast” report for the inclusion in this prospectus. According to the information provided by IDC, IDC is a global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. IDC has over 1,000 analysts worldwide. The methodology used by IDC in the preparation of the report involved conducting both primary and secondary research obtained from numerous sources within the IT industry in the PRC. The primary research was conducted through telephone interviews of major vendors and corporate end-users in the PRC. The research involved

INDUSTRY OVERVIEW

participants answering a number of questions as an interactive quantitative and qualitative session to acquire, inter alia, financial figures and type of products and brands involved. Secondary research was conducted through reviewing officially published government statistics, yearbooks, trade magazines, newspapers, websites, trade shows, industry seminars, exhibition, vendors' new product and technology briefings and their financial statements, etc. to obtain the information in relation to IT industry and products of manufacturers in the PRC. IDC's forecast was prepared based on its statistical compilation and analysis of its research data and the overall economic environment worldwide, based on the assumption that the IT industry will continue to grow in the foreseeable future.

The size of the PRC IT market in terms of IT spending increased from approximately US\$56.1 billion (equivalent to approximately HK\$437.6 billion) in 2006 to approximately US\$68.8 billion (equivalent to approximately HK\$536.6 billion) in 2008, representing approximately 4.2% and 4.7% respectively of the worldwide IT spending. However, the CAGR of PRC IT market in terms of IT spending from 2006 to 2008 of approximately 10.7% was significantly higher than the CAGR of worldwide IT spending of approximately 5.6% over the same period. IDC forecasts that the IT market in the PRC would continue to grow and would account for approximately 6.4% of the total global IT market of approximately US\$112.7 billion (equivalent to approximately HK\$879.1 billion) in 2013.

The IT spending in the US reached approximately US\$493.9 billion in 2008, representing approximately 3.4% of the US GDP for the same year, compared that with PRC IT spending of approximately US\$68.8 billion in 2008, representing approximately 1.6% of the PRC GDP for the same year, there is potential growth in the overall PRC IT market in terms of an increase in the proportion of IT spending and annual GDP in the PRC.

Servers and storage devices represent approximately 6.7% and 2.1% respectively of the total PRC hardware market in 2008 and estimated to have CAGR of 8.5% and 10.7% respectively from 2009 to 2013. The following table represents the IT spending figures and forecast by various segments in the PRC IT market from 2006 to 2013:

PRC IT market value by product type, 2006 — 2013 (US\$ million)

	2006	2007	2008	2009	2010	2011	2012	2013	2009-2013 CAGR
Server	2,799.4	3,590.0	3,599.8	3,618.6	3,827.9	4,266.5	4,659.8	5,022.2	8.5%
Personal Computers	19,793.1	25,767.7	26,097.5	23,153.1	25,145.6	30,821.2	36,090.8	42,269.6	16.2%
Storage	814.3	1,037.5	1,155.0	1,238.3	1,357.8	1,546.4	1,703.3	1,858.7	10.7%
Smart Handheld	3,564.1	4,072.9	4,037.0	4,764.7	5,951.4	7,074.1	7,794.3	8,771.5	16.5%
Printers	2,516.7	2,873.1	2,953.3	2,767.0	2,853.9	2,981.8	3,100.3	3,165.4	3.4%
Network Equipment	12,886.5	13,108.6	13,533.4	15,252.6	16,475.1	17,788.3	19,167.1	20,390.3	7.5%
Others	2,190.6	2,567.0	2,416.8	2,308.7	2,539.1	3,093.1	3,575.3	4,218.5	16.3%
Total Hardware	<u>44,564.7</u>	<u>53,016.8</u>	<u>53,792.8</u>	<u>53,103.0</u>	<u>58,150.8</u>	<u>67,571.4</u>	<u>76,090.9</u>	<u>85,696.2</u>	12.7%
Packaged Software	4,360.2	5,144.4	5,494.3	5,759.4	6,175.0	6,980.8	7,936.9	9,063.7	12.0%
IT Services	7,153.7	8,423.3	9,545.6	10,498.5	11,778.1	13,616.9	15,612.7	17,950.5	14.4%
Total IT Market	<u>56,078.6</u>	<u>66,584.5</u>	<u>68,832.7</u>	<u>69,360.9</u>	<u>76,103.9</u>	<u>88,169.1</u>	<u>99,640.5</u>	<u>112,710.4</u>	12.9%

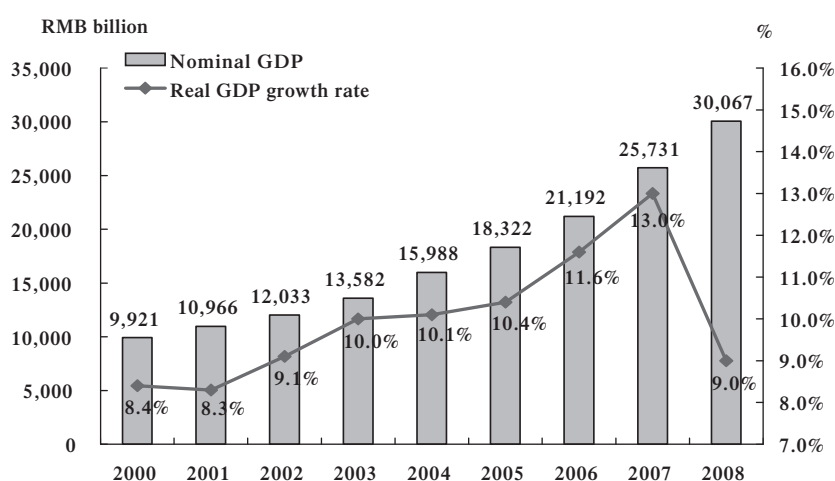
Source: IDC — PRC IT Market Overview and Forecast

INDUSTRY OVERVIEW

According to IDC, the size of the PRC IT market is expected to reach approximately US\$69.4 billion (equivalent to approximately HK\$541.3 billion) in 2009, it is expected that by 2013, the size of the PRC IT market will reach approximately US\$112.7 billion (equivalent to approximately HK\$879.1 billion) with a CAGR of approximately 12.9% from 2009 to 2013.

Historically, the primary driver of the PRC's IT industry growth has been the rapid growth of its economy. The PRC is one of the fastest growing economies in the world, with double-digit real GDP growth per year between 2003 and 2007. The PRC GDP growth rate was 9% in 2008. Set out below is a table showing the total nominal GDP and real GDP growth rate from 2000 to 2008 in the PRC.

GDP Growth in the PRC, 2000 — 2008



Source: China Statistical Yearbook 2009 published by National Bureau of Statistics of China

According to the policy 《2006 — 2020年國家資訊化發展戰略》 (2006 — 2020 National Information Technology Development Plan) issued by the General Office of the Central Committee of the Communist Party of China in May 2006, the PRC government will encourage the development of IT in the PRC including the promotion of the use of IT in various enterprises, enabling electronic public services, developing advanced cultural network, facilitating a digital economy, improving information-based facilities and enhancing the competitiveness of IT industry in the PRC. In view of the promotion and encouragement for the development of IT industry by the PRC government, the Directors expect that the IT industry in the PRC will continue to grow rapidly and continue to be one of the fastest growing markets in Asia. Furthermore, according to IDC, the PRC IT market is estimated to grow at CAGR of 12.9% from 2009 to 2013, faster than the Asia Pacific IT market estimated growth of CAGR of 6.4% over the same period. Servers markets in the PRC are forecast to grow from US\$3,599.8 million in 2008 to US\$5,022.2 million in 2013. The Directors believe that China's GDP growth is expected to continue to be strong. As the PRC economy is expected to grow and income level continues to rise, IT products will become more indispensable to businesses.

INDUSTRY OVERVIEW

According to IDC, although the PRC economy was challenged by the economic crisis, it continues to grow steadily. Under the PRC government's substantial investment and favourable policies, the PRC GDP grew 6.1% in first quarter of 2009 and 7.9% in the second quarter of 2009, and is expected to be steadily growing above 6.0% in the next five years. The stable economic growth will provide a foundation for the recovery of IT purchases from both enterprises and consumers. For the short-run, the PRC government's RMB4 trillion stimulus package together with the investments from local government will give rise to potential market opportunities to PRC IT market in 2009 and 2010. Furthermore, the economic crisis is forcing industries in China to improve their efficiency, and the government implemented policies to support innovation, technology upgrading and industry restructuring, so as to improve their competitiveness and as a result, will drive up IT investment in the PRC.

Impact of the global economic crisis on the IT market in the PRC

The financial crisis and slowdown of PRC economy inevitably brings challenges to IT industry development in the PRC. Orders from overseas including the US have reduced; hence the IT sourcing market has been affected. However, the RMB4 trillion stimulus package and industrial development plan implemented by the PRC government have already had positive effects on the PRC economy. The effects of government policies to stimulate the economy have shown signs of progress. Chinese government's investment and policies may create a large potential in the PRC IT market in 2009 and 2010. Furthermore, the World Exposition 2010 Shanghai and the 16th Asian Games to be held in Guangzhou will also drive up IT investments in China. In the PRC telecommunication industry, many opportunities are mainly driven by 3G investments and the restructuring of telecommunication industry. Whilst the financial crisis has had adverse impact on the PRC economy, it encourages the integration of industries and business transformation, which will create more opportunities of IT investments in the year ahead.

HARDWARE MARKET IN THE PRC

Server Market

Server market in the PRC primarily comprises x86 servers and non-x86 servers and both foreign and local IT vendors need to rely on distributors to deliver their products or services to resellers and end-users in different regions.

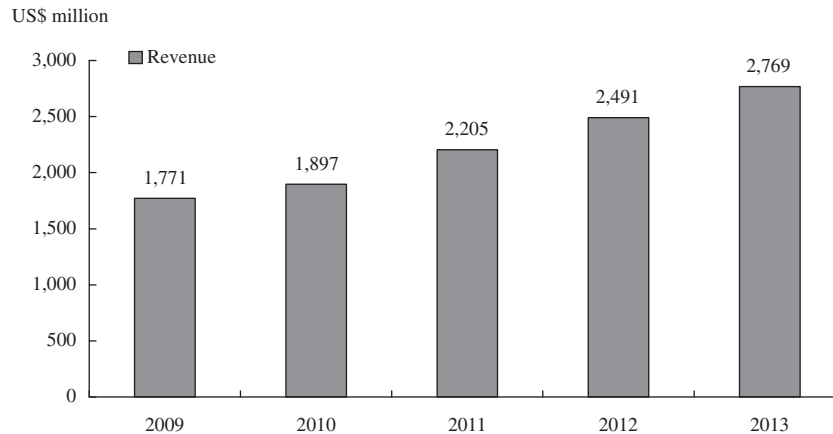
PRC x86 Server Market

According to IDC, the PRC x86 server market shipments increased from approximately US\$1,450.4 million (equivalent to approximately HK\$11,313.1 million) in customer revenue in 2006 to approximately US\$1802.6 million (equivalent to approximately HK\$14,060.3 million) in 2008, representing CAGR of approximately 11.5%. In terms of 2008 performance of x86 server vendors, the top three foreign vendors occupied more than 70% of the market. IBM accounts for approximately 26.9% of market share in the x86 server market in terms of customer revenue. IBM focused on their channel partnerships and increased the number of channel partners in different cities with the help of their distributors.

INDUSTRY OVERVIEW

Customer revenue of x86 server market is expected to reach approximately US\$2,768.5 million (equivalent to approximately HK\$21,594.3 million) in 2013 with CAGR at 11.8% from 2009 to 2013, as shown in the following chart:

x86 Server Growth in the PRC, 2009 — 2013



Source: IDC — PRC IT Market Overview and Forecast

IDC believes that the x86 server market is affected during the global financial crisis. Since most end-users of x86 servers were small and medium sized enterprises, which were adversely affected by the global financial crisis as a result suffered from a reduction of their IT budgets. As the economy is expected to rebound in 2010, the demand for x86 servers from these end-users will increase and hopefully will achieve double-digit growth from 2011 to 2013.

PRC Non-x86 Server Market

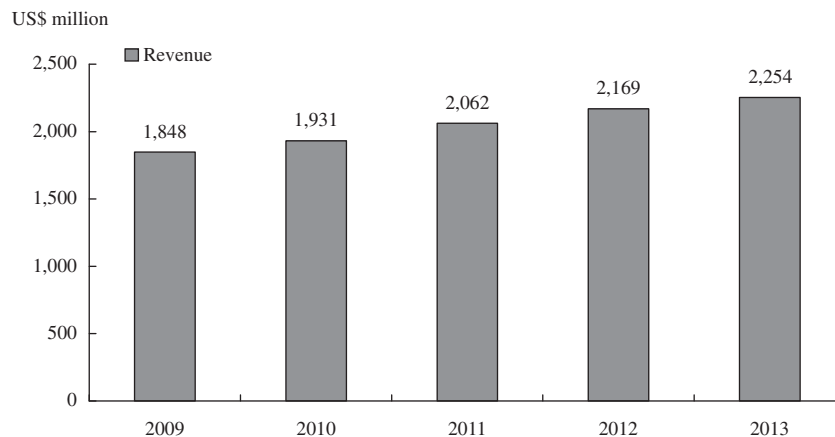
PRC non-x86 server market increased from approximately US\$1,349.0 million (equivalent to approximately HK\$10,522.2 million) by customer revenue in 2006 to approximately US\$1,797.2 million (equivalent to approximately HK\$14,018.2 million) in 2008, representing CAGR of approximately 15.4%. According to IDC, the construction of telecommunication business and operation support system with 3G wireless communications is to be the major driving force in the non-x86 server market.

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Similar to PRC x86 server market, competition of the PRC non-x86 server market is among a few foreign vendors. The top three non-x86 server vendors, including IBM, accounts for more than 97% of the market in 2008. IBM shared the PRC non-x86 server market with approximately US\$931.5 million (equivalent to approximately HK\$7,265.7 million) by customer revenue and has more than 50% market shares in 2008. IBM's mainframe was adopted by state-owned banks in their banking system upgrade. The restructuring of the PRC telecommunication industry with more service providers and the IT infrastructure building of 3G wireless communication business drove up strong demand on the high-end Unix server from telecommunication carriers in 2008.

Customer revenue of non-x86 server market is expected to reach approximately US\$2,253.7 million (equivalent to approximately HK\$17,578.9 million) in 2013 with CAGR at approximately 5.1% from 2009 to 2013, as shown in the following chart:

Non-x86 Server Growth in the PRC, 2009 — 2013



Source: IDC — PRC IT Market Overview and Forecast

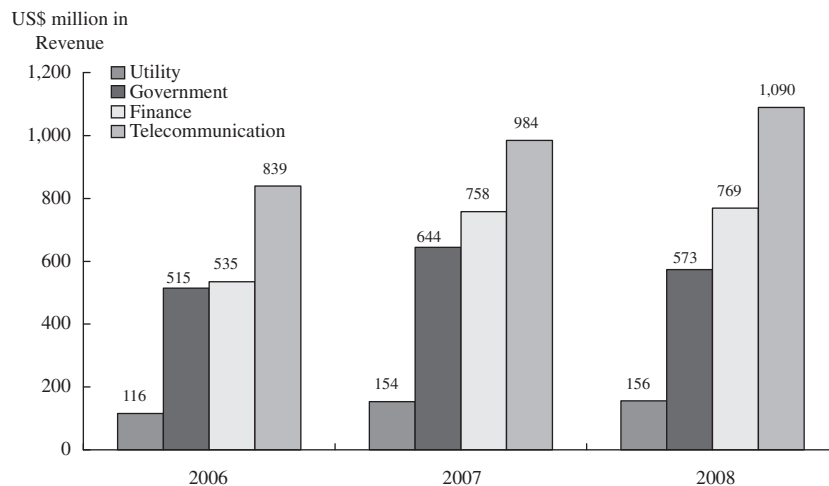
Although the non-x86 server was increasingly replaced by high-end x86 server in recent years, IDC still believes that the non-x86 server market will hold stable growth during the global financial crisis. It is because most of the non-x86 server demand derives from telecommunication service providers and government departments, which are less affected by the global financial crisis. This will facilitate the non-x86 server market to grow stronger than the x86 server market, and achieve the highest growth rate in 2011 as economy recovers in the next five years.

INDUSTRY OVERVIEW

PRC Server Market by Sector

There is considerable competition on the PRC server market in various aspects including product technology and product price across various sectors. The sales trends of servers in the PRC for the period from 2006 to 2008 in the telecommunication, finance, government and utility sectors are illustrated as follows:

Server Sales Growth in the PRC by Sectors, 2006 — 2008



Source: IDC — PRC IT Market Overview and Forecast

The CAGR for each of the telecommunication, finance, government and utility sectors in the PRC server market from 2006 to 2008 was approximately 14.0%, 19.9%, 5.5% and 16.0% respectively.

According to the China Statistical Yearbook 2009 issued by the National Bureau of Statistics of China, the business volume of telecommunication services increased from approximately RMB1,859.1 billion in 2007 to approximately RMB2,224.8 billion in 2008, representing an increase of approximately 19.7%. The total expenditure of financial institutions decreased from approximately RMB82,813.9 billion in 2007 to approximately RMB81,145.6 billion in 2008, representing a decrease of approximately 2.0%. Government expenditure increased from approximately RMB4,978.1 billion in 2007 to approximately RMB6,259.3 billion in 2008, representing an increase of approximately 25.7%. The total energy production increased from approximately 2.4 billion tons in 2007 to approximately 2.6 billion tons in 2008, representing an increase of approximately 8.3%. The Directors believe that the server market in the PRC will benefit from the continued development in these various sectors of the PRC economy.

INDUSTRY OVERVIEW

Storage Market

Storage market in the PRC mainly consists of external storage and tape storage market.

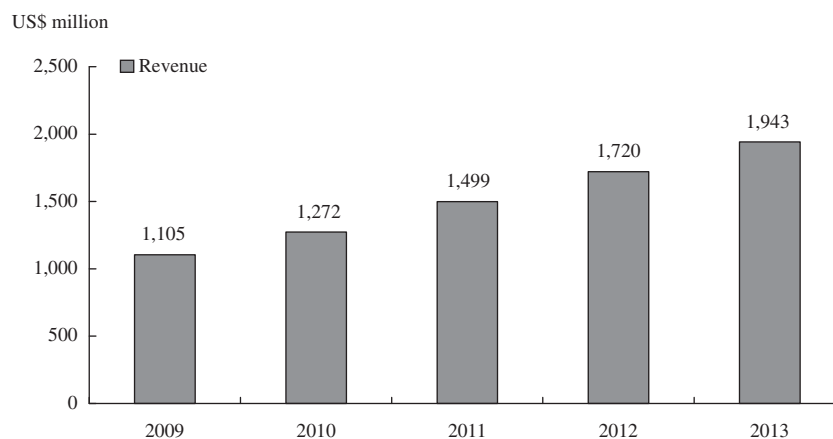
PRC External Disk Storage Market

The PRC external disk storage market increased from approximately US\$684.0 million (equivalent to approximately HK\$5,335.2 million) in 2006 to approximately US\$991.3 million (equivalent to approximately HK\$7,732.1 million) in customer revenue in 2008, representing CAGR of approximately 20.4%. The telecommunication and banking and finance industries achieved year-on-year growth at 20.3% and 26.2% respectively, the two biggest industries in the PRC external storage market.

IBM was the leading vendor in the PRC external disk storage market, with its yearly revenue reaching US\$254.3 million (equivalent to approximately HK\$1,983.5 million) and occupying approximately 25.7% of the market. IBM's growth was greatly driven by its high-end products. Relying on its significant share in the non-x86 server market, IBM's midrange and high-end storage kept steady growth rate in 2008. IBM's fibre channel SAN technology in external disk storage, which was used by telecommunication carriers in their projects.

Customer revenue of external disk storage market is expected to reach US\$1,942.7 million (equivalent to approximately HK\$15,153.1 million) in 2013 with CAGR at approximately 15.1% from 2009 to 2013, as shown in the following chart:

External Disk Storage Growth in the PRC, 2009 — 2013



Source: IDC — PRC IT Market Overview and Forecast

IDC predicts there will be a steady growth in the PRC external disk storage market from 2009 to 2013 with over 10.0% year-on-year growth rate.

INDUSTRY OVERVIEW

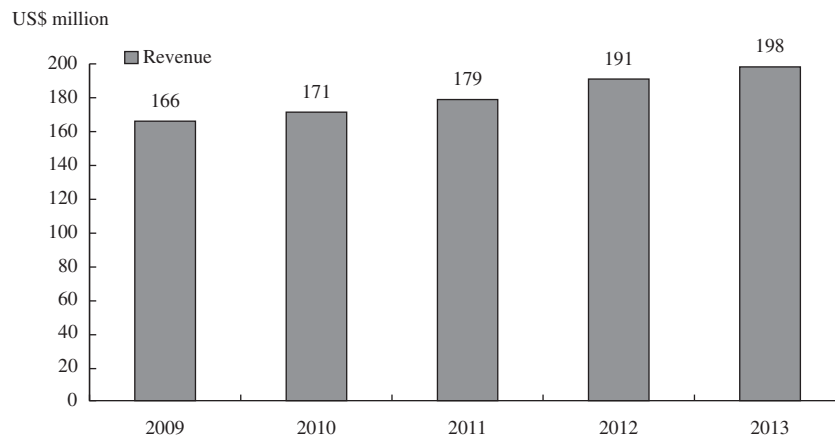
PRC Tape Storage Market

The PRC tape storage market increased from approximately US\$130.3 million (equivalent to approximately HK\$1,016.3 million) in 2006 to approximately US\$163.6 million (equivalent to approximately HK\$1,276.1 million) in customer revenue in 2008, representing CAGR of approximately 12.1%.

IBM still maintained their traditional share of tape storage in banking and finance and telecommunication industries, reaching approximately US\$81.1 million (equivalent to approximately HK\$632.6 million) in customer revenue in 2008 and occupied nearly 50% the share of the market. In the mid-range and high-end segments, IBM's tape storage was used in the petroleum and education sectors.

Customer revenue of tape storage market is expected to reach US\$197.9 million (equivalent to approximately HK\$1,543.6 million) in 2013 with CAGR at approximately 4.5% from 2009 to 2013, as shown in the following chart:

Tape Storage Growth in the PRC, 2009 — 2013



Source: IDC — PRC IT Market Overview and Forecast

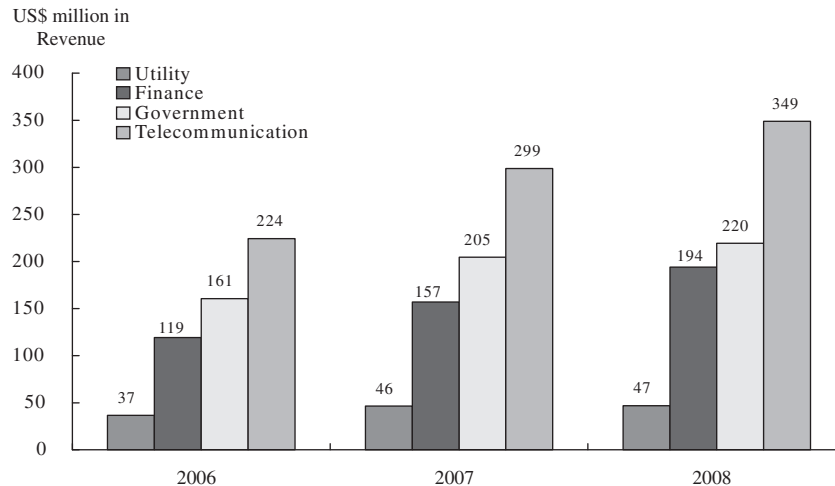
Tape solution has the advantage of being low in cost and off-line characteristic, i.e. it is an advantage that tapes could be physically stored. According to IDC, tape markets revenue will remain in single digit annual growth rate in the long-run.

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PRC Storage Market by Sector

The sales trends of both external disk and tape storage market in the PRC for the period from 2006 to 2008 in the telecommunication, government, finance and utility sectors are illustrated as follows:

External Disk and Tape Storage Sales Growth in the PRC by Sectors, 2006 — 2008



Source: IDC — PRC IT Market Overview and Forecast

The CAGR for each of the telecommunication, government, finance and utility sectors in the PRC storage market from 2006 to 2008 was approximately 24.8%, 16.9%, 27.7% and 12.7% respectively.

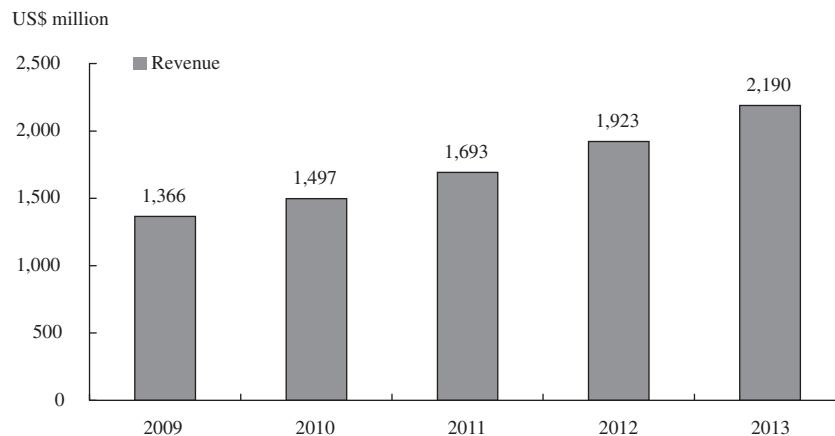
MIDDLEWARE MARKET IN THE PRC

According to IDC, the middleware market consists of collaboration software, application development and deployment software, as well as system infrastructure software. System infrastructure software, in particular, is most tightly linked with the enterprises' IT infrastructure and includes five functional markets, namely: system software, security software, storage software, network management software and system management software. With PRC IT adoption getting more and more mature, enterprises begin to pay increasing attention to system operation and management to ensure the IT continuity, which contributes to a large percentage of software investments in system infrastructure software, particularly system and network management software.

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The middleware market in the PRC is highly concentrated, and in the year of 2008, Oracle is the largest player in the PRC market with approximately 24.4% of the total market. Oracle and IBM, the second largest player, together make up around 43.0% of the market revenue. The overall middleware market has grown from US\$942.7 million (equivalent to approximately HK\$7,353.1 million) in 2006 to US\$1,265.7 million (equivalent to approximately HK\$9,872.5 million) in 2008, representing CAGR of approximately 15.9%. The following chart illustrates the middleware market size in the PRC from 2009 to 2013.

Middleware Market Growth in the PRC, 2009 — 2013



Source: IDC — PRC IT Market Overview and Forecast

As projected by IDC, the market will continue growing, and the market value will grow from approximately US\$1,366.0 million (equivalent to approximately HK\$10,654.8 million) in 2009 to approximately US\$2,189.5 million (equivalent to approximately HK\$17,078.1 million) in 2013, representing CAGR of approximately 12.5% from 2009 to 2013.

According to IDC, the middleware market is believed to recover faster than the overall packaged software market at a rate of 0.2 — 0.4% in 2009 and 2010. This is due to the strong demand of middleware software for the telecommunication and government industries to build new projects.

IT PRODUCTS SUPPORT SERVICES MARKET IN THE PRC

The IT services market in the PRC can be categorised into IT consulting service, system integration service, IT outsourcing service, hardware deployment and support service and software deployment and support service, etc..

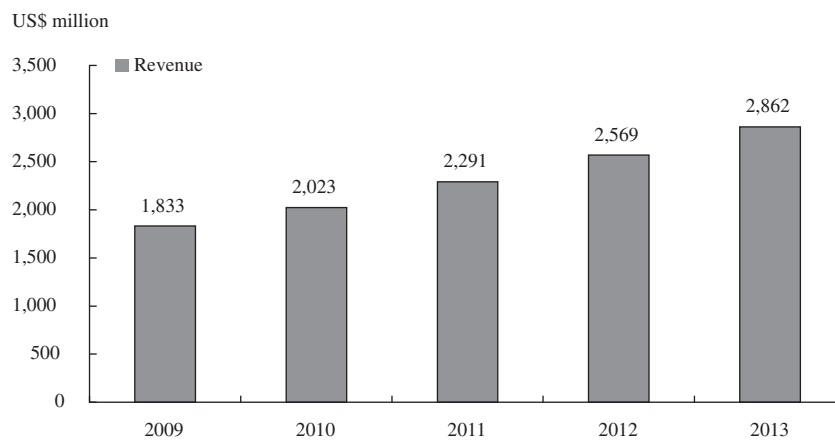
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Hardware deployment and support service consists of the installation and basic configuration of hardware and hardware maintenance. Whereas software deployment and support service aims at providing the customer with proper installation and configuration of all types of software as well as appropriate ongoing support, access to resources and distribution of software product releases and upgrades. The total amount spent on hardware and software deployment and support services in the PRC reached from approximately US\$1,957.9 million (equivalent to approximately HK\$15,271.6 million) in 2006 to approximately US\$2,502.3 million (equivalent to approximately HK\$19,517.9 million) in 2008, representing CAGR of approximately 13.1%.

IDC views that enterprises would buy extended warranty services to reassure its infrastructure safety and smooth running of their operations. Thus there were many opportunities in the hardware and software deployment and support services market in the PRC.

Hardware deployment and support service continues to represent the steady-growing segment in the product related service market. According to the forecast of IDC, the total market size will grow to US\$2,862.0 million (equivalent to approximately HK\$22,323.6 million) in 2013, with CAGR of approximately 11.8% from 2009 to 2013. The following is a chart showing the hardware deployment and support service market forecast in the PRC from 2009 to 2013.

Hardware Deployment and Support Service Growth in the PRC, 2009 — 2013



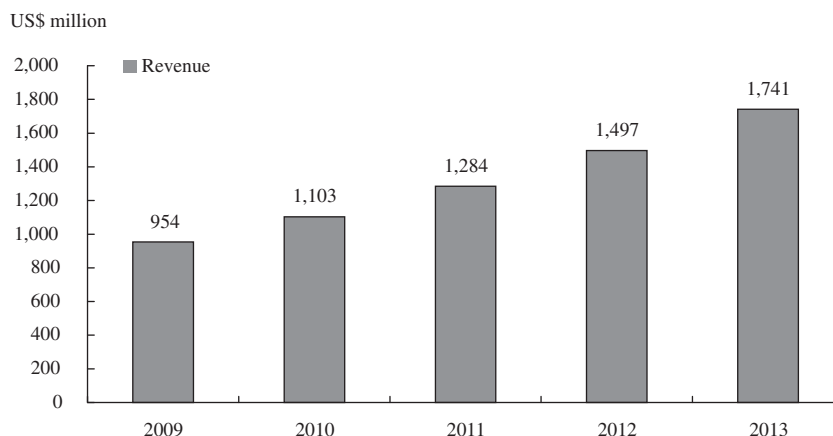
Source: IDC — PRC IT Market Overview and Forecast

The increasing demand for longer product life cycle and product maintenance continuously drive the market forward. Meanwhile, global service providers began to shift their attention from big enterprises to small and medium-sized business markets, in particular the mid-sized markets. Global and local vendors are also moving toward standardizing their support service to expand their shares in the small and medium-sized business markets. One emerging delivery model in the hardware deployment and support service market is the multi-vendor support services offering, which is targeted at enterprises with complex multi-vendor environment and interested in simplifying the support for this environment.

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On the other hand, the software deploy and support service market is also growing steadily, and the total market size of software deploy & support service market is expected to rise to approximately US\$1,741.4 million (equivalent to approximately HK\$13,582.9 million) in 2013, representing CAGR of approximately 16.2% from 2009 to 2013. The following chart illustrates IDC's forecast of the software deployment and support service market in the PRC from 2009 to 2013.

Software Deployment and Support Service Growth in the PRC, 2009 — 2013



Source: IDC — PRC IT Market Overview and Forecast

As technology evolves, online and remote support services as part of the support service mix are becoming more and more important. The industry is leaning from purely reactive support towards more proactive and preventive support service. Moreover, service providers tried to design packages and deliverables about the proactive and preventive services to meet the demand of the customers.

COMPETITIVE LANDSCAPE

The PRC market of enterprise IT products is dominated by a limited number of large distributors, which compete on numerous criteria, namely price, scope and quality of products and services provided, technology capabilities of IT solutions offered, coverage of distribution and service networks, and availability of financial resources. The Directors believe that there are some entry barriers for new entrants to the industry as it would take time to build comprehensive sales and procurement networks, acquire technical know-how and knowledge on the features of the enterprise IT products and get in-depth and updated understanding of the IT requirements of various business sectors. For more detailed discussion and analysis of the competition environment, please refer to the paragraph headed “Competition” under the section headed “Business” of this prospectus.

In order to cope with those competitions and strengthen the Group's competitive position in the market, the Group endeavors to keep abreast with the latest market development, development needs of various industry segments, and product and technology advancement. Furthermore, the Directors believe that with the Group's profound relationship with suppliers, end-users and business partners, well-established nationwide distribution and service networks, and dedicated management and

INDUSTRY OVERVIEW

professional team of sales and IT technical personnel, the Group has a solid foothold in the PRC enterprise IT products and services market for future business development. Please refer to the paragraph headed “Competitive strengths” under the section headed “Business” of this prospectus for more detailed discussion and analysis of the Group’s competitive advantages.

REGULATORY ENVIRONMENT OF THE IT INDUSTRY IN THE PRC

Regulations in respect of the control of pollution caused by electronic information products

On 28 February 2006, Ministry of Information Industry (replaced by MIIT in 2008), State Development and Reform Commission, Ministry of Commerce, General Administration of Customs, State Administration for Industry and Commerce, State Administration of Quality Supervision, Inspection and Quarantine, and State Administration of Environmental Protection jointly issued Administrative Measures for the Control of Pollution Caused by Electronic Information Products (《電子信息產品污染控制管理辦法》) effective from 1 March 2007, pursuant to which pollution and other public hazards to the environment caused by electronic information products in the process of producing, selling and importing electronic information products (including computer products) within the territory of the PRC should be controlled and reduced. Any producer, importer or seller of electronic information products must abide by such measures, and any act of producing, selling and importing electronic information products containing toxic, harmful substances or elements which do not comply with industrial or national standards for controlling pollution caused by electronic information products shall be strictly banned.

Regulation in respect of systems integration

Pursuant to Administrative Measures on Computer Systems Integration Qualification (Trial Implementation)(《計算機信息系統集成資質管理辦法(試行)》) promulgated by the Ministry of Information Industry (replaced by MIIT in 2008) and effective as of 1 January 2000, enterprises may not carry on the business of provision of computer systems integration services unless they possess the qualification certified by the relevant government authorities in charge as authorized by MIIT.

The qualification for provision of computer systems services is divided into 4 grades, and the capacity to undertake projects corresponding to each grade is different. Certified companies shall carry out annual internal inspections and submit the results to the Qualification Certification Office for the record. The Qualification Certification Office shall carry out annual inspections of certified companies once every two years and certificate renewal inspections once every four years. In addition, the Qualification Certification Office shall carry out any necessary unscheduled supervision and inspection.

On 18 November 2008, Futong Dongfang obtained the grade 3 Certificate of Computer Systems Integration Qualification of Enterprise (《計算機信息系統集成企業資質證書》) issued by the MIIT expiring on 17 November 2011. Pursuant to Administrative Measures on Computer Systems Integration Qualification (Trial Implementation) (《計算機信息系統集成資質管理辦法(試行)》),

INDUSTRY OVERVIEW

enterprises with grade 3 computer systems integration qualification must be competent to solely undertake projects of small and medium sized enterprises or jointly undertake similar projects of large or sizable enterprises. As confirmed by Futong Dongfang, Futong Dongfang has not undertaken any projects that would surpass its grade 3 capacities.

Regulations in respect of the PRC software market

In the PRC, software development and its related industries have been strongly encouraged and supported by the PRC government. On 24 June 2000, the State Council issued the Several Policies in Encouraging the Development of Software and Integrated Circuit Industries (《鼓勵軟件產業和集成電路產業發展的若干政策》) (the “Policies”) to stimulate the development of the PRC software and integrated circuit industries. Pursuant to the Policies, the PRC software enterprise are entitled to a number of preferential treatments, including those in relation to the investment in the PRC software and integrated circuit industries, favorable tax rates, export incentives, autonomy in determining employees’ benefits and professional training support.

Pursuant to the Policies, the PRC software enterprises are encouraged to develop innovative and premium software products to satisfy the demand of the PRC market and to further promote exportation. In addition, it is the intention of the Policies to attract more foreign capital and human resource investment in the PRC software industry by way of granting preferential treatments.

MIIT issued the Administrative Measures for Software Products (《軟件產品管理辦法》) effective from 10 April 2009 to regulate development, manufacture, sale, import and export of computer software or software embedded in information system or equipment provided to users and computer software in conjunction with computer information systems integration or application services or other technical services. Such administrative measures forbids the development, production, sale, import and export of the software products which infringe intellectual property rights of third party, contain computer virus, harm computer systems security, contain contents not in compliance with PRC software related regulations or contain contents prohibited by PRC laws. The Directors are not aware of any infringement by the Group of the above as at the Latest Practicable Date.

Regulations relating to computer software copyright protection

The State Council issued the Regulations for Protection of Computer Software (《計算機軟件保護條例》) effective from 1 January 2002 governing issues in connection with protection of copyright of computer software (including computer programs and related documentation). These regulations protect copyright of software developed by Chinese citizens and entities, regardless of where and whether it has been published. They also protect the copyright of software developed by foreign citizens and entities first published in the PRC or pursuant to the relevant treaties rectified by the PRC and his/her home country or resident country.

For computer software to be protected under these regulations, it must be independently developed by the developer and must be already in a material form. It does not extend to encompass any ideas, process, processing methods and mathematic concepts.

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Software copyright holders may register the copyright with the relevant copyright registration administration organization, which is treated as preliminary evidencing document of the subject matter. Under these regulations, software copyright holders enjoy the right of publication, right of authorship, right of amendment, right of replication, right of distribution, right of rent, right of online distribution, right of translation and other rights which shall be enjoyed by software copyright holders. The term of copyright protection for software developed by nature person is fifty years, ending on 31 December of the fiftieth year after his/her death. The term of copyright protection for software developed by legal person or other entities is fifty years ending on 31 December of the fiftieth year after the software was first published. However, no protection is available to software which has not been published in fifty years after the completion of development.

Any license and/or transfer of software copyright shall be recorded in agreements in writing, which may be registered (at the discretion of the contractual parties) at the authorized software registration institute.

HISTORY AND DEVELOPMENT

BUSINESS AND CORPORATE DEVELOPMENT

The business currently operated by the Group was inherited from, and commenced in 1996 by Futong ComputerLand, a company which was established with a registered capital of RMB10 million in the PRC on 10 September 1996 as a joint-venture and was held as to 80% by Futong Times (a then collective ownership organization established in the PRC by Mr. Chen Jian, Mr. Chen Jian's brother and several other individuals who are Independent Third Parties in 1993 with a registered capital of RMB0.8 million and principally engaged in distribution of personal computers) and as to 20% by 北京凱星實業有限公司 (Beijing Kaixing Industry Co. Ltd.), an Independent Third Party. Futong ComputerLand was then principally engaged in the distribution of servers running on the UNIX operating system platform such as IBM's RS/6000 series.

Futong ComputerLand first distributed IBM's enterprise servers under RS/6000 series (currently known as System p server or Power Systems server) in the PRC in 1996 and was awarded "IBM's Best Distributor Award" for 1997. The Group or through Futong ComputerLand has been granted "IBM's Best Distributor/Business Partner Award" for nine consecutive years since 1997. Centered at Beijing, Futong ComputerLand gradually extended its sales reach to other parts of the PRC, like Guangzhou and Shanghai. In July 1997, Futong Times was converted from a collective ownership organization to a joint-stock company, and subsequently Mr. Chen Jian and Mr. Chen Jian's brother became the only shareholders.

To cater for further business expansion, Mr. Chen Jian entered into a subscription agreement with Stepping Stones on 25 November 1999. Stepping Stones was a wholly-owned subsidiary of Start Technology, an investment holding company listed on Main Board whose subsidiaries were involved in software development, provision of systems integration and systems value added services in the PRC at that time. Pursuant to a reorganization exercise undertaken in accordance with the terms of the subscription agreement, (i) Futong BVI was incorporated in the BVI on 8 July 1999 as the holding company of the Group at that time and Mr Chen Jian, Rich China and Rich World, subscribed for 15,000, 9,000 and 6,000 shares of par value of US\$1.00 each in the capital of Futong BVI respectively on 9 December 1999; (ii) Futong HK was incorporated on 26 November 1999 with authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each in Hong Kong as a wholly-owned subsidiary of Futong BVI to sell enterprise IT products and arrange for trade finance facilities; (iii) the entire equity interest in Futong Times was transferred by Mr. Chen Jian and Mr. Chen Jian's brother for a total consideration of RMB10 million, with reference to its then registered capital of RMB10 million before transfer to Futong BVI, to become its wholly-owned subsidiary and hence Futong Times became a WFOE on 18 May 2000 with its registered capital increased to RMB20 million; (iv) 12% and 8% of equity interest of Futong ComputerLand were transferred by 北京凱星實業有限公司 (Beijing Kaixing Industry Co. Ltd.) to Ms. Zhang Yun and Fuqing Fujie (a then subsidiary of Start Technology) respectively on 8 December 1999. On 21 January 2000, Stepping Stones subscribed for 20,000 shares of par value of US\$1.00 each in the capital of Futong BVI pursuant to the subscription agreement. The total consideration for the subscription of 20,000 shares (representing 40% equity interest) in Futong BVI and acquisition of 8% of equity interest of Futong ComputerLand payable by Stepping Stones was RMB41 million, which was determined based on a price-to-earning multiple of approximately 5.1 times of Stepping Stones' attributable interest in the guaranteed profit of Futong BVI and its subsidiaries for the year ended 31 December 2000 of RMB20

HISTORY AND DEVELOPMENT

million. On 25 January 2000, the authorized and issued share capital of Futong HK were both increased to HK\$1 million divided into 1 million shares of HK\$1.00 each from an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and an issued share capital of HK\$2 divided into 2 shares of HK\$1.00 each respectively.

In 2002, Futong ComputerLand became an Oracle's distributor to distribute Oracle's database management products as well as provide development tools in the IT hardware solution packages sold to its customers. Furthermore, it expanded its IBM's range of product offerings to include IBM's System x servers.

As part of Start Technology's efforts to streamline its businesses, Stepping Stones entered into two agreements for disposal of its entire 40% interest in the issued share capital of Futong BVI on 18 May 2002, where (i) 13,987 shares of Futong BVI (equivalent to approximately 27.97% interest) were acquired by Mr. Chen Jian through a sale and purchase agreement at a consideration of RMB53.5 million; and (ii) 6,013 shares of Futong BVI (equivalent to approximately 12.03% interest) were repurchased by Futong BVI through a share buy back arrangement at a consideration of RMB23 million. The aggregate consideration of RMB76.5 million was determined based on a price-to-earning multiple of approximately 6.3 times of Stepping Stones' attributable interest in the audited net profit after taxation of Futong BVI and its subsidiaries for the year ended 31 December 2001 of approximately RMB30.4 million. At the same time, Fuqing Fujie entered into an agreement for disposal of its entire 8% equity interest in Futong ComputerLand to Ms. Zhang Yun at a consideration of RMB1. With the termination of cooperation with Stepping Stones, Futong BVI subsequently entered into sale and purchase agreements in November 2002 and disposed of its entire equity interests in Futong Times as to 80% to Mr. Chen Jian and as to 20% to Ms. Zhang Yun for a consideration of RMB16 million and RMB4 million respectively with reference to the then registered capital of Futong Times. Futong Times was then reclassified as a wholly-domestic enterprise.

On 21 November 2002, Futong BVI, Mr. Chen Jian, ChinaEquity and its holding company, ChinaEquity Holdings, entered into a sale and purchase agreement pursuant to which Futong BVI transferred 3,513 shares and 2,500 shares in its share capital repurchased from Stepping Stones to ChinaEquity and SCS, two of the Minority Ex-Shareholders, respectively for a total consideration of RMB26,457,200 which was determined based on a price-to-earning multiple of approximately 5 times of the attributable interest as represented by an aggregate of those 3,513 shares and 2,500 shares in the estimated profit of Futong BVI and its subsidiaries for the year ended 31 December 2003 of RMB44 million. In February 2003, ChinaEquity transferred an aggregate of 1,625 shares of Futong BVI as to 1,000 shares to Phoenix International Management Holdings Limited, as to 312.5 shares to Kemble Green Limited and as to 312.5 shares to Aventures 1 Pte Ltd., another three Minority Ex-Shareholders. ChinaEquity Holdings and the Minority Ex-Shareholders were Independent Third Parties.

As the Group did not have any wholesale or retail licence to distribute enterprise IT products in the PRC after Futong BVI's disposal of Futong Times in November 2002, the Group continued to sell enterprise IT products from IBM and Oracle in the PRC through Futong ComputerLand, which became the Group's then strategic procurement and distribution partner. On 4 December 2003, Futong

HISTORY AND DEVELOPMENT

Dongfang was established in the PRC as a wholly-owned subsidiary of Futong HK and a WFOE with a registered capital of US\$0.5 million. On 31 December 2003, Futong ComputerLand entered into the Business Cooperation Agreement and Technical Services Cooperation Agreement with Futong HK and Futong Dongfang respectively to formalize the business arrangements with the Group.

The Business Cooperation Agreement (as amended, supplemented and varied by a supplemental agreement on 4 June 2004) stipulated the business arrangement between Futong HK and Futong ComputerLand which, inter alia, included (i) the procurement of IT products by Futong ComputerLand from providers of IT products such as IBM and Oracle exclusively on behalf of Futong HK for the distribution of such IT products in the PRC; (ii) the import of IT products by Futong ComputerLand into the PRC through Futong HK or licensed import and export agents in the PRC; and (iii) the procurement of other related services, such as warehousing, logistics and trade finance services.

The Technical Services Cooperation Agreement (as amended, supplemented and varied by a supplemental agreement on 4 June 2004) stipulated the scope of technical services provided by Futong Dongfang to Futong ComputerLand which, inter alia, included the technical implementation for IT products, and the provision of trainings, technical support and marketing services.

As advised by the Company's PRC legal advisers, the arrangement under the Business Cooperation Agreement and the Technical Service Cooperation Agreement did not violate any mandatory prohibitive PRC laws then applicable.

In 2004, being one of IBM's authorized business partners in the PRC, Futong ComputerLand was admitted to IBM's SDI Program which allowed it to purchase certain partially assembled System p servers (known as an Incomplete System Unit or "ISU") from IBM for further assembly and testing. Additional components that needed to be assembled to the ISUs were purchased from IBM. The completed products which were assembled by Futong ComputerLand were then sold to its customers.

Futong Dongfang was certified and awarded the ISO 9001:2000 certification on 10 May 2004 covering product and process of agent sales service of computers. In the same year, Futong Dongfang has established a branch office in Beijing and representative offices in Shenzhen, Guangzhou, Fuzhou, Shenyang, Shanghai, Nanjing, Xi'an, Chengdu and Wuhan respectively to extend its sales to southern, eastern and central parts of the PRC. On 14 May 2004, Futong HK's application as a qualified Hong Kong service supplier (as defined under CEPA) was approved. Futong Dongfang was then approved by the relevant PRC authorities to be licensed under PRC laws to distribute enterprise IT products in the PRC and to increase its registered capital to RMB50 million on 1 April 2005 and further established one more branch office in Beijing in 2005, which was principally engaged in the assembling of computer products like servers. From then on, the Group gradually built up its network of suppliers and customers and ceased to cooperate with Futong ComputerLand under the Business Cooperation Agreement and Technical Services Cooperation Agreement and the employees of Futong ComputerLand (including, among others, sales, IT technical and management staff) were gradually transferred to Futong Dongfang. The Business Cooperation Agreement and Technical Service Cooperation Agreement, together with their respective supplemental agreements, were terminated with effect from 1 January 2006 and 1 May 2005 pursuant to agreements dated 1 January 2006 and 29 April 2005 respectively. During 2006 and first half of 2007, the Group had provided products and services to Futong ComputerLand and vice versa until the fulfillment of all outstanding sales contracts and

HISTORY AND DEVELOPMENT

inventory clearance of Futong ComputerLand in 2007. On 30 June 2007, Futong Dongfang entered into an agreement with Futong ComputerLand for purchase of the office equipment including servers, storage and networking facilities from Futong ComputerLand for internal business operation. Futong ComputerLand was then deregistered on 10 July 2009.

In 2006, Futong Dongfang has increased its registered capital to RMB100 million and changed its representative offices in Fuzhou, Guangzhou, Xi'an and Shenyang to branch offices for further business expansion. Furthermore, Futong Dongfang has been chosen by IBM and Oracle for strategic cooperation to establish the first Power @ Grid Centre in the PRC where an operating environment with IBM's System p servers and Oracle's software was created to allow independent software vendors to test application performance for various application software developed by them, from which the Group is able to better understand the latest IT requirement and trend of business application of end-users that those independent software vendors serve for, and explore more opportunities to sell the enterprise IT products and provide services to end-users through those independent software vendors.

In 2007, Futong Dongfang set up a call center which provided full support to the Group's after-sales services in the PRC and it further extended its IBM's product range to include IBM's System x servers pre-installed with Microsoft's system operating software. In 2008, Futong Dongfang has become an authorized distributor for Huawei Symantec's server and storage products. After acquisition of Cognos by IBM, Futong Dongfang has become an authorized distributor for IBM Cognos' software products in 2009. At the same time, Futong Dongfang also established branch office in Jinan and representative office in Hangzhou and changed its representative office in Chengdu to branch office for extension of its sales and service coverage. On 24 July 2009, Futong Unica was established in the PRC by Futong Dongfang and an Independent Third Party for the proposed distribution of data analysis software in the PRC. Futong Unica has a registered capital of RMB1 million and is owned as to 55% by Futong Dongfang. As at the Latest Practicable Date, registered capital of RMB0.5 million of Futong Unica was paid up by the parties in accordance with their respective equity interest. It is expected that Futong Unica will commence its operation in the first quarter of 2010 and will obtain all relevant license and permit for its operation before commencement of business. Being one of IBM's best distributors in the PRC throughout these years, the Group continued to win awards and recognitions from IBM for its recognized achievement in the sale of various enterprise IT products and solutions, the details of which are set out in the paragraph headed "Awards and recognitions" under the section headed "Business" in this prospectus.

PRC REGULATORY MATTERS

On 8 August 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC promulgated a new regulation, namely, the 《關於外國投資者併購境內企業的規定》 (Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors) (the "Acquisition Regulations"), which became effective on 8 September 2006. The Acquisition Regulations require that an offshore special purpose vehicle formed for listing purposes and controlled, directly or indirectly, by PRC companies or individuals shall obtain approval from the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

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As advised by the Company's PRC legal advisers, the Acquisition Regulations do not apply to the Reorganization undertaken by the Group in the PRC and that the Listing does not require approval of the CSRC, as (i) CSRC has yet to promulgate any detailed clarification regarding the application of the Acquisition Regulations to such offshore special purpose vehicle and has not yet stipulated the detailed administrative procedures for obtaining the necessary approval under the Acquisition Regulations and (ii) Futong Dongfang, the Group's principal wholly-owned subsidiary in the PRC, was established prior to the effective date of the Acquisition Regulations and any reorganization among the PRC entities of the Group and its predecessor companies took place before the effective date of the Acquisition Regulations. As further advised by the Company's PRC legal advisers, no approval by any PRC government or regulatory authority is required for the Listing.

According to Circular 75, prior to the establishment or the gaining of control of an offshore special purpose vehicle, a domestic resident shall carry out the procedures for foreign exchange registration with the competent office of SAFE. In addition, under such notice, a "domestic natural person resident" means a natural person who holds legal identity documents such as PRC resident identity cards or passports or who, despite not having legal status in the PRC, habitually resides in the PRC for reasons related to economic interests.

As confirmed by the Directors, all the existing beneficial Shareholders that are domestic residents of the PRC have applied for their foreign exchange registration of overseas investments at the Beijing branch of SAFE, but such registration procedures had not yet been completed as at the Latest Practicable Date. The Directors consider, with the advice from the Company's PRC legal advisers, that the registration should be a procedural matter and there will not be any legal impediment to completion of such registration. As confirmed by the Company's PRC legal advisers, upon completion of the registration, the relevant beneficial Shareholders will be in compliance with the applicable regulations on foreign exchange.

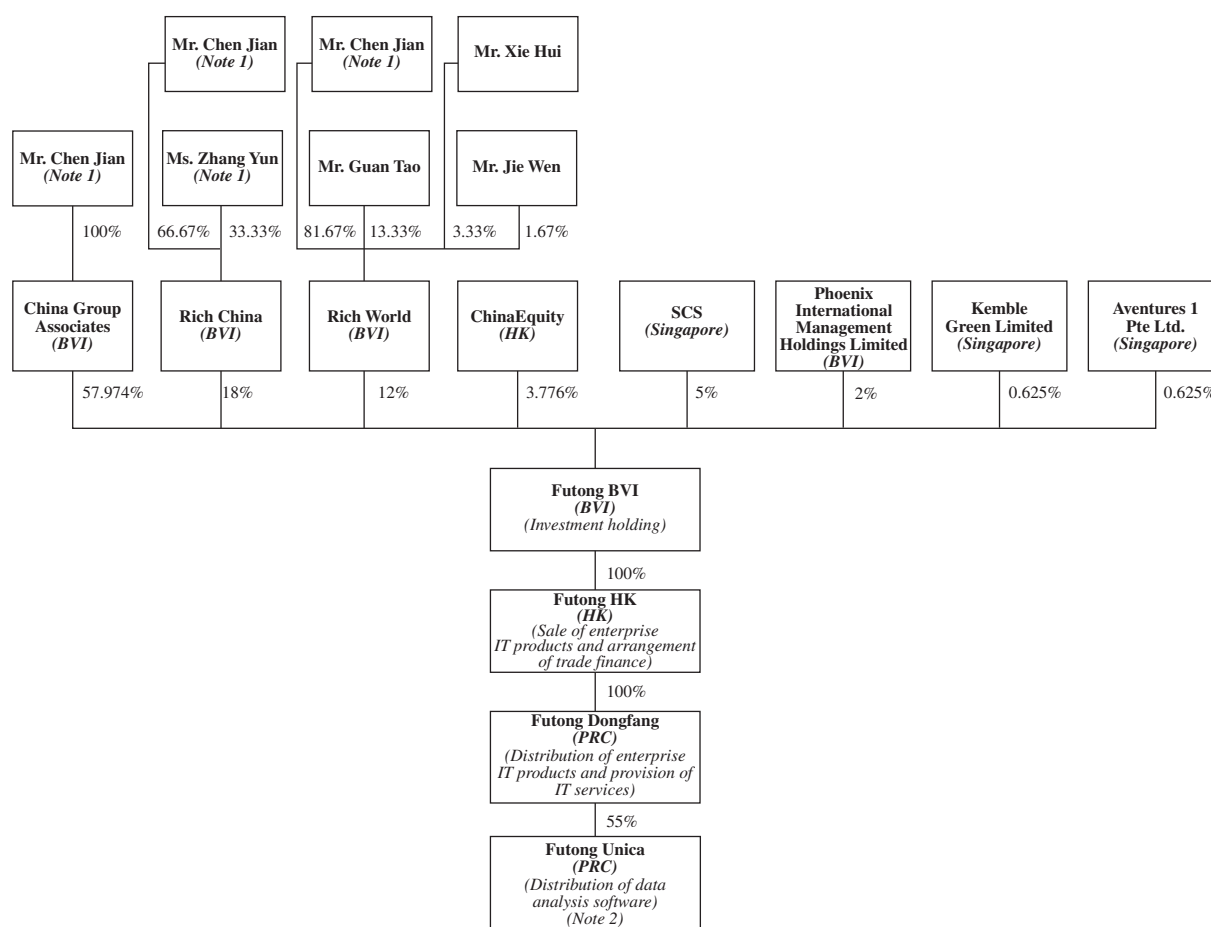
GROUP REORGANIZATION

In contemplation of the Listing, the Group has undergone certain restructuring steps which involved the following:

- the acquisition by Mr. Chen Jian (through China Group Associates) from the Minority Ex-Shareholders (excluding SCS) of their entire minority interests in the issued share capital of Futong BVI;
- the repurchase by Futong BVI from SCS of its entire interest in the issued share capital of Futong BVI; and
- the incorporation of the Company and reorganization thereof to become the holding company of the Group.

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Immediately before completion of the Reorganization, the shareholding and corporate structure of the Group is as follows:



Notes:

1. Mr. Chen Jian is the brother-in-law of Ms. Zhang Yun.
2. Futong Unica has not yet commenced its business as at the Latest Practicable Date.

Acquisition by Mr. Chen Jian (through China Group Associates) from the Minority Ex-Shareholders (excluding SCS) of their entire minority interests in the issued share capital of Futong BVI

On 9 July 2009, Mr. Chen Jian entered into a share acquisition agreement with ChinaEquity Holdings pursuant to which ChinaEquity Holdings procured four of the Minority Ex-Shareholders (excluding SCS) to sell, and Mr. Chen Jian, through China Group Associates, acquired in aggregate 3,513 shares of US\$1.00 each in the capital of Futong BVI, being the entire minority interests held by these Minority Ex-Shareholders and representing an aggregate of approximately 7.026% of the then issued share capital of Futong BVI, at a total consideration of HK\$17,565,000 which had been determined by the parties after arm's length negotiation and with reference to the unaudited consolidated net assets value of Futong BVI and its subsidiaries as at 31 December 2008 attributable to such shareholding percentage in Futong BVI.

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Repurchase by Futong BVI from SCS of its entire interest in the issued capital of Futong BVI

On 20 August 2009, Futong BVI entered into a share repurchase agreement with SCS pursuant to which SCS sold, and Futong BVI repurchased, 2,500 shares of US\$1.00 each in the capital of Futong BVI, being the entire interest in the issued share capital of Futong BVI then held by SCS and representing 5% of the then issued share capital of Futong BVI before such repurchase, at a cash consideration of HK\$12,500,000 which had been determined by the parties after arm's length negotiation and with reference to the unaudited consolidated net assets value of Futong BVI and its subsidiaries as at 31 December 2008 attributable to such shareholding percentage in Futong BVI. Completion took place on 24 August 2009.

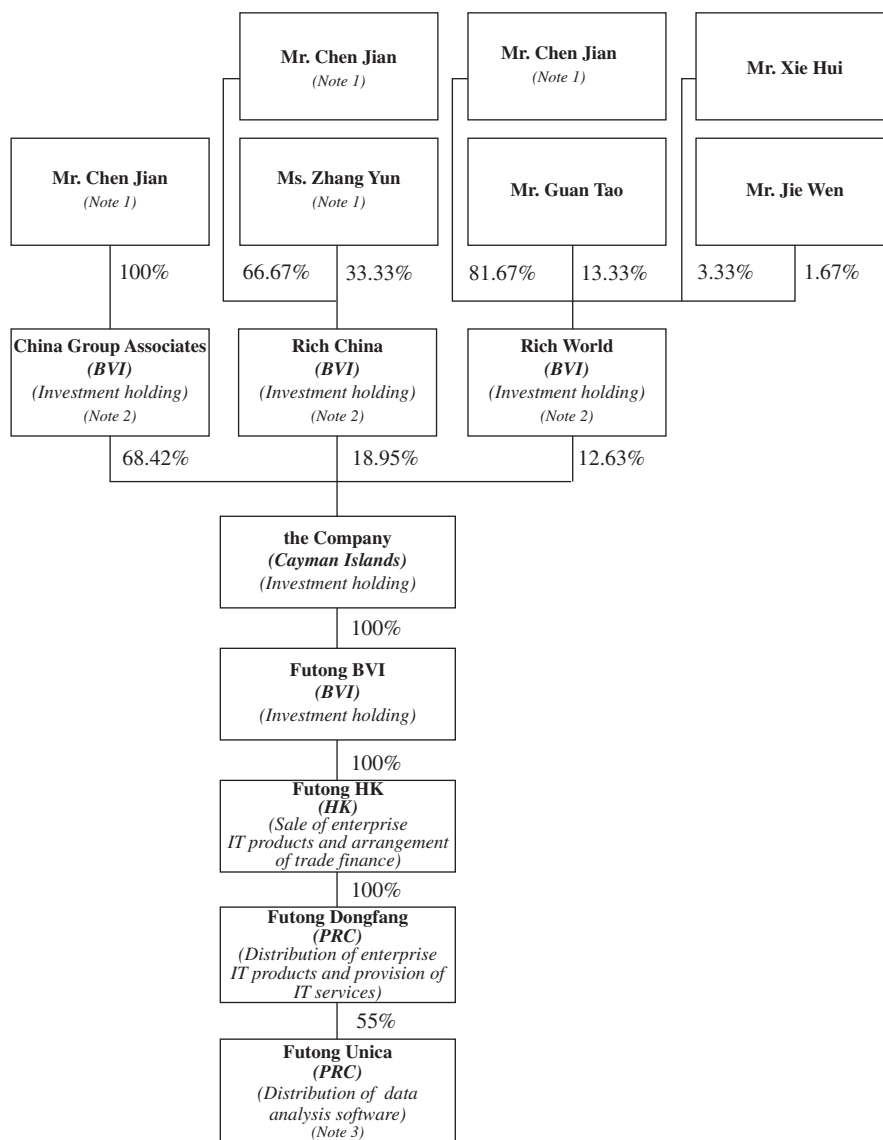
Incorporation of the Company and reorganization thereof to become the holding company of the Group

The Company was incorporated under the laws of Cayman Islands on 29 July 2009. On 11 November 2009, China Group Associates, Rich China and Rich World entered into a share transfer agreement pursuant to which China Group Associates, Rich China and Rich World transferred all their respective shareholdings in Futong BVI to the Company in consideration of (i) the crediting as fully paid 1 nil paid Share in the share capital of the Company then held by Mr. Chen Jian (which was transferred to China Group Associates at nil consideration on the same date); and (ii) the issue of 684,209 Shares, 189,474 Shares and 126,316 Shares in the Company credited as fully paid to China Group Associates, Rich China and Rich World respectively. Following completion of the Reorganization, the Company has become the holding company of the Group.

HISTORY AND DEVELOPMENT

Shareholding and corporate structure of the Group

The following diagram illustrates the shareholding and corporate structure of the Group as of the Latest Practicable Date:

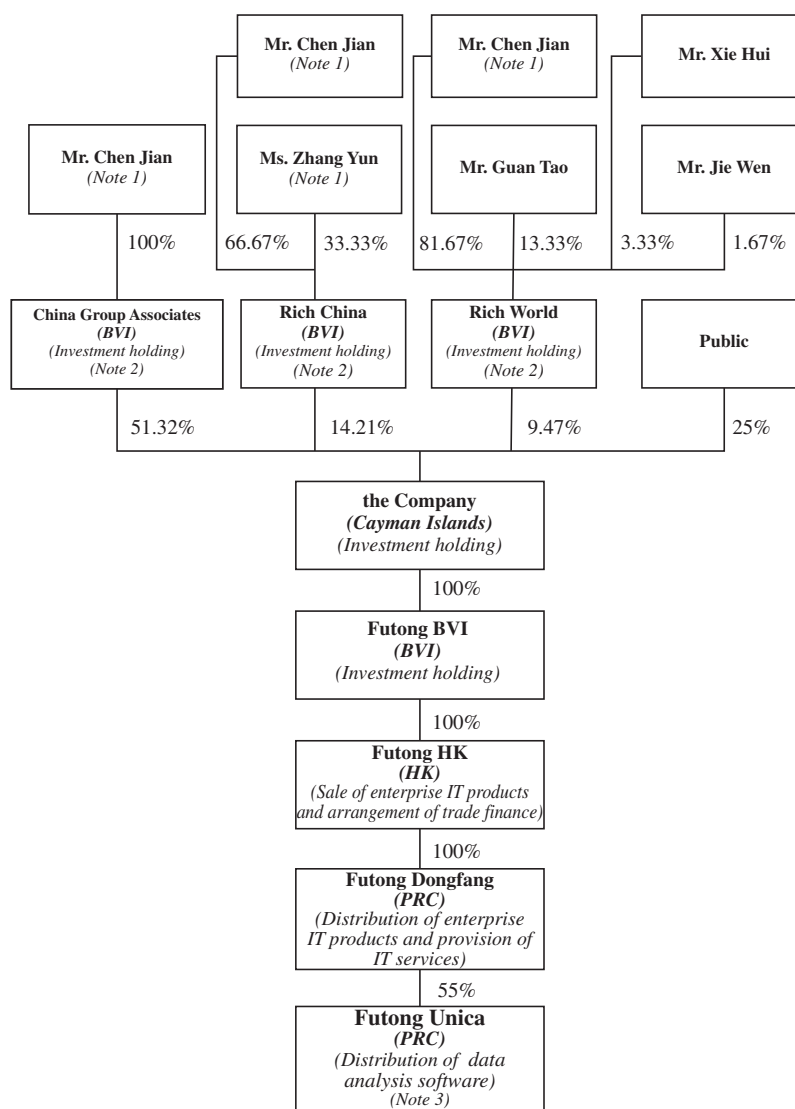


Notes:

1. Mr. Chen Jian is the brother-in-law of Ms. Zhang Yun.
2. As each of China Group Associates and Rich China is a substantial Shareholder and Rich World is an associate of Mr. Chen Jian who is an executive Director, each of China Group Associates, Rich China and Rich World is a connected person of the Company and is not counted towards as member of the public pursuant to Rule 8.24 of the Listing Rules. Each of Mr. Chen Jian, China Group Associates, Rich China and Rich World shall, and shall procure the relevant registered holder(s) to, comply with the restrictions on disposal of the Shares during the period commencing from the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date as stipulated under Rule 10.07(1) of the Listing Rules.
3. Futong Unica has not yet commenced its business as at the Latest Practicable Date.

HISTORY AND DEVELOPMENT

The following diagram sets forth the shareholding and corporate structure of the Group immediately following the completion of the Share Offer and the Capitalization Issue assuming that the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option that may be granted under the Share Option Scheme:



Notes:

1. Mr. Chen Jian is the brother-in-law of Ms. Zhang Yun.
2. As each of China Group Associates and Rich China is a substantial Shareholder and Rich World is an associate of Mr. Chen Jian who is an executive Director, each of China Group Associates, Rich China and Rich World is a connected person of the Company and is not counted towards as member of the public pursuant to Rule 8.24 of the Listing Rules. Each of Mr. Chen Jian, China Group Associates, Rich China and Rich World shall, and shall procure the relevant registered holder(s) to, comply with the restrictions on disposal of the Shares during the period commencing from the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date as stipulated under Rule 10.07(1) of the Listing Rules.
3. Futong Unica has not yet commenced its business as at the Latest Practicable Date.

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OVERVIEW

Being one of the leading distributors of enterprise IT products in the PRC, the Group is principally engaged in the provision of IT solutions, the distribution of enterprise IT products and provision of IT technical support services in the PRC. The Group distributes a variety of enterprise hardware and software products, including mainly enterprise servers, system storage products, software in association with servers and system storage products, and provides IT technical support services in association with the distribution of enterprise IT products.

The Group is an authorized distributor of certain enterprise IT products in the PRC for IBM, Oracle and Huawei Symantec, with IBM's group companies being the Group's major suppliers. Since 1996, the Group or previously through Futong ComputerLand has developed non-exclusive distribution relationship in the PRC with IBM, the leading global provider for enterprise IT products. As of 30 June 2009, IBM had in the PRC 20 authorized distributors for System p server and system storage products, 11 authorized distributors for System x server products and 6 authorized distributors for software products, all on non-exclusive basis, and about 5 out of those 20 authorized distributors, including the Group, were considered as core distributors by IBM for distribution of IBM's System p server and system storage products in the PRC. Furthermore, IBM confirmed that the Group was one of the top three authorized distributors of IBM's hardware and software products in the PRC from 2006 to 2008. In addition to direct purchase of enterprise IT products from IBM, the Group or previously through Futong ComputerLand has been authorized and admitted to the SDI Program by IBM to establish its own assembly line for certain System p servers since 2004, which enables the Group to (i) offer tailor-made assembled enterprise IT products which are customized to suit its customers' needs; (ii) respond faster to its customers' needs by shortening the order-to-delivery time; and (iii) reduce the inventory risk by stocking up the components or ISUs instead of complete sets of models with prescribed specifications.

The Group maintains a nationwide network of customers with business relationships up to 9 years, covering end-users and business partners. Other than purchasing enterprise IT products directly from the Group, end-users may have business application which requires services from system integrators or independent software vendors who are able to provide IT solutions for such business application integrating the application software and the enterprise IT products that the Group distributes. Hence, the Group also sells enterprise IT products to those system integrators and independent software vendors and consider them as business partners of the Group. During the Track Record Period, approximately 86.2%, 87.6%, 84.8% and 63.1% of the Group's revenue was derived from the sales to business partners respectively. The end-users of the enterprise IT products that the Group sells (either directly or through business partners) include government bodies (such as tax bureau, security bureau, statistics bureau and government), national financial institutions (such as the five largest national banks, four of which are listed, and the largest national life insurance (listed) and non-life insurance companies), large-scale national companies engaging in industries of telecommunications, petroleum (such as the three largest listed national petroleum companies) and manufacturing, and small to medium enterprises in the PRC.

During the Track Record Period, the Group recorded total sales revenue of approximately HK\$1.8 billion, HK\$2.0 billion, HK\$2.6 billion and HK\$1.2 billion for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively. The Group or

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previously through Futong ComputerLand has received various awards and recognition from IBM for its recognized achievements in distribution of enterprise IT products of IBM in the PRC. Those awards and recognitions signify the well-established leading position of the Group in distribution of enterprise IT products of IBM in the PRC market, which lays a good foundation for the Group in capturing a larger market share by leveraging on its competitive strengths as detailed below, and to be recognized as a leading provider of cost effective IT solutions, quality enterprise IT products and comprehensive IT technical support services in the PRC.

COMPETITIVE STRENGTHS

The Directors believe that the following are the key components to the success of the Group.

Extensive nationwide sales network in the PRC

The Group sells enterprise IT products to end-users directly and through business partners such as system integrators and independent software vendors who integrate the enterprise IT products purchased from the Group into their IT solutions sold to end-users. Through such business partners, the Group is able to tap on their customer base on end-users who use the enterprise IT products that the Group sells. Over the years, the Group has managed to establish an extensive network of business partners in the PRC, and as a result the Group benefits from having access to a larger base of end-users for the enterprise IT products that it sells. Furthermore, the Group has proactively established 13 branch/representative offices in different regions of the PRC covering Beijing, Shanghai, Guangzhou, Nanjing, Hangzhou, Shenyang, Jinan, Xi'an, Wuhan, Chengdu, Fuzhou and Shenzhen respectively, which enables the Group to serve end-users and business partners all over the PRC and in turn facilitates the Group to develop sound business relationships with some national and large-scale corporations.

The Group has signed contracts with 1,281 customers, 1,091 customers, 1,106 customers and 585 customers for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively, among which approximately 58.5%, 68.1%, 68.7% and 65.6% of customers respectively have made repeated purchases from the Group during the Track Record Period. Furthermore, some of the national and large-scale corporations in the PRC, including the five largest national banks, the largest non-life insurance company, the three largest national telecommunications companies and one of the three largest petroleum companies, and government agencies, including state and local tax or financial bureaus and security bureaus, have made purchases (either directly or through business partners) annually from the Group during the Track Record Period. The sales to the national and large-scale corporations in the PRC (either directly or through business partners) for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 were approximately HK\$876 million, HK\$1,020 million, HK\$1,414 million and HK\$924 million respectively, accounting for approximately 47.4%, 50.5%, 55.3% and 78.0% of the Group's revenue for the corresponding periods respectively. The Directors believe that the Group, leveraging on its strong capability to deliver value-added services as described below, has delivered satisfactory value-added services to its customers in association with distribution of enterprise IT products, which resulted in relatively high percentage of customers, including some end-users of large-scale and national corporations, making repeated purchases from the Group (either directly or through business partners) during the Track Record Period.

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Well established long term relationships with leading international IT vendors

Being one of the leading distributors of enterprise IT products in the PRC, the Group has built up long term and solid relationships with some well-known international vendors of enterprise IT products, such as IBM and Oracle, which allows the Group to sell a variety of quality enterprise IT products which the Group believes have a considerable demand in the PRC. The Group (or previously through Futong ComputerLand) has been IBM's authorized distributor of enterprise IT products in the PRC for over 12 years. Leveraging on the distinguished IT technical competence of the Group (or previously Futong ComputerLand), the Group has enjoyed strong support from IBM in delivering quality enterprise IT products and solutions to cater for the needs of the Group's customers, such as on-time delivery of enterprise IT products as well as settlement on open credit terms offered by IBM. During the Track Record Period, IBM's products accounted for approximately 78.7%, 78.7%, 80.1% and 84.0% of the Group's total purchases and approximately 85.0%, 90.2%, 91.9% and 93.7% of the Group's revenue for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively. With the recognized achievements in the distribution of IBM's enterprise IT products in the PRC, the Group (or previously through Futong ComputerLand) has received various awards and recognitions from IBM since 1997 as described in the paragraph headed "Awards and recognitions" in this section of this prospectus. The Group also works closely with the IT vendors to identify advanced IT system and hardware solutions that are suitable for introduction into the PRC market. Coupled with the Group's profound knowledge of the IT market in the PRC, in-depth IT technical know-how on features and functionalities of the enterprise IT products that the Group distributes, extensive sales network and strong customer relationship, the Group is well-positioned as a business partner of choice for vendors of enterprise IT products in the PRC.

Experienced management personnel and qualified IT technical and sales force

The Group is led by Mr. Chen Jian, an executive Director and Chairman of the Group who has over 16 years of experience in the IT industry and over 12 years engaging in the distribution business of enterprise IT products and Ms. Zhang Yun, an executive Director and Vice Chairlady of the Group who has worked in Futong ComputerLand and the Group for over 12 years, and managed by Mr. Guan Tao, an executive Director who has worked in Futong ComputerLand and the Group for over 12 years. Together with a united team of proactive sales force and competent IT technical staff (over 30% of whom have passed the examinations, attended the trainings or obtained the certifications from the Group's suppliers in the areas of hardware, software or sales), the Group has experienced strong business growth and achieved a demonstrated record of success throughout the years.

Strong capability to deliver value-added services

In association with distribution of enterprise IT products, the Group also provides value-added services to its end-users or business partners through the provision of IT technical support services to their end-users as described in the paragraph headed "Services" in this section of this prospectus. The Group has built up sales teams by industries, namely, government bodies, financial institutions, telecommunications, petroleum and manufacturing and general business. Each sales team has dedicated effort in keeping updated with the trend of business development and associated IT demands of the industry that it is responsible for, and has established solid relationship with the end-users and

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business partners in that industry, including some of the leading companies in various industries. Unlike general distributors of various IT products or business partners like system integrators and independent software vendors who only have broad-brush understanding of various IT products, the Group has developed thorough understanding of the features and functionalities of enterprise IT products that the Group distributes, which enables the Group to formulate IT solutions for enhancing or optimizing the performance of end-users' IT systems cost effectively through supply of an appropriate combination of different IT system hardware and software based on the IT requirements of end-users. Business partners like system integrators and independent software vendors who generally do not have such in-depth knowledge of those enterprise IT products have to cooperate with the Group by incorporating the Group's IT solution into their total IT solution delivered to end-users. Hence, leveraging on accumulated in-depth knowledge about the features and functionalities of enterprise IT products that the Group sells by the Group's professional IT technical team and the thorough and better understanding of IT requirements and aspects of different industries by the Group's sales force, the Group is capable of delivering more customer-specific value-added IT solutions as well as provision of comprehensive IT technical support services to meet the ever-changing IT requirements of its business partners or end-users from various industries in a cost effective manner. Although no significant revenue was generated by the Group during the Track Record Period from the provision of value-added services, the Directors believe that the Group's capability of provision of those value-added services distinguishes itself from other general distributors of enterprise IT products and facilitates itself in attracting sales orders from end-users as well as business partners.

Furthermore, being admitted to the SDI Program by IBM since 2004, the Group (or previously through Futong ComputerLand) has established its own assembly base in the PRC for assembling certain System p servers, which enhances its capability to deliver more customer-specific enterprise IT products and solutions to its customers within a shorter order-to-delivery period. Through cross cooperation between the Group's qualified IT technical team and sales personnel specializing in different products and industries, and partnered with the Group's experienced sales and IT technical teams from different branch/representative offices located all over the PRC, the Group has strong capability to deliver attentive IT services to customers with multiple points of business in different parts of the PRC.

PRODUCTS AND SERVICES

Being one of the leading distributors of enterprise IT products in the PRC, the Group distributes a variety of enterprise hardware and software products sourced principally from some well-known international IT vendors, such as IBM and Oracle, and provides IT technical support services in association with the distribution of enterprise IT products.

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The following table sets out the Group's revenue generated from its principal products and services for the three years ended 31 December 2008 and for the six months ended 30 June 2009:

	For the year ended 31 December						For the six months ended	
	2006		2007		2008		30 June 2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
IBM								
Enterprise servers	1,096,014	59.4	1,422,509	70.5	1,843,709	72.2	830,375	70.1
System storage products	325,688	17.6	293,508	14.5	307,804	12.0	174,933	14.8
Software	148,337	8.0	104,112	5.2	195,571	7.7	103,716	8.8
Subtotal	1,570,039	85.0	1,820,129	90.2	2,347,084	91.9	1,109,024	93.7
Oracle	180,016	9.7	162,407	8.0	158,036	6.2	43,133	3.6
Services	26,899	1.5	33,440	1.7	14,169	0.6	5,481	0.5
Others	69,730	3.8	2,846	0.1	35,250	1.3	26,268	2.2
Total revenue	<u>1,846,684</u>	<u>100.0</u>	<u>2,018,822</u>	<u>100.0</u>	<u>2,554,539</u>	<u>100.0</u>	<u>1,183,906</u>	<u>100.0</u>

IBM

(i) Enterprise servers

The ranges of IBM's enterprise servers that the Group currently sells in the PRC are all models of the System p servers and System x servers.

(a) System p servers

System p servers (formerly known as RS/6000 or pSeries servers), being one category of Power Systems servers, are IBM's unified Power Architecture-based server line running on UNIX (including AIX or Linux) operating system.

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The following table sets out the principal models and features of System p servers that the Group offered during the Track Record Period:

Type	Models	Features
Entry-level	System p5 505, System p5 505Q, System p5 510, System p5 510Q and Power 520 Express	Equipped with 1 to 4 64-bit processors
Mid-range	Power 550 Express and Power 560 Express	Equipped with up to 16 64-bit processors
High-end	Power 570, Power 575, Power 590 and Power 595	Equipped with 64-bit SMP processors with scalability up to many processors

During the Track Record Period, the Group has offered System p servers to end-users (either directly or through business partners) in various industries, such as administration authority for industry and commerce, listed national bank and pharmaceutical enterprise, securities company and state-owned transportation information enterprise.

(b) *System x servers*

System x (formerly known as eServer xSeries) servers are IBM's servers based mainly on Intel's processors running on Windows or Linux operating system and mainly categorized into tower or rack-mount style.

The following table sets out the principal models and features of the System x servers that the Group offered during the Track Record Period:

Models	Features
eServer x206m, eServer x226, System x3400, System x3500 and System x3800	Tower servers equipped mainly with Intel's processors
eServer x306m, eServer x336, System x3550, System x3650, System x3800 and System x3850M2	Rack-mount servers equipped mainly with Intel's processors

During the Track Record Period, the Group has offered the System x servers to end-users (either directly or through business partners) in various industries, such as listed national bank, national insurance company and telecommunications corporation.

(ii) **System Storage products**

IBM's System Storage (formerly known as TotalStorage) products that the Group currently sells in the PRC are categorized into disk systems, tape systems and storage area network (SAN).

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(a) *Disk systems*

Disk systems are usually used for data storage. The following table sets out the principal models and features of the disk systems that the Group offered during the Track Record Period:

Type	Models	Features
Mid-range	DS4200 Express, DS4700 Express, DS4800, DS5100 and EXP810	Scalable up to 112 drives for DS4000 series, 448 drives for DS5000 series and 16 drives for EXP series
High-end	DS6800, DS8100 and DS8300	Scalable up to 128 drives for DS6000 series and 1024 drives for DS8000 series

During the Track Record Period, the Group has offered the disk systems to end-users (either directly or through business partners) in various industries and government agencies, such as security bureau, statistics bureau, listed national locomotive enterprise, electric power corporation and tobacco corporation.

(b) *Tape systems*

Tape systems are usually used for data backup and protection. The following table sets out the principal models and features of the tape systems that the Group offered during the Track Record Period:

Type	Models	Features
Entry-level	TS2230 and TS3100	Scalable up to 2 Linear Tape Open (LTO) drives
Mid-range	TS3200 and TS3310	Scalable up to 6 LTO drives
High-end	TS3500	Scalable up to 192 LTO drives

During the Track Record Period, the Group has offered the tape systems to end-users (either directly or through business partners) in various industries and government agencies, such as sanitary division of national army, library, listed national bank and electric power corporation.

(c) *SAN switches*

SAN is an architecture to attach remote computer storage devices to servers in such a way that the devices appear as locally attached to the operating system. SAN simplifies the architecture of storage system, which facilitates the management of data storage.

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The following table sets out the principal models and features of the SAN switches that the Group offered during the Track Record Period:

Type	Models	Features
Entry-level	SAN24B-4 Express	Scalable up to 24 ports
Mid-range	SAN40B-4 and SAN80B-4	Scalable up to 80 ports

During the Track Record Period, the Group has offered the SAN switches to end-users (either directly or through business partners) in various industries and government agencies, such as security bureau and listed national bank.

(iii) Software

The types of IBM's softwares that the Group currently sells in the PRC are all middleware in association with the enterprise servers and system storage products that the Group is authorized to sell in the PRC, and the principal types of which are set out below.

(a) *Websphere*

IBM's Websphere software comprises a range of software that manage a wide variety of business processes using open standards to interconnect applications, data and operating systems, as well as provide foundation for web-enabled applications. It consists of application server that provides the core operating environment, as well as tools such as Websphere Studio, Websphere Commerce, Websphere Portal, Websphere Everyplace, Websphere Voice, Websphere Express and software development kits that enable users to develop e-commerce applications.

(b) *Tivoli*

IBM's Tivoli software comprises a range of software for infrastructure management, including security and storage management that help users better manage their IT infrastructure to more effectively deliver IT services. It is a system management tool that allows users to manage and monitor devices that are connected to their systems including, inter alia, servers, routers, switches and storage devices and enables users to monitor their systems for security, performance and availability, as well as provides tools for users to manage system configuration and operations.

(c) *Information Management*

IBM's Information Management software comprises a range of advanced database, content management, information integration and business intelligence software that help users to integrate, manage and gain value from their business information, such as DB2 information management products which include DB2 Business Intelligence, DB2 Content Management, DB2 Database Servers, DB2 Database Tools and DB2 Information Integration.

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Furthermore, after the acquisition of Cognos by IBM in 2008, the Group is authorized to distribute the business intelligence and financial performance management software from Cognos in the PRC that delivers reporting, analysis and scorecards that integrate with finance-led budgeting, plans, forecasts and financial reporting.

(d) *Rational*

IBM's Rational software comprises a range of software tools that help users manage their software development processes and capabilities. Users of Rational software are able to automate the management of their software design lifecycle. Such software includes tools that can perform functions such as requirement and analysis, design and construction, automated testing, software configuration management and lifecycle management.

(e) *Lotus*

IBM's Lotus software comprises collaboration, messaging and social networking software that enables businesses to communicate and collaborate. IBM's Lotus products include Lotus Notes, Lotus Domino, Lotus Sametime and Lotus Smartsuite.

The following table sets out the market position and approximate market share of IBM's enterprise hardware and software products (which are the principal enterprise IT products marketed by the Group) in the PRC in terms of sales revenue in 2008:

Product	IBM's market position (Note 1)	IBM's approximate market share (Note 1)
Non-x86 servers (including System p servers)	1st	51.8%
x86 servers (including System x servers)	2nd	26.9%
External disk storage products	1st	25.7%
Tape storage products	1st	49.6%
Middleware	2nd (Note 2)	18.3% (Note 2)

Notes:

1. Extracted from IDC — PRC IT Market Overview and Forecast.
2. Oracle took the first market position in the PRC middleware market with market share of approximately 24.4% in 2008.

As shown from the above table, IBM had leading market position with considerable market share in the PRC market of enterprise hardware and software products in 2008.

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Oracle

The products from Oracle that the Group sells in the PRC include database management software, middleware for integration services, business intelligence, collaboration, content management and application server, as well as tools for developing applications. The Group also sells Oracle's learning credits and technical support service in association with the software products offered. Furthermore, being an Oracle's authorized education partner, the Group is authorized to sell Oracle's technology based training software products, learning credits, education services, and vouchers and bundles of Oracle Certified Professional (OCP) examination.

During the Track Record Period, the Group has offered Oracle's software products to end-users in various industries and government agencies, such as state electric power research institute, government information center, national bank, local tax bureau and airport authority.

SERVICES

Being one of the leading distributors of enterprise IT products in the PRC, the Group adds value to its customers by providing a series of comprehensive IT technical support services in association with its provision of enterprise IT products throughout the whole operation cycle from negotiation, sales conclusion to after sales.

The range of IT technical support services that the Group offers are set out below:

(a) **Formulation of cost effective and quality IT solutions**

End-users have their own unique business processes and management procedures, which impose unique demands on their IT systems in terms of down time, data flow, storage capacity, security and computing power. The Group analyzes IT needs of end-users and assist end-users in capacity planning, specification of features and determination of technical requirements of their system solutions, including hardware and software, as well as document these specifications and technical requirements, in order to formulate cost effective and quality IT solutions for the end-users (either directly or through business partners) without charge, with an aim to initiate and conclude sales order on their purchase of IT products and related services from the Group.

(b) **Provision of IT implementation services**

The Group provides IT technical support services relating to the implementation of the enterprise IT products that are sold by it including customization, installation, user-acceptance testing and tuning of both IT hardware and software products.

(c) **Provision of IT technical training services**

The Group prepares and updates IT technical training manuals and coursework material in relation to the enterprise IT products that the Group provides technical support services for, as well as provides product and technical training services to end-users and business partners on a regular or ad-hoc basis. During the Track Record Period, the Group has offered 43 IT technical training courses.

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(d) **Provision of after-sales IT technical support services**

The Group provides after-sales IT technical support services to its customers. Such services, including fault identification and resolution for the enterprise IT products, system maintenance services (both preventive and reactive), and system performance optimization and monitoring services, are provided via telephone, email or on-site.

During the Track Record Period, the above services, excluding the formulation of cost effective and quality IT solutions, were provided exclusively to the customers who have purchased the enterprise IT products from the Group.

OTHERS

(i) **IT accessories**

In connection with the sales of enterprise IT products like servers, system storage products and software, the Group also sells networking products such as routers and switches, and other accessories items like cables and other IT peripheral equipment as requested by its customers.

(ii) **Huawei Symantec**

Having been a general distributor partner of Huawei Symantec in the PRC since April 2008, the Group is authorized to distribute all types of server products and certain types of storage products (including SAN, NAS and virtual tape system products) and provide after-sales technical services such as installation, maintenance and technical support services. Since July 2009, the Group has been further authorized to distribute certain types of IT security products (including firewall virtual private network and network intrusion detection system products and software products).

PURCHASES AND SUPPLIERS

Suppliers

The Group is an authorized distributor of certain enterprise IT products in the PRC for IBM, Oracle and Huawei Symantec. All of the Group's suppliers, save and except Beijing Deep Thought which is owned as to approximately 69.98% by a brother of Mr. Chen Jian and as to approximately 17.49% by Ms. Zhang Yun, are Independent Third Parties. During the Track Record Period, total purchases made from the five largest suppliers (on individual entity basis) by the Group accounted for approximately 91.1%, 86.6%, 85.8% and 88.1% of the Group's total purchases for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively, while total purchases made from the five largest suppliers (on group basis) by the Group accounted for approximately 92.4%, 88.9%, 89.0% and 91.2% of the Group's total purchases in corresponding periods respectively. Total purchases made from the Group's largest supplier (on individual entity basis), IBM World Trade Corporation, one of IBM's group companies, accounted for approximately 58.4%, 36.7%, 39.5% and 45.8% of the Group's total purchases for the corresponding periods respectively. Total purchases made from the Group's largest supplier (on group basis), IBM, accounted

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for approximately 78.7%, 78.7%, 80.1% and 84.0% of the Group's total purchases for the corresponding periods respectively. The total purchases made from Beijing Deep Thought by the Group were nil, nil, approximately HK\$7.5 million and nil for the corresponding periods respectively.

The Directors have confirmed that none of the Directors, their respective associates or, so far as the Directors are aware, Shareholders (who will own more than 5% of the issued Shares immediately after completion of the Share Offer and the Capitalization Issue and taking no account of allotment of any Shares which may be taken up under the Share Offer or allotted or issued pursuant to the exercise of the Over-allotment Option) had any interest in any of the five largest suppliers of the Group during the Track Record Period.

Frequent communications with the Group's suppliers, in particular with IBM, are carried out by the Group to timely and effectively understand the suppliers' latest promotion plans as well as revert the recent product demands to these suppliers, in order to better match with each other's business development needs. Besides, strategic cooperation with different suppliers, such as establishing the first Power @ Grid Centre in the PRC which creates an operating environment with IBM's System p servers and Oracle's software for performance testing of various application software developed by independent software vendors, is also carried out by the Group to strengthen collaboration with independent software vendors and explore more opportunities for provision of enterprise IT products and services to end-users through those independent software vendors.

Distributorship

IBM

Since 1996, the Group or previously through Futong ComputerLand has developed non-exclusive distribution relationship with IBM. Save for the period between 2000 and 2002, Futong ComputerLand was not a member of the Group. The business cooperation between the Group and Futong ComputerLand since then has been set out in the paragraph headed "Business and corporate development" under the section headed "History and development" in this prospectus.

The Group has entered into distribution agreements with IBM's four group companies (all being subsidiaries of IBM and suppliers of IBM's products) for enterprise IT products including servers, system storage and software products, which have become the major products distributed by the Group. During the Track Record Period, IBM's products accounted for approximately 78.7%, 78.7%, 80.1% and 84.0% of the Group's total purchases for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively. Based on information from publicly available sources including, among other things, IBM's annual report for the fiscal year 2008 and the information disclosed in IBM's website, the Directors understand that IBM is a global leading provider of computer solutions, including technologies, systems, products, services, software and financing, through the use of advanced information technology and operating in over 170 countries. IBM had a total revenue of approximately US\$104 billion in 2008, of which approximately one-fifth

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was derived from sales to customers in the PRC and other Asia-Pacific regions. IBM's revenue in the PRC, one of IBM's growth markets, experienced a growth of 14.7% (8% adjusted for currency) in 2008. IBM had approximately 400,000 employees worldwide in 2008. IBM offers its products directly and through a variety of third party distributors and resellers, including the Group in the PRC.

As of 30 June 2009, IBM had in the PRC 20 authorized distributors for System p server and system storage products, 11 authorized distributors for System x server products and 6 authorized distributors for software products, all on non-exclusive basis, and about 5 out of those 20 authorized distributors, including the Group, were considered as core distributors by IBM for distribution of IBM's System p server and system storage products in the PRC. Furthermore, IBM confirmed that the Group was one of the top three authorized distributors of IBM's hardware and software products in the PRC from 2006 to 2008.

Consistent with IBM's practice with distributors in the PRC, during the Track Record Period, the Group entered into separate non-exclusive distribution agreements with each of the four group companies of IBM generally for a term of one year, which, pursuant to those agreements, were automatically renewable for two years after the expiry of the initial term.

Set out below are the respective commencement and expiry dates of the Group's current distribution agreements with each of the four group companies of IBM.

Supplier	Product	Commencement date	Expiry date
IBM World Trade Corporation	System p servers, system storage products and other ancillary products	7 May 2009	6 May 2010
IBM World Trade Corporation	System x servers	12 March 2009	11 March 2010
IBM (China) Company Limited (formerly known as IBM Global Services (China) Co., Ltd.)	System p servers, System x servers, system storage products and other ancillary products	30 April 2009	29 April 2010
IBM Technology Product (Shenzhen) Co., Ltd.*	System x servers	30 April 2009	29 April 2011
IBM Technology Product (Shenzhen) Co., Ltd.*	system storage products (DS3000)	24 April 2009	23 April 2011
IBM Engineering Technology (Shanghai) Co., Ltd.	middleware	23 July 2009	22 July 2010

** With effect from 1 August 2009, due to the business restructuring of IBM in the PRC, the rights and obligations of IBM Technology Product (Shenzhen) Co., Ltd. under the agreements have been transferred to IBM (China) Company Limited.*

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The principal terms of purchases from IBM are set out below:-

- The titles to and risks associated with products supplied by IBM generally pass to the Group upon delivery of products by IBM to the Group.
- The Group is generally allowed 60 days from the invoice date to make payments, with interest charged on any outstanding balance over 30 days.
- IBM generally provides warranty services in relation to the products supplied for a period of one year to three years. For servers and system storage products which IBM is responsible for its installation pursuant to the terms of purchase, the warranty period commences from the business day after the date on which the products are installed or available for installation by IBM (in case the installation is deferred), which is normally the day on which IBM delivers the product to the Group or the relevant end-user. For servers and system storage products which IBM is not responsible for installation pursuant to the terms of purchase, the warranty period commences from the earlier of (i) the date the product is installed; or (ii) three months or 60 days after the product has been delivered to the Group. For software, the warranty period shall be as described in the license terms of the software. During the warranty period, IBM offers repair and exchange service as well as telephone or online support for correction of problem for hardware products and access to IBM's databases containing information on known defects, defect corrections, restrictions, and bypasses for software products. End-users of hardware and software products are entitled to refund from IBM if their problems cannot be resolved or the products do not function as warranted.

For high-end enterprise IT products, the Group places order with IBM only upon confirmation of orders from its customers. Pursuant to the distribution agreements with IBM, those products are physically delivered from overseas by IBM to Futong HK in Hong Kong. The titles to and risks associated with these products purchased from IBM are passed to the Group upon delivery. During the Track Record Period, all high-end enterprise IT products were shipped by IBM from overseas directly to Futong HK. Futong HK sells and delivers high-end enterprise IT products directly to the import and export agents or other companies, which are located in either Hong Kong or the PRC, as nominated by the PRC customers for import and delivery of the products to the Group's customers or business partners in the PRC. Part of the sales of Futong HK is also made to Futong Dongfang upon confirmation of orders from its customers, the amount of which would be eliminated in deriving the Group's revenue.

For entry-level or mid-range enterprise IT products, the Group prepares its purchase plan based on its then inventory level and expected market demand, places orders from time to time and adjust and/or reschedule the product purchases before the scheduled delivery in order to meet the then market demand. Products are generally delivered from IBM directly to Futong Dongfang's warehouse in Beijing, the PRC, and the titles to and risks associated with the products purchased from IBM are generally passed to the Group upon delivery. On occasions when entry-level or mid-range enterprise

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IT products are sold together with high-end enterprise IT products or on request by the Group's customers who wish to take delivery of the products in Hong Kong, those entry-level or mid-range enterprise IT products are delivered to Futong HK in the same manner as described in the previous paragraph above.

The suppliers of IBM's products extend credit to the Group to allow flexibility for the Group to manage its payment cycle. The Group is generally allowed 60 days from the invoice date to make payments, with interest charged on any outstanding balance over 30 days. During the Track Record Period, the credit charges paid/payable by the Group to the suppliers of IBM's products were approximately HK\$9.3 million, HK\$12.5 million, HK\$11.1 million and HK\$3.5 million respectively, accounting for approximately 31.1%, 40.6%, 32.5% and 30.3% of the Group's total finance costs for each corresponding period respectively. The interest rates charged by the suppliers of IBM's products ranged from 8.0% to 12.0% during the Track Record Period, which were generally higher than the interest rate imposed by banks in corresponding period. The Group has good and long-term relationship with major commercial banks in the PRC and Hong Kong, which have provided the Group with banking facilities. The Group has neither breached the covenants relating to drawn down facilities nor experienced any difficulties in renewing its banking facilities and no late repayment of bank loans were noted during the Track Record Period. Despite this, the Group has sometimes opted for the use of suppliers' credit mainly due to (i) the flexibility in drawdowns and repayments offered by suppliers' credit, subject to working capital requirement of the Group; and (ii) no request by suppliers' credit for any security deposits from the Group, which were normally the pre-requisites of bank loans. As advised by the Company's PRC legal advisers, such credit arrangement offered by suppliers of IBM's products does not fall into category of financing among enterprises, and is not subject to the relevant restrictions under the Lending General Provision 《貸款通則》 under the PRC laws.

Minimum purchase attainment

In accordance with the distribution agreements with each of the four group companies of IBM, the Group is required to achieve minimum annual purchase attainment for different IT products. If such minimum annual purchase attainment cannot be achieved by the Group, each of the four group companies of IBM is entitled to terminate its agreement, but may at its own discretion, allow the Group a reasonable opportunity to cure the breach. The aggregate amount of the minimum purchase attainment committed by the Group for products of IBM during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 were approximately HK\$539.5 million, HK\$838.2 million, HK\$964.9 million and HK\$926.8 million respectively. The Directors confirm that the Group has achieved all the minimum annual purchase attainments for the years of 2006 to 2008 and is in the course of achieving the minimum annual purchase attainments for the year of 2009.

Termination

Furthermore, pursuant to the distribution agreements between the Group and each of the four group companies of IBM, either party is entitled to (i) terminate the agreement on written notice if

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the other party breaches a material term of the agreement, or (ii) terminate the agreement, with or without cause, on three months' written notice. Before termination of the agreement for cause, each of the four group companies of IBM may, at its own discretion, allow the Group a reasonable opportunity to cure the breach.

Restrictions

There is no prohibition or restriction in relation to the Group's distribution of similar types of products of other suppliers under the distribution agreements with IBM. There is no provision in these agreements relating to the selling price of the products and the Group may determine the selling prices and terms for the sale of these products at its own discretion. There is no recommended selling price of the products from IBM for the Group.

Price protection

If IBM decreases the price or increases the discount for a product, the Group will be eligible to receive a price decrease credit or discount increase credit for that product acquired from IBM during the two months prior to the effective date of the change. During the Track Record Period, such credits received by the Group from IBM amounted to approximately HK\$0.7 million, HK\$2.5 million, HK\$3.9 million and HK\$2.4 million for the three years ended 31 December 2008 and the six months ended 30 June 2009 respectively.

The Directors confirm that the Group has not experienced any material problems in sourcing products from IBM, and are not aware of any intention on the part of IBM or any events which may result in termination of the Group's authorized distribution relationship with any of the existing contracting parties of IBM, other than the transfer of the Group's rights and responsibilities under the distribution agreements signed with one of IBM's contracting parties to another existing IBM's contracting party effective from 1 August 2009 upon IBM's restructuring of its businesses in the PRC.

IBM Solution and Delivery Integration Program

In addition to direct purchase of enterprise IT products from IBM, the Group or previously through Futong ComputerLand has been authorized and admitted to the SDI Program by IBM since 2004 to establish its own assembly base in the PRC for certain System p servers. An assembly base has been set up in the Group's warehouse in Beijing, the PRC, which can accommodate for assembling and testing of approximately 30 System p servers simultaneously. Partially assembled System p servers (known as an Incomplete System Unit or "ISU"), together with different components based on the requirements from customers, must be sourced from IBM by the Group for further assembly. The completed assembled products are then sold to the Group's customers with no pricing restriction imposed by IBM.

Under the SDI Program, the Group keeps in stock different models of ISUs and various types of components like processors in its warehouse in Beijing. Upon receipt of order for System p server from a customer with specific requirement, the Group is able to assemble a complete set of System p server in accordance with customer-specific requirement using those ISUs and components already stocked up, rather than placing order to IBM and waiting for order confirmation and delivery from

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IBM. Especially for customer order on System p server with certain designated specifications, the order placing and delivery process from IBM may take much longer time than that derived from ISUs self assembled by the Group. On request from customers, the Group also pre-installs certain applications into the fully assembled System p server as a value-added service provided to customers, which in turn save customers' time from installation by themselves. Furthermore, the assembled System p server must pass the functional and operational tests before delivery to customers. Malfunction of any parts of System p server can be detected and fixed by the Group before delivery, which in turn enhances the customers' satisfaction level by reducing the possibility of error or failure upon installation. While the Group has warranted to IBM that the products assembled by the Group under the SDI Program will be free from defects in workmanship under normal use and operation, IBM is responsible for providing warranty services to the end users, generally for a period of one to three years, in relation to the completed assembled products under the SDI Program which are distributed by the Group under the relevant distribution agreements with IBM.

During the Track Record Period, the revenue generated from sales of System p servers assembled by the Group was approximately HK\$72.8 million, HK\$125.7 million, HK\$174.8 million and HK\$48.1 million respectively, representing approximately 9.7%, 12.0%, 12.9% and 6.6% of the total revenue of System p servers sold by the Group respectively. The utilization rate of the Group's assembly line was approximately 64.6%, 51.7%, 44.0% and 11.2% in the corresponding period respectively.

As an authorized partner to the SDI Program, the Directors believe that the Group is able to (i) offer tailor-made assembled enterprise IT products which are customized to suit its customers' needs; (ii) respond faster to its customers' needs as it has more control over the products that it delivers by assembling them in its own facilities rather than ordering the final products directly from IBM; and (iii) reduce its inventory risk by stocking up the components or ISUs instead of complete sets of models with prescribed specifications.

Rebate Schemes

Suppliers of IBM's products have implemented various rebate schemes to reward their business partners, including the Group, upon achievement of certain purchase and sales targets on different models and types of products. The rebate schemes implemented by suppliers of IBM's products vary from time to time based on the then market conditions, their selling prices of products and their sales and marketing strategies in order to encourage more purchases from business partners and more sales by business partners of their products while maintaining the price competitiveness of their products in the market. The rebates are granted by suppliers of IBM's products upon achievement of the purchase or sales target within the period specified in individual rebate scheme which, inter alia, covers month, quarter or year and the terms, as well as the granting and amount of such rebates are at the sole discretion of suppliers of IBM's products. Any launch of new rebate schemes and change in terms of rebate schemes are communicated by suppliers of IBM's products to business partners, including the Group, through advanced written notice. During the Track Record Period, the rebate schemes under which the Group received rebates from suppliers of IBM's products were performance-based with reference to the volume of purchases and sales of certain enterprise IT products as specified by them, mainly servers and system storage products, made by the Group. The Directors confirm that the Group has not experienced any material change of terms of rebate schemes by suppliers of IBM's products after their inception of individual scheme.

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During the Track Record Period, suppliers of IBM's products normally granted the Group purchase volume rebates at the expiry of individual rebate schemes after taking into account the volume of purchases made by the Group. As the amount of rebates based on the purchase volume made by the Group could be reliably estimated in accordance with individual rebate schemes, the Group made accrual of such rebates to net off against inventory, which were then realized upon sale of those products through cost of sales, and adjusted the amount upon receipt of credit note from suppliers of IBM's products for any difference arose. For rebates based on sales volume made by the Group, the Group was entitled to such rebates only when the products have been sold to end-users. As the products which were eligible for this kind of rebate were generally low end products which were sold to system integrators for their subsequent resale to end-users, IBM would normally process the rebate application by the Group after the system integrators have sold the products to the end-users. These rebate applications were subject to review and verification by suppliers of IBM's products on the supporting documents provided by the Group, the approval of which was at sole discretion of the suppliers of IBM's products. As a result, the Group could not reliably estimate these rebates at the point of sales by the Group and thus the Group recognized these rebates only upon the approval from the suppliers of IBM's products.

During the Track Record Period, the Group recorded rebates of approximately HK\$56.3 million, HK\$45.6 million, HK\$67.2 million and HK\$10.2 million from the suppliers of IBM's products for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively and approximately HK\$69.1 million, HK\$47.2 million, HK\$60.1 million and HK\$18.5 million were realized in the cost of sales respectively, representing approximately 3.8%, 2.5%, 2.5% and 1.7% respectively of the Group's total cost of sales before rebates for the corresponding periods. The amount of rebates entitled by the Group generally decreased during the Track Record Period as a result of launch of fewer rebate schemes by suppliers of IBM's products and decrease in rates of rebates. The increase in the rebates recorded by the Group for the year ended 31 December 2008 was mainly due to the launch of a rebate scheme with a higher rate of rebate for a product by the suppliers of IBM's products to encourage purchases from the business partners. The rebates were subsequently approved by the suppliers of IBM's products and no material variances were noted during the Track Record Period. Based on the Group's experience and understanding, the rebates offered by suppliers of IBM's products may fluctuate due to changes in their marketing strategies to cope with market situations at different times. For details of the risks associated with the rebates from suppliers of IBM's products, please refer to the paragraph headed "Reliance on rebates from suppliers of IBM's products" in the section headed "Risk factors" in this prospectus. In determining the selling prices for IBM's products, it is the practice of the Group to maximize its profitability by taking into account a number of factors including the cost of purchases, payment terms, the possible rebates on the products and the then market demand on the products. As at the Latest Practicable Date, the Group has not received any indication from the suppliers of IBM's products that the principal terms of any rebate schemes being implemented will change significantly and the Directors are not aware of any commercial reason why IBM would terminate the operation of rebate schemes as one of its sales strategies in the near future.

Rebates payable to the Group from its suppliers are paid by the suppliers to the Group directly instead of to the Group's employees, and the salaries of the employees are not correlated to the amount of rebates received by the Group. As such, the Directors do not consider that any such rebate schemes will give rise to any risk of bribery or misconduct by the Group's employees. In addition, to prevent

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its employees from engaging or involving in bribery or misconduct, the Group has implemented measures, which include among others, the enactment of a code of conduct, the establishment of an internal audit department, the segregation of power of officers in the supply department and the implementation of budgeting and expense control. The Directors consider that these measures and arrangement are adequate and conducive to good corporate governance for the Group.

Oracle

Since 2002, the Group or previously through Futong ComputerLand has developed non-exclusive distribution relationship with Oracle. The Group has entered into distribution agreements with Oracle for the distribution of their enterprise IT products, with the term generally ranging from one year to three years, and on non-exclusive basis. Upon expiry of distribution agreement with Oracle, the Group is required to execute the then current version of Oracle's distribution agreement, subject to acceptance by Oracle. Set out below are the respective commencement and expiry dates of the Group's current distribution agreements with Oracle:

Supplier	Product	Commencement date	Expiry date
Oracle	Software products, learning credits and technical support services in association with the software products (to Oracle's resellers)	14 April 2009	13 April 2012
Oracle ("Oracle Partnernetwork Full Use Program Distribution Agreement")	Software products, learning credits and technical support services in association with the software products (to end-users)	24 January 2008	23 January 2010
Oracle	Oracle's technology based training software products, learning credits, education services, and vouchers and bundles of Oracle Certified Professional (OCP) examination (to end-users)	29 June 2009	28 June 2010

The Group is generally required to make payment within 30 days of the invoice date for purchase of Oracle's products. The suppliers generally provide warranty services in relation to the products supplied for a period of one year. During the warranty period, end-users of software products or services are entitled to recover the fees paid to Oracle for the program license and any unused, prepaid technical support fees if the product does not perform as warranted or if the service does not conform to industry standard.

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Minimum purchase attainment

In accordance with the distribution agreements and their addendum between the Group and Oracle, the Group is not required to achieve any minimum purchase attainment.

Termination

Either party is entitled to terminate the agreements if the other party fails to cure the breach of such terms within 30 days, and if the Group breaches any terms in the addendum to the Oracle Partnernetwork Full Use Program Distribution Agreement, Oracle is entitled to terminate the Oracle Partnernetwork Full Use Program Distribution Agreement upon seven days' notice. Except for non-payment of fees, the non-breaching party may agree in its sole discretion to extend the 30-day period for so long as the breaching party continues reasonable efforts to cure the breach. Either party may also terminate the agreements, with or without cause, on 30-days' or 90-days' written notice to the other party. The Directors confirm that the Group has not experienced any material problems in sourcing products from Oracle, and are not aware of any intention on the part of Oracle or any events which may result in termination of the Group's authorized distribution relationship with Oracle.

Restrictions

There is no prohibition or restriction in relation to the Group's distribution of similar types of products of other suppliers under the distribution agreements with Oracle. There is no provision in these agreements relating to the selling price of the products and the Group may determine the selling price for the distribution of the products of Oracle to its customers. Any purchase order placed by the Group with Oracle for the back-to-back purchase of the products from Oracle will be subject to the price lists and discount terms of Oracle in effect at the time the purchase order is submitted. There is no recommended selling price of the products from Oracle for the Group.

Price protection

If the price lists of Oracle change after the Group issues a written quote to its customer, within 90 days after the written quote is submitted to the customer, the price of products sold by Oracle under the back-to-back order shall be based on the price lists in effect on the date the quote is submitted to the customer.

Rebates

The Group has not received any rebates from Oracle during the Track Record Period.

Huawei Symantec

The Group has also entered into non-exclusive distribution agreements with Huawei Symantec for distribution of their enterprise IT products with a term of one year. Upon expiry of the distribution agreement with Huawei Symantec, the renewal of the distribution agreement will be negotiated between the Group and Huawei Symantec.

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Set out below are the commencement and expiry dates of the Group's current distribution agreements with Huawei Symantec:

Supplier	Product	Commencement date	Expiry date
Huawei Symantec	Servers, storage products, and IT security products	1 January 2009	31 December 2009

The Group is generally required to make payment by cash on delivery for purchase of Huawei Symantec's products. The suppliers generally provide warranty services in relation to the products supplied for a period of one year to three years. During the warranty period, the Group is required to collect faulty products or parts from the end-users and return them to the suppliers for repair, replacement or refund.

Minimum purchase attainment

In accordance with the distribution agreements and its addendum between the Group and Huawei Symantec, the Group is required to achieve minimum purchase attainment, both quarterly and yearly. If 60% of such minimum purchase attainment (either quarterly or yearly) cannot be achieved by the Group, Huawei Symantec is entitled to terminate the distribution agreements in the following quarter or year. The amount of the minimum purchase attainment committed by the Group for products of Huawei Symantec during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 were nil, nil, approximately HK\$65.3 million and HK\$65.3 million respectively. Since the commencement of distribution relationship with Huawei Symantec from 1 April 2008, the Group has failed to achieve all quarterly and yearly minimum purchase attainments for the distribution of servers and system storage products in 2008 and the first half of 2009 except quarterly minimum purchase attainment for servers in the second quarter of 2008, mainly due to the fact that those servers and system storage products were newly launched to retail market and the Directors believe that more time might be required for wider market acceptance, which resulted in the over-estimation by Huawei Symantec of the extent of market acceptance and minimum purchase attainments. Despite this, the Directors are not aware of any adverse impact to the business relationship between the Group and Huawei Symantec. On the contrary, supplemental agreement has been signed between the Group and Huawei Symantec for inclusion of IT security products to the scope of IT products distributable by the Group effective from 1 July 2009.

Termination

Furthermore, pursuant to the distribution agreements and the supplemental agreement between the Group and Huawei Symantec, Huawei Symantec is entitled to terminate the agreements with 30-day written notice or to terminate the agreements immediately upon occurrence of certain incidents as specified in the agreements, and either party may terminate the agreements if the other party fails to cure the breach within thirty days after receiving the notice of such breach from the non-defaulting

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party. The Directors confirm that the Group has not experienced any material problems in sourcing products from Huawei Symantec, and are not aware of any intention on the part of Huawei Symantec or any events which may result in termination of the Group's authorized distribution relationship with Huawei Symantec.

Restrictions

Under the distribution agreements with Huawei Symantec, the Group is prohibited from engaging in the development and manufacture of products which may substitute or compete with the products of Huawei Symantec distributed by the Group. However, there is no prohibition in the agreements for the Group to engage in the distribution of similar products. Under the distribution agreements with Huawei Symantec, it would constitute a breach of the agreements if the Group provides a quotation to its customers for selling prices different from that as shown on the formal price list for Huawei Symantec's products. In practice, Huawei Symantec does not impose any mandatory selling prices but provides the minimum selling prices for its products only, and, subject to the minimum prices, the Group may determine the selling prices and terms for the sale of these products to its customers at its own discretion. The Group is required to inform Huawei Symantec of its proposed lowest selling price of the products sold to the Group's customers by setting out such selling price in the back-to-back purchase order for the products with Huawei Symantec, and Huawei Symantec may refuse to accept such purchase order if the Group's distribution price falls below the minimum selling prices of the relevant Huawei Symantec's products.

Price protection

Notwithstanding there is no price protection provision in the distribution agreements with Huawei Symantec, since all purchase orders with Huawei Symantec are back-to-back purchases for the Group's customers, there is no impact to the Group in the event of any subsequent price increase or reduction of products by Huawei Symantec after the purchase orders are made.

Rebates

The Group has recorded rebates of nil, nil, approximately HK\$1.3 million and HK\$0.2 million respectively from Huawei Symantec during the Track Record Period.

Other

On 23 March 2008, the Group has entered into an agreement with a supplier in the US for distribution of system storage and associated software products effective for an initial term ending on 31 December 2011 and which shall be automatically renewable for consecutive 2 years terms. Under the agreement, the Group was granted an exclusive right of distribution in the PRC subject to the achievement by the Group of the annual and quarter minimum net product revenue attainments stipulated under the agreement. If the Group fails to achieve the annual and/or quarter minimum net product revenue attainment, the exclusivity of the distribution right of the Group under the agreement will be revoked and the supplier is entitled to terminate the agreement upon 90 days' written notice. The Group has failed to achieve all annual and quarter minimum net product revenue attainments during the Track Record Period. The manufacturer has subsequently waived the obligation of the

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Group to achieve the product revenue attainments subject to its right to change the exclusivity under the agreement. The Directors do not expect that such change of the exclusivity of the distribution right of the Group under the agreement will have any significant adverse impact to the business development of the Group in the future.

Inventory Management

The Group places purchase orders for high-end enterprise IT products with IBM upon confirmation of orders from its customers. For products which are imported from overseas, the products are generally delivered to Futong HK's warehouse in Hong Kong, awaiting (i) delivery to PRC customers' designated licensed import and export agents or other companies in Hong Kong or (ii) import into Futong Dongfang's warehouse or customers' designated place in the PRC through licensed import and export agents.

For those entry-level or mid-range enterprise IT products, the Group places regular orders with suppliers, including IBM, based upon, among other things, the Group's then expected market demand and inventory level, so that the Group can maintain a certain level of inventory to arrange delivery to customers upon request at a relatively short period of time. Normally, the Group receives products from IBM and other suppliers within 30 days after the supplier's confirmation of the Group's purchase orders.

In order to accommodate customers' demand promptly and to minimize the risk of obsolete or slow-moving stock, the Group maintains a certain inventory level and adopts the following inventory control measures:

- keep updates on then IT development needs and latest IT technology trends through frequent communication with the Group's customers and suppliers;
- make purchase orders for products which are expected to be in demand based on the Group's understanding about the market needs;
- closely monitor the inventory level through weekly review by the Group's management to ensure that appropriate measures are taken to resolve any issue of slow-moving stocks.

During the Track Record Period, the inventory turnover days (being the average of beginning and closing inventories of the year/period divided by total cost of sales and multiplied by 365 days or 181 days, as the case may be) of the Group are approximately 77.3 days, 69.5 days and 59.4 days for each of the three years ended 31 December 2008 respectively and approximately 55.4 days for the six months ended 30 June 2009.

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SALES AND MARKETING

Customers

Being one of the leading distributors of enterprise IT products in the PRC, the Group maintains a nationwide network of customers with business relationships up to 9 years, covering end-users and business partners. Other than purchasing enterprise IT products directly from the Group, end-users may have business application which requires services from system integrators or independent software vendors who are able to provide IT solutions for such business application integrating the application software and the enterprise IT products that the Group distributes. Hence, the Group also sells enterprise IT products to those system integrators and independent software vendors and consider them as business partners of the Group. During the Track Record Period, approximately 86.2%, 87.6%, 84.8% and 63.1% of the Group's revenue was derived from the sales to business partners respectively and the remaining was derived from the sales to end-users. The Directors do not expect any material change in the proportion of sales to business partners and end-users in the near future. Upon confirmation of sales orders from end-users or business partners, the Group enters into sales contracts with them, the terms and prices of which are subject to individual negotiation without recourse on products sold. During the Track Record Period, the Group recorded gross profit margin of approximately 4.3%, 8.0%, 6.6% and 7.7% from the sales to business partners and gross profit margin of approximately 12.7%, 11.6%, 11.9% and 11.5% from sales to end-users for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively. As the enterprise IT products sold by the Group were usually incorporated by business partners as part of their total IT solution packages for sale to end-users, the gross profit margin generated from sales to business partners were generally lower than that for direct sales to end-users. The end-users of the enterprise IT products that the Group sells (either directly or through business partners) include government bodies, national financial institutions, large-scale national companies engaging in industries of telecommunications, petroleum and manufacturing, and small to medium enterprises in the PRC.

During the Track Record Period, the Group's five largest customers (on individual entity basis) accounted for approximately 10.8%, 11.3%, 17.3% and 17.0% of the Group's total sales revenue for each of the three years ended 31 December 2008 and for six months ended 30 June 2009 respectively, while the Group's five largest customers (on group basis) accounted for approximately 10.8%, 11.3%, 18.0% and 33.0% of the Group's total sales revenue in corresponding periods respectively. Meanwhile, the Group's largest customer (on individual entity basis) accounted for approximately 2.6%, 3.6%, 5.3% and 4.8% of the Group's total sales revenue for the corresponding periods respectively and the Group's largest customer (on group basis) accounted for approximately 2.6%, 3.6%, 5.3% and 18.7% of the Group's total sales revenue for the corresponding periods respectively. The Directors have confirmed that, save for Futong ComputerLand and Beijing Deep Thought being two of the five largest customers of the Group for the year ended 31 December 2006, none of the

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Directors, their respective associates or, so far as the Directors are aware, Shareholders (who will own more than 5% of the issued Shares immediately after completion of the Share Offer and the Capitalization Issue and taking no account of allotment of any Shares which may be taken up under the Share Offer or allotted or issued pursuant to the exercise of the Over-allotment Option) had any interest in any of the five largest customers of the Group during the Track Record Period. The following table sets out the Group's sales revenue generated from end-users of different sectors (either through direct sales or business partners) during the Track Record Period:

	For the year ended			For the
	31 December			six months
	2006	2007	2008	ended
	2006	2007	2008	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Government bodies (including educational institutions)	372,728	452,289	526,777	157,151
Financial institutions (including banks and insurance companies)	437,319	617,010	982,874	296,948
Telecommunications	279,815	205,602	254,421	359,835
Petroleum and manufacturing	181,290	129,476	105,056	27,848
General business	<u>575,532</u>	<u>614,445</u>	<u>685,411</u>	<u>342,124</u>
 Total	 <u>1,846,684</u>	 <u>2,018,822</u>	 <u>2,554,539</u>	 <u>1,183,906</u>

(i) **Government bodies**

The Group has offered enterprise IT products to tax bureau, security bureau, statistics bureau, government, government information center, administration authority and airport authority.

(ii) **Financial institutions**

The Group has offered enterprise IT products to the five largest national banks (four of which are listed) and the largest national life insurance and non-life insurance companies in the PRC.

(iii) **Telecommunications**

The Group has offered enterprise IT products to some listed national telecommunications companies.

(iv) **Petroleum and manufacturing**

The Group has offered enterprise IT products to the three largest listed national petroleum companies and car manufacturing company.

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(v) General business

The Group has offered enterprise IT products to some national tobacco and electric power companies.

Sales and marketing activities

Headquartered in Beijing, the PRC, the Group currently has 13 branch/representative offices in different regions of the PRC covering Beijing, Shanghai, Guangzhou, Nanjing, Hangzhou, Shenyang, Jinan, Xi'an, Wuhan, Chengdu, Fuzhou and Shenzhen respectively for business development and liaison. The Group is equipped with a sales and marketing force of approximately 130 staff, which is generally divided into teams specifically covering different products, sectors and sales regions and are fully supported by a pool of over 90 IT technical support personnel.

Sales leads are usually generated through the Group's marketing activities, as well as referrals from the Group's suppliers and business partners, such as independent software vendors and system integrators. The Group also participates in tenders, where a proposal and a quotation based on pre-specified business needs and/or technical requirements are prepared. Typically, upon the identification of a sales opportunity, the sales staff prepares the IT technical proposal (with the assistance from IT technical team) and the quotation with terms and conditions for review by the Group's management and legal counsel, but in certain circumstances, such proposals and quotations are also reviewed by the Group's other departments, including the finance and logistics departments. Once the technical proposal and quotation are accepted by the offeror of the tender, the customer order is confirmed, and the terms and conditions of the contract are agreed upon, purchase orders for the products and/or services are placed with relevant suppliers after reviewing the Group's inventory on hand. Besides pursuing sales lead and concluding sales contract, the Group's sales personnel are also responsible for the management of the Group's customer accounts, including soliciting feedback from the Group's customers.

Upon receipt of products from suppliers, the products are delivered by the Group to the places designated by customers for installation, the completion of which usually takes about one to two weeks and the revenue from the sale of products is recognized upon delivery. Revenue from provision of IT services is recognized upon services rendered. For certain contracts which last for one to two years of which services have not been rendered at the balance sheet dates, the deferred income are recorded as other payables. The amount of deferred income amounted to nil, nil, approximately HK\$6.1 million and HK\$4.3 million respectively during the Track Record Period. For each of the three years ended 31 December 2008 and for the six months ended 30 June 2009, 3,279 sales contracts, 2,586 sales contracts, 2,837 sales contracts and 1,191 sales contracts were signed respectively, while 2,716 sales contracts, 1,918 sales contracts, 2,211 sales contracts and 819 sales contracts were completed respectively. No rebates were given to any customers by the Group during the Track Record Period. Generally, end-users replace their enterprise servers every three to five years with new models

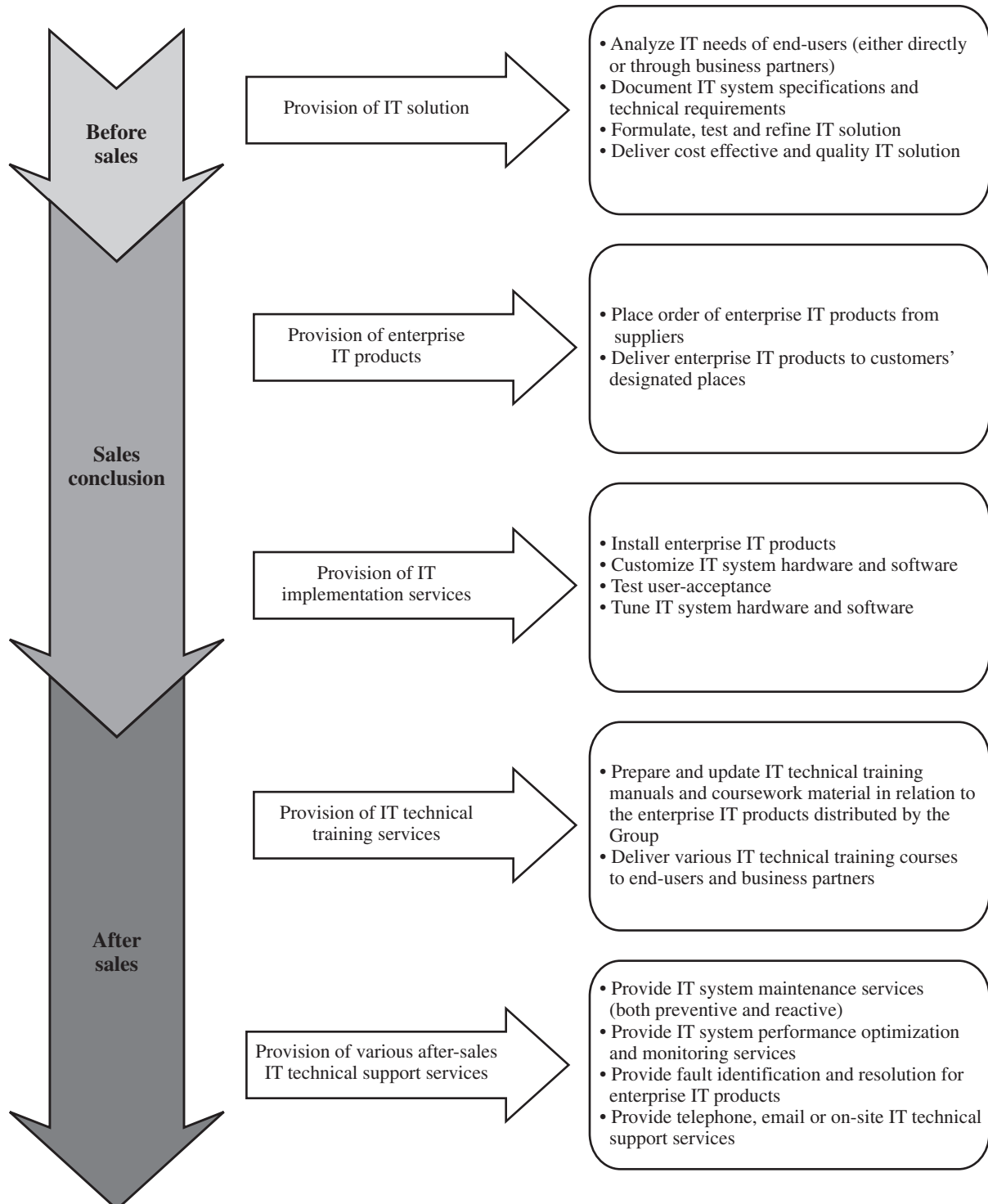
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of higher computing power to save maintenance costs to be incurred for old models. Furthermore, end-users may demand for more enterprise servers to cater for their IT needs driven by business expansion. Hence, although each sales transaction is concluded by the Group on project and non-recurring basis, end-users and business partners may make repeated purchases of enterprise IT products from the Group. For each of the three years ended 31 December 2008 and for the six months ended 30 June 2009, the Group has signed contracts with 1,281 customers, 1,091 customers, 1,106 customers and 585 customers respectively, among which approximately 58.5%, 68.1%, 68.7% and 65.6% of customers respectively have made repeated purchases from the Group. Furthermore, some of the national and large-scale corporations in the PRC, including the five largest national banks, the largest non-life insurance company, the three largest national telecommunications companies and one of the largest three petroleum companies, and government agencies, including state and local tax or financial bureaus and security bureaus, have made purchases (either directly or through business partners) annually from the Group during the Track Record Period. The sales to the national and large-scale corporations in the PRC (either directly or through business partners) for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 were approximately HK\$876 million, HK\$1,020 million, HK\$1,414 million and HK\$924 million respectively, accounting for approximately 47.4%, 50.5%, 55.3% and 78.0% of the Group's revenue for the corresponding periods respectively.

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In order to enhance the brand awareness and user acceptance of the enterprise IT products offered by the Group, the Group proactively engages in marketing activities like sending out mailers and organizing roadshows to introduce those enterprise IT products as well as organizing seminars and IT technical trainings for business partners and end-users. These activities allow the Group to highlight its suppliers' marketing messages and at the same time demonstrate the Group's technical capabilities and knowledge.

Sales flow



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Payment terms and credit policy

The Group's general policy is to require prepayments or letters of credit with credit periods of 30 to 90 days from its customers. All payment terms and credit terms are recommended by the Group's sales team and are subject to review and approval by the Group's management, based on the customers' payment history, financial background, transaction volume and length of business relationship with the Group. All outstanding trade receivable balances are being reviewed by the Group's sales managers on a weekly basis to ensure that any over-due receivables are promptly monitored and appropriate collection actions are taken. For customers who have exceeded their credit terms, the Group's sales personnel follow up on the collections and the Group's finance department monitors the progress of the collection. For those material long outstanding balances, legal actions may be taken for debt collection.

During the Track Record Period, the Group's trade receivables turnover days (being the average of beginning and closing net trade and bills receivables of the year/period divided by the total sales revenue and multiplied by 365 days or 181 days, as the case may be) for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 are 60.8 days, 74.6 days, 80.9 days and 97.9 days respectively.

Product return policy

In accordance with the distribution arrangements between the Group and the suppliers, the warranties of the products that the Group distributes are borne by the suppliers and the product return is subject to the suppliers' warranty policies as stated in the paragraph headed "Distributorship" in this section of the prospectus. The Group generally does not stipulate any rights of product return in the sales contracts entered into with the customers, except in certain circumstances subject to negotiation, the Group may allow product return in the event of any breach of contract due to the default of the Group. The Directors confirm that the Group has not experienced any material product return from its customers during the Track Record Period.

Performance security guarantees

During the Track Record Period, the Group has given certain performance security guarantees to its customers by deposits placed with banks and independent credit guarantee companies. These performance security guarantees are valid for a specific period and will only be utilized in the event of any breaches of the contracts due to the default of the Group. The significant increase in the outstanding amount as at 31 December 2008 was mainly due to the increase in sales to financial institutions of which performance security guarantees were required. As at the Latest Practicable Date, the Group had not breached any of its obligations under the relevant contracts and therefore the amount of performance security guarantees had not been utilized.

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AWARDS AND RECOGNITIONS

The Group or previously through Futong ComputerLand has received various awards and recognitions from IBM for its recognized achievements in distribution of enterprise IT products of IBM in the PRC, the details of which are set out below.

Year of award	Award/ recognition	Awardee
1997	IBM Asia/Pacific 1997 Business Partner Recognition Award: Most Outstanding New Distributor — GCG	Futong ComputerLand
1997-2002, 2004	IBM Best Distributor	Futong ComputerLand
1998-2005	IBM Asia Pacific Top BP/Business Partner Excellence Award and IBM China Top Distributor/Outstanding Achievement Award	Futong ComputerLand
1998, 2000-2006	IBM Storage Leadership/Best Contribution Award	Futong ComputerLand/ Futong Dongfang <i>(since 2005)</i>
1999, 2002-2003	IBM Software Best Value Added Distributor Award	Futong ComputerLand
2001	IBM eServer Partner of Distinction	Futong ComputerLand
2002	Rookie of the Year (IBM eServer xSeries in the PRC)	Futong ComputerLand
2002-2005	IBM eServer pSeries Best Distributor Award (where sales revenue of IBM eServer pSeries was over USD100 million)	Futong ComputerLand/ Futong Dongfang <i>(since 2004)</i>
2004, 2006	IBM Long-term Business Partner Award	Futong ComputerLand
2006	IBM Eastern China Best Partner Award	Futong Dongfang
2006	IBM STG pSeries Best Distributor (Industry Sector Development) Award	Futong Dongfang
2006	IBM Software Database Product Value Added Distributor 100% Growth Award	Futong Dongfang
2007	IBM Certificate of Outstanding Achievement for Achieving the Number 1 Ranking in IBM AP SDI Program Revenue Attainment	Futong Dongfang

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Year of award	Award/ recognition	Awardee
2007-2008	IBM Best/Outstanding Contribution Award	Futong Dongfang
2008	IBM Certificate of Outstanding Achievement for 2008 as the First IBM SDI Distributor shipping more than 1,000 Power systems in a single year and achieving the highest AP SDI utilization	Futong Dongfang

The above awards and recognition signify well-established leading position of the Group in distribution of enterprise IT products of IBM in the PRC market, which lays a good foundation for the Group in capturing a larger market share by leveraging on its competitive strengths as detailed in the paragraph headed “Competitive strengths” above.

COMPETITION

The PRC market of enterprise IT products is dominated by a limited number of large distributors, which compete on numerous criteria, namely price, scope and quality of products and services provided, technology capabilities of IT solutions offered, coverage of distribution and service networks, and availability of financial resources.

As of 30 June 2009, IBM had in the PRC 20 authorized distributors for System p server and system storage products, 11 authorized distributors for System x server products and 6 authorized distributors for software products, all on non-exclusive basis, and about 5 out of those 20 authorized distributors, including the Group, were considered as core distributors by IBM for distribution of IBM’s System p server and system storage products in the PRC. The Directors confirm that the Group faces competition in the PRC market from those distributors as well as the pricing pressure on the IT products as a result of rapid IT technology advancement. Furthermore, apart from IBM, there are other global IT vendors, such as Hewlett Packard and Sun Microsystems that may offer enterprise IT products with similar features and functions as those of IBM, which may compete with IBM’s enterprise IT products that the Group distributes. According to “IDC — PRC IT Market Overview and Forecast”, in terms of 2008 sales revenue, Hewlett Packard’s enterprise IT products accounted for approximately 27.9%, 28.5%, 14.2% and 22.7% of the PRC IT market for non-x86 servers, x-86 servers, external disk storage products and tape storage products respectively while Sun Microsystems’ enterprise IT products accounted for approximately 17.8%, 7.3% and 11.9% of the PRC IT market for non-x86 servers, external disk storage products and tape storage products respectively. For further details of the associated risks, please refer to the paragraph headed “Intense competition in the IT industry in the PRC” under the section headed “Risk factors” in this prospectus.

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The Group is also an authorized distributor of Oracle's and Huawei Symantec's products. The products that the Group distributes for Oracle include middleware like database management software which, the Directors consider, directly competes with IBM's middleware distributed by the Group. According to "IDC — PRC IT Market Overview and Forecast", Oracle and IBM were the top two vendors in the PRC middleware market in terms of 2008 sales revenue, accounting for market share of approximately 24.4% and 18.3% respectively. The products that the Group distributes for Huawei Symantec include enterprise servers and system storage products which are generally applied by end-users for non-core applications or processes while those IBM's enterprise servers and system storage products distributed by the Group are generally applied by end-users for core applications or processes, so the Directors consider that there may not be any direct competition among such products. On the contrary, complemented by the product portfolio of Huawei Symantec, the Group's current product portfolio is more diversified.


Although IBM, Oracle or Huawei Symantec have not disclosed to the Group of the pre-requisite and on-going requirements that must be satisfied in order to become and continue to be their authorized distributor, the Directors believe that there are some entry barriers for new entrants to the industry as it would take time to build comprehensive sales and procurement networks, acquire technical know-how and knowledge on the features of the enterprise IT products and get in-depth and updated understanding of the IT requirements of various business sectors.

In order to cope with those competitions and strengthen the Group's competitive position in the market, the Group endeavours to keep abreast with the latest market development, development needs of various industry segments, and product and technology advancement. Furthermore, the Directors believe that with the Group's profound relationship with suppliers, end-users and business partners, well-established nationwide distribution and service networks, and dedicated management and professional team of sales and IT technical personnel, the Group has a solid foothold in the PRC enterprise IT products and services market for future business development.

QUALITY CONTROL

The Group has developed a comprehensive quality management system and first obtained the ISO9001:2000 quality management system certificate on 10 May 2004, which, upon latest renewal, is valid for a period of three years from 8 May 2009 covering the areas of software development, sales, assembly implementation and services of system integration design.

INTELLECTUAL PROPERTY RIGHTS

The Group conducts its business principally under the trademark “ Futong 富通”, which is registered in the PRC and Hong Kong. The Group is also the registered owner of a domain name in the PRC, a domain name in Hong Kong and a number of software copyrights in the PRC in relation to certain software developed for application by its internal business processes. The details of the trademarks, domain names and software copyrights are set out in the paragraph headed “Intellectual property rights of the Group” under the section headed “Further information about the business of the Company” in Appendix VI to this prospectus.

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PROPERTY INTERESTS

As at the Latest Practicable Date, the Group owned 1 property in Beijing as its principal offices in the PRC, and leased 17 properties in the PRC and Hong Kong for branch/ representative offices, warehouses and staff quarter, with summary as below.

	The PRC	Hong Kong	Total
Owned Property			
Offices	<u>1</u>	<u>Nil</u>	<u>1</u>
Leased Properties			
Offices	13	1	14
Warehouses	1	1	2
Staff quarter	<u>—</u>	<u>1</u>	<u>1</u>
	<u>14</u>	<u>3</u>	<u>17</u>

The Group's headquarter and principal offices are located at Units B1901 on Level 19 and B2001 on Level 20 of Tower B, Chaowaimen Office Center, No. 26 Chaowai Street, Chaoyang District, Beijing, the PRC ("**Owned Property**") with gross floor area of approximately 2,226.38 sq.m. and its principal warehouse is located at Warehouses A and B located at the north of Fu Qian'er Street, Tianzhu Town, Shunyi District, Beijing, the PRC with gross floor area of approximately 3,533.1 sq.m., which is also the Group's assembly base for IBM's SDI Program.

The Group has obtained all title certificates required by the relevant PRC governmental authorities in respect of the Owned Property. The Group also occupies and uses four underground car parking lots situated at the building of the Owned Property. Pursuant to the supplemental agreement to the sale and purchase agreement dated 5 January 2005 and entered into by Futong HK for the acquisition of the Owned Property, the seller had agreed, among other things, to transfer the four underground car parking lots to Futong HK as a gift. Nevertheless, as at the Latest Practicable Date, Futong HK has not yet applied for obtaining the title certificate(s) for the four underground car parking lots. As advised by the Company's PRC legal advisers, there might not be substantial legal impediment that may prevent Futong HK from applying for and obtaining the title certificate(s) for the four underground car parking lots subject to the satisfaction of all relevant laws and regulations in relation to the title ownership of those four underground car parking lots by the developer of the building; however, the risk that the competent housing authority may not accept the application for obtaining the title certificate(s) for the four underground car parking lots cannot be ruled out as currently it is at the sole discretion of the competent housing authority to determine whether to accept such application and to issue such title certificate(s). The Group has been using the four underground car parking lots since Futong HK acquired the Owned Property and there has not been any problem or interruption from the seller or management office of the building. The use of four underground car parking lots does not have any impact on the operation of the Group and therefore the Directors are of the view that the failure to obtain the title certificates in respect of these underground car parking lots is immaterial to the Group.

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As at the Latest Practicable Date, the Group had a total of 1 owned property in the PRC, 14 leased properties in the PRC and 3 leased properties in Hong Kong. As at the Latest Practicable Date, there were certain immaterial defects or issues in title among the following properties:

- (i) the tenancy agreement in respect of the Owned Property was refused to be registered with local authorities for the reason that the Owned Property was leased by Futong HK to Futong Dongfang at nil consideration;
- (ii) the sub-tenancy agreement in respect of the property situated at a portion of Unit 615 on Level 6, Zhucheng Building, No. Jia 6 Zhongguancun Nan Avenue, Haidian District, Beijing, the PRC (the “**Haidian Property A**”) has not been registered with local authorities and Futong Unica is in the process of procuring the landlord to make the relevant registration;
- (iii) the landlord of the tenancy agreement in respect of the property situated at Room 793 on Level 7, Fanya Building, No. 128 Zhichun Road, Haidian District, Beijing, the PRC (the “**Haidian Property B**”) is in the process of applying for a change of name of registered owner of the title certificate to reflect its change of name from Beijing Futong Times Computer Co. Limited (北京富通時代電腦有限公司) to Beijing Times Xingda Computer Co., Ltd. (北京時代興達電腦有限公司); and
- (iv) there has been no consent from the owner and the owner’s mortgagee in relation to the sub-tenancy of a portion of Flats A, B and C on Ground Floor of How Ming Factory Building, No. 99 How Ming Street, Kwun Tong, Kowloon, Hong Kong (the “**HK Property**”) and the user of the property as storage purpose does not conform with the permitted user of workshop for non-domestic use as set out in the occupation permit of such premises.

As advised by the Company’s PRC legal advisers, the non-registration of the tenancy in respect of the Owned Property will not invalidate the tenancy. However, it is possible that Futong HK and Futong Dongfang, being the landlord and lessee of the Owned Property, would be subject to administrative punishment by the relevant land administration bureau. As advised by the Company’s PRC legal advisers, the maximum penalty would be RMB500.

In respect of the Haidian Property A, it is provided by the landlord to Futong Unica merely as the registered office of Futong Unica for registration purpose. Futong Unica will rent another office should it commence its business. Therefore, this trivial issue relating to the Haidian Property A has no impact on the Group’s business at all.

In respect of the Haidian Property B, as advised by the Company’s PRC legal advisers, the tenancy agreement is legal, valid and enforceable under the PRC laws and there is no legal impediment for the landlord to complete the registration at the competent housing authority for a change of name of registered owner of the title certificate from Beijing Futong Times Computer Co. Limited (北京富通時代電腦有限公司) to Beijing Times Xingda Computer Co., Ltd. (北京時代興達電腦有限公司), and therefore this trivial issue has no impact on the Group’s business at all.

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In respect of the HK Property, it is used for storage purpose by the Group in Hong Kong with the logistic services out-sourced to an Independent Third Party. As advised by the Company's Hong Kong legal advisers, the Building Authority may order Futong HK as occupier of the HK Property to discontinue the present use within one month from the service of the order. In the event of Futong HK failing to comply with the order without reasonable excuse, it could be liable on conviction to, among others, a fine of HK\$50,000 and a daily fine of HK\$5,000 for each day of non-compliance. The Directors are of the view that there is abundant supply of similar premises and logistic services in nearby area, and therefore the Directors do not foresee any difficulties to relocate the storage; and there will be no material disruption to the business of the Group in the event of such relocation. In addition, the Controlling Shareholders will provide an indemnity in favour of the Group against any loss and damage it may suffer for relocation due to such failure to obtain the consent from the owner and the owner's mortgagee or the non-conformance of the permitted user under the occupation permit for the premises. For details of the indemnity, please refer to the paragraph headed "Estate duty, tax and other indemnity" in Appendix VI to this prospectus.

The interests of the Group in these owned and leased properties as at 30 September 2009 have been valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the details of which are set out in Appendix IV to this prospectus.

INSURANCE

As at the Latest Practicable Date, the Group has maintained a number of insurance policies to cover its fixed assets and inventories in offices and warehouses in Beijing and Hong Kong, as well as cargo delivery from US to Hong Kong, from Hong Kong to the PRC and within the PRC. As required by and in compliance with the relevant PRC rules and regulations, the Group has provided social insurance to its employees in the PRC. Other than that, the Group does not carry any product liability, third party liability or business interruption insurance as it is not required by laws in Hong Kong and the PRC. Furthermore, in accordance with the distribution arrangements with the Group's suppliers, the warranties of the products that the Group distributes are borne by the Group's suppliers and the Directors confirm that the Group has not experienced any material product return or product liability claim from its customers during the Track Record Period. The Directors are of the view that the Group's insurance coverage, which is generally in line with industry practice in the PRC and Hong Kong, is adequate for its operation.

LITIGATION

On 1 December 2008, a civil claim of approximately RMB8.2 million was lodged against Futong Dongfang by a customer for deficiency in capability of data storage facility supplied by Futong Dongfang. On the basis that the subject product was received by such customer without lodging any written claim against the product within prescribed time as stipulated in the sales and purchase contract, Futong Dongfang has lodged a counter claim against such customer in January 2009 for an overdue unsettled balance of approximately RMB0.8 million. The legal proceedings have not yet been concluded as at the Latest Practicable Date and the Group has already made full provision for the

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claim for the sake of prudence. Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance which was initiated against any member of the Group and no litigation or claim of material importance is known to Directors to be pending or threatened against any member of the Group.

REGULATORY COMPLIANCE

As advised by the Company's PRC legal advisers and confirmed by the Directors, the Group has (i) obtained all licences, permits or certificates necessary to conduct its business; (ii) complied in its operations with all relevant laws and regulations of the PRC and the terms and conditions set out in the relevant approvals or licences granted to the Group; and (iii) complied in all material aspects with PRC environmental protection laws and, in respect of employment contract terms and social insurance security contribution, the PRC labour laws during the Track Record Period.

CONTINUING CONNECTED TRANSACTIONS

Prior to the Listing, the Group has entered into the following transactions with Futong Times and Beijing Deep Thought and these transactions will continue after the Listing. As Futong Times is owned as to 80% by Mr. Chen Jian, an executive Director and a substantial Shareholder immediately following completion of the Share Offer and the Capitalization Issue, and 20% by Ms. Zhang Yun, an executive Director, Futong Times will become a connected person of the Company upon the Listing. As Beijing Deep Thought is owned as to approximately 69.98% by a brother of Mr. Chen Jian, Beijing Deep Thought is deemed as a connected person of the Company upon the Listing. As such, the following transactions will constitute continuing connected transactions (as defined under the Listing Rules) of the Company so long as Futong Times and Beijing Deep Thought remain as connected persons of the Company.

Continuing connected transaction exempt from reporting, announcement and independent Shareholders' approval requirement

Pursuant to a lease agreement (the "**Lease Agreement**") entered into between Futong Dongfang and Futong Times on 25 June 2009, Futong Times leased an office with gross floor area of approximately 109.97 sq.m. at Room 793 on Level 7, Fanya Building, No. 128 Zhichun Road, Haidian District, Beijing, the PRC to Futong Dongfang for its office use. The Lease Agreement is for a term of two years commencing from 1 July 2009 at a monthly rent of RMB11,520, which was determined on arm's length basis between Futong Dongfang and Futong Times. Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has confirmed that the rent payable by Futong Dongfang pursuant to the Lease Agreement is consistent with the prevailing market rents for similar premises in similar locations and is fair and reasonable.

As the applicable percentage ratios (other than the profits ratio) of the annual rental expenses payable under the Lease Agreement to Futong Times for each of the three years ending 31 December 2011, being approximately RMB69,120, RMB138,240 and RMB69,120 respectively, are less than 0.1%, the above lease falls under the de minimis provision under Rule 14A.33(3) of the Listing Rules and is therefore exempt from any reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Continuing connected transactions subject to reporting, announcement and independent Shareholders' approval requirement

Sale and purchase of enterprise IT products with Beijing Deep Thought

Beijing Deep Thought is a company established in the PRC which is principally engaged in provision of system integration services to end-users in the PRC. Being a distributor of enterprise IT products in the PRC, the Group proactively develops its sales and distribution network through cooperation with business partners, such as system integrators like Beijing Deep Thought. During the Track Record Period, Futong Dongfang sold approximately HK\$37.3 million, HK\$24.2 million, HK\$38.4 million and HK\$2.7 million of enterprise IT products to Beijing Deep Thought for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively, representing approximately 2.0%, 1.2%, 1.5% and 0.2% of the Group's total sales revenue in those periods, respectively. The Directors believe that through business cooperation with Beijing Deep Thought, the Group's sales and distribution network coverage can be further extended, which is beneficial to the business development and operating results of the Group.

Furthermore, as may be requested from the Group's customers, the Group may occasionally source enterprise IT products which are not among the products distributed by itself from other suppliers. As Beijing Deep Thought is a distributor of some IT products which are not offered by the Group, the Group has been purchasing those IT products from Beijing Deep Thought upon request from its customers. The Group purchased nil, nil, approximately HK\$7.5 million and nil of enterprise IT products from Beijing Deep Thought for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 respectively, representing nil, nil, approximately 0.3% and nil of the Group's total purchase in those periods, respectively. The terms and conditions of these transactions had been agreed between Futong Dongfang and Beijing Deep Thought on case by case basis after arm's length negotiations between the parties and with reference to the then prevailing selling prices of the relevant IT products offered by Futong Dongfang or, as the case may be, Beijing Deep Thought to third party purchasers.

On 11 November 2009, Futong Dongfang has entered into a master supply agreement (the "**Supply Agreement**") and a master purchase agreement (the "**Purchase Agreement**") with Beijing Deep Thought for the respective sales and purchase of enterprise IT products between Futong Dongfang and Beijing Deep Thought. Under the Supply Agreement and the Purchase Agreement, each of Futong Dongfang and Beijing Deep Thought has agreed to supply IT products to the other on such terms and conditions and at such prices to be determined from time to time by the parties on case by case basis after arm's length negotiations, and each sales and purchase transaction under the Supply Agreement and the Purchase Agreement will be reduced into separate contract or order as agreed between Futong Dongfang and Beijing Deep Thought provided that (a) such terms and conditions of each contract or order shall be on normal commercial terms and (i) in respect of the Supply Agreement, on terms which are no more favourable to Beijing Deep Thought than those offered by Futong Dongfang to Independent Third Party purchasers for such IT products of comparable quantity;

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and (ii) in respect of the Purchase Agreement, on terms which are no less favourable to Futong Dongfang than those offered by Beijing Deep Thought to its Independent Third Party purchasers for such IT products of comparable quantity; and (b) the purchase price payable by Futong Dongfang in respect of purchases under the Purchase Agreement shall be payable by Futong Dongfang within 90 days after the date of the relevant invoice issued by Beijing Deep Thought, or such longer period as the parties may agree; and (c) the purchase price payable by Beijing Deep Thought in respect of purchases under the Supply Agreement shall be payable by Beijing Deep Thought within 30 days after the date of the relevant invoice issued by Futong Dongfang. Each of the Supply Agreement and the Purchase Agreement has a term expiring on 31 December 2011 unless terminated earlier by three months' written notice by either party.

The Directors estimate that the annual transaction amount:

- for the sales of enterprise IT products by the Group to Beijing Deep Thought under the Supply Agreement for each of the three years ending 31 December 2011 will not exceed the annual caps of HK\$56 million, HK\$80 million and HK\$86 million respectively; and
- for the purchase of enterprise IT products by the Group from Beijing Deep Thought under the Purchase Agreement for each of the three years ending 31 December 2011 will not exceed the annual caps of HK\$8 million, HK\$8 million and HK\$8 million respectively.

In arriving at the above annual caps for the sales of enterprise IT products by the Group to Beijing Deep Thought, the Directors have considered (i) the amount of supply to Beijing Deep Thought for the nine months ended 30 September 2009 of approximately HK\$15.2 million; (ii) the expected amount of supply to Beijing Deep Thought based on the amount of contracts signed and in negotiation of approximately HK\$40 million for the remaining three months of 2009; and (iii) the expected increase in amount of supply to Beijing Deep Thought based on the amount of contracts in negotiation of approximately HK\$18 million for each of the two years ending 31 December 2011 and the expected future growth of the business between the Group and Beijing Deep Thought at an annual rate of approximately 10%.

In arriving at the above annual caps for the purchase of enterprise IT products by the Group from Beijing Deep Thought, the Directors have considered (i) the historical transaction amounts for each of the three years ended 31 December 2008; (ii) the amount of purchase from Beijing Deep Thought for the nine months ended 30 September 2009 of approximately HK\$0.1 million; (iii) the nature of transaction is on project basis that the number of transactions and amount of each transaction may vary and the transactions may not occur evenly throughout a year and (iv) the expected future growth of the business of the Group and Beijing Deep Thought.

Given that the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the sales and purchase transactions under the Supply Agreement and the Purchase Agreement, on an aggregated basis, is more than 2.5%, it is subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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The Directors (including the independent non-executive Directors) are of the view, which is concurred by the Sole Sponsor based on the above, that the non-exempt continuing connected transactions to be contemplated under the Supply Agreement and the Purchase Agreement have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and together with the proposed annual caps, are fair and reasonable and in the interests of the Shareholders as a whole.

Application for waiver from strict compliance of the Listing Rules

Pursuant to Rule 14A.42(3) of the Listing Rules, the Group has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a specific waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in connection with the transactions contemplated under the Supply Agreement and the Purchase Agreement as described above. The Company confirmed that it will comply with the applicable requirements under the Listing Rules as amended from time to time, and will immediately inform the Stock Exchange if there are any changes to the aforesaid transactions.

COMPETING BUSINESS OF AN EXECUTIVE DIRECTOR

Beijing Deep Thought is a limited company established in the PRC which is principally engaged in the provision of system integration services to end users in the PRC. To the best of the Directors' knowledge and information after making reasonable enquiry, the turnover of Beijing Deep Thought for each of the three years ended 31 December 2008 amounted to approximately RMB102.9 million, RMB77.1 million and RMB60.6 million, respectively, and the net profit after tax of Beijing Deep Thought for each of the three years ended 31 December 2008 amounted to approximately RMB0.3 million, RMB3.0 million and RMB1.0 million respectively. As at the Latest Practicable Date, Beijing Deep Thought was owned as to approximately 17.49% by Ms. Zhang Yun, approximately 69.98% by a brother of Mr. Chen Jian, approximately 0.72% by Mr. Xie Hui, the vice president of Futong Dongfang and an aggregate of approximately 11.81% by eight individuals who are Independent Third Parties. The business of Beijing Deep Thought is managed by its board of directors (with the brother of Mr. Chen Jian being one of the directors), its general manager and by other senior management of Beijing Deep Thought who are Independent Third Parties. None of Ms. Zhang Yun, other Directors and/or other senior management and employees of the Group is a director of Beijing Deep Thought or is otherwise involved in the management or daily operation of the business of Beijing Deep Thought.

Incidental to the provision of system integration services to its customers, Beijing Deep Thought will also procure the requisite IT products for use of the systems for its customers. The business of Beijing Deep Thought may potentially compete with the business of the Group because both involve the provision of IT products to customers. Nevertheless, the Directors consider that the competition between the Group and Beijing Deep Thought is only nominal in that:

- (A) Beijing Deep Thought is a system integrator which is principally engaged in the provision of system integration services to end users in the PRC and its revenue is generally derived from the services provided, whereas the Group is a distributor which is principally engaged in the distribution of enterprise IT products and its revenue is generally derived from the sales of enterprise IT products;

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- (B) the products recommended by Beijing Deep Thought to its customers are solution-oriented, and different brands and types of IT products would be recommended to its customers based on a broad-brush understanding of the functionality of different products. Beijing Deep Thought needs to source the relevant IT products from different suppliers, including the Group. On the other hand, with an in-depth knowledge of the features and functionalities of the products the Group distributes and a proactive sales force with thorough understanding of the IT requirements and aspects of different industries, the Group acts as supplier of its own distributed products and would recommend to its customers, including Beijing Deep Thought and other similar system integrators or IT solution service providers, the products which the Group is authorized to distribute, on an exclusive or non-exclusive basis, which could best serve the customers' requirements; and
- (C) the customers of Beijing Deep Thought are only end-users while the customers of the Group include both business partners and end-users.

To ensure efficient allocation of the Group's resources and utilization of the management's expertise, the Directors consider it is in the best interest of the Group to focus on the development of its enterprise IT products distribution business. Given the difference of the business nature of the Group and that of Beijing Deep Thought, the business of Beijing Deep Thought had not been included in the Group.

Beijing Deep Thought is one of the Group's customers and suppliers of IT products only. The Group has its own independent management, sales and marketing teams and none of the directors, senior management or staff of Beijing Deep Thought is or otherwise involved in any of the Group's administrative, development, engineering, sales, marketing and customer service teams. The Group has its own independent administrative resources and other assets which are significant to the business and operation of the Group, including trademarks and software registrations. The Group has independent access to all of its customers, customer records and suppliers. The IT products purchased by the Group from Beijing Deep Thought at the request of the Group's customers during the Track Record Period were not exclusively supplied by Beijing Deep Thought and, so far as the Directors are aware of, there are other suppliers of the same IT products in the market. On the above basis, the Directors consider that the Group has been, and will be, carrying on its business independent of, and at arms length from, Beijing Deep Thought.

Please also refer to the sub-paragraph headed "Continuing connected transactions subject to reporting, announcement and independent Shareholders' approval requirement" under the paragraph headed "Continuing connected transactions" above for details of the transactions between the Group and Beijing Deep Thought.

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NON-COMPETE UNDERTAKING

Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group. To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking (“**Non-compete Undertaking**”) in favour of the Group on 11 November 2009 pursuant to which each of the Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with the Group on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Controlling Shareholders shall, and shall procure that their respective associates (other than the Group) shall:

- (i) save for the Exempted Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by the Group (“**Restricted Business**”) including but not limited to the marketing, sales, distribution, manufacturing and/or processing of IT products and other products of the Group from time to time (“**Restricted Products**”), and the provision of relevant IT technical support services;
- (ii) not solicit any existing or then existing employee of the Group for employment by them or their respective associates (excluding the Group);
- (iii) not, without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to their knowledge in their capacity as the Controlling Shareholders and/or Directors for the purpose of competing with the Restricted Business; and
- (iv) as soon as practicable inform the Group in the event that any of them or their respective associates is given or identifies any opportunity (“**New Opportunity**”) to engage in the marketing, sales, distribution, manufacturing and/or processing of any Restricted Products and/or the provision of the relevant technical support services, and if the Group decides to take up the New Opportunity, unconditionally use reasonable endeavours to assist the Group to obtain the New Opportunity.

For the above purpose:

- (A) the “**Relevant Period**” means the period commencing from the Listing Date and shall expire for the earliest of the dates below:
 - (a) the date on which the Controlling Shareholders (individually or taken as a whole) ceases to be a Controlling Shareholder for the purpose of the Listing Rules and (in respect of Mr. Chen Jian only, if he remains as a Director after he ceases to be a Controlling Shareholder for the purpose of the Listing Rules) the date on which Mr. Chen Jian ceases to be a Director;
 - (b) the date on which the Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;

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- (B) the “Exempted Business” means any direct or indirect investments of the Controlling Shareholders and/or their respective associates (excluding the Group) in any member of the Group.

The Directors and senior management of the Company will decide whether to accept any New Opportunity based on their expertise and experience in the industry and in the best interest of the Group and its Shareholders as a whole. Under the Non-compete Undertaking, even if the Group decides not to take up any New Opportunity, the Controlling Shareholders or their respective associates are not allowed to take up the New Opportunity themselves for so long as it may otherwise constitute a breach of the Non-compete Undertaking.

Each of the Controlling Shareholders has undertaken under the Non-compete Undertaking that he or it shall provide to the Group and/or the Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-compete Undertaking by the Controlling Shareholders. Each of the Controlling Shareholders has also undertaken to make annual declaration on compliance with the terms of the Non-compete Undertaking in the Company’s corporate governance report as contained in the Company’s annual report.

CORPORATE GOVERNANCE MEASURES

The Directors believe that there are adequate corporate governance measures in place to manage any conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the Non-compete Undertaking or any conflict of interest between the Company and any Directors, and to safeguard the interests of the Shareholders, including:

- (i) the independent non-executive Directors will review, at least on an annual basis, the compliance with the undertaking given by the Controlling Shareholders under the Non-compete Undertaking;
- (ii) the Controlling Shareholders have undertaken to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-compete Undertaking;
- (iii) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-compete Undertaking in the corporate governance report as contained in the annual reports of the Company;
- (iv) the Directors (including any Director appointed after Listing) will continue to prominently disclose details as required under Rule 8.10(2)(a) of the Listing Rules of any interests of any Director (including any interests acquired after Listing), which competes or is likely to compete, either directly or indirectly, with the Group’s business in the annual reports of the Company and any change in details previously so disclosed in this prospectus or in any annual report of the Company; and

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- (v) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Non-compete Undertaking or any other matters involving any potential conflict of interests, in particular any connected transaction (including the sourcing and provision of IT products from and to Beijing Deep Thought), he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association. In addition, it is provided in the Articles of Association that any such Director shall excuse himself/herself from any meeting or part of any meeting of the Board and shall not participate in any discussions in respect of any resolutions where any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested is discussed or resolved, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by the remaining Directors.

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BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jian (陳健先生), aged 49, is an executive Director and Chairman of the Company, one of the co-founders of the Group and has been the director of Futong BVI, Futong HK, Futong Dongfang and Futong Unica since 9 December 1999, 25 January 2000, 4 December 2003 and 24 July 2009 respectively. Mr. Chen Jian was appointed as an executive Director on 29 July 2009. He is the brother-in-law of Ms. Zhang Yun. Mr. Chen Jian is responsible for the overall strategic development of the Group's business. Mr. Chen Jian graduated from 中國人民解放軍通信工程學院 (Chinese People's Liberation Army Communication Engineering University) with a bachelor's degree in wireless communications engineering. He established Futong Times, which was principally engaged in distributing personal computers, in 1993 with several other individuals and served as the general manager. In September 1996, Futong Times set up a joint venture, Futong ComputerLand, with Beijing Kaixing Industry Co. Ltd. to engage in the distribution of UNIX servers. Mr. Chen Jian served as the managing director of Futong ComputerLand from 1996 to 2009 and was responsible for its business development. In the three years preceding the Latest Practicable Date, Mr. Chen Jian did not hold any directorship in other listed public companies or any major appointments.

Ms. Zhang Yun (張昀女士), aged 39, is an executive Director and Vice Chairlady of the Company, one of the co-founders of the Group and has been the director of Futong BVI, Futong HK and Futong Dongfang since 9 December 1999, 25 January 2000 and 4 December 2003 respectively. Ms. Zhang Yun was appointed as an executive Director on 29 July 2009. She is the sister-in-law of Mr. Chen Jian. Ms. Zhang Yun is responsible for the Group's operations development and overall management, including key finance matters. She is also responsible for the daily operations of Futong HK. Ms. Zhang Yun graduated from 華東交通大學 (East China Jiaotong University) with a bachelor's degree, majoring in economics. Ms. Zhang Yun had served as the vice general manager of Futong ComputerLand from 1996 to 2003. In the three years preceding the Latest Practicable Date, Ms. Zhang Yun did not hold any directorship in other listed public companies or any major appointments.

Mr. Guan Tao (關濤先生), aged 51, is an executive Director, one of the co-founders of the Group and has been the director of Futong BVI, Futong HK, Futong Dongfang and Futong Unica since 9 December 1999, 29 July 2002, 4 December 2003 and 24 July 2009 respectively. Mr. Guan was appointed as an executive Director on 5 November 2009. Mr. Guan assists the Chairman of the Company in executing the Group's corporate strategies and managing the Group's business operations. Mr. Guan graduated from 中國人民解放軍通信工程學院 (Chinese People's Liberation Army Communication Engineering University) with a bachelor's degree in wireless communications engineering. Mr. Guan had served as the vice general manager and sales manager of Futong ComputerLand from 1996 to 2003 and was responsible for its sales activities, product development and customer relationship. In the three years preceding the Latest Practicable Date, Mr. Guan did not hold any directorship in other listed public companies or any major appointments.

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Independent non-executive Directors

Mr. Lee Kwan Hung (李均雄先生), aged 44, was appointed as an independent non-executive Director on 5 November 2009. He is a partner of Woo, Kwan, Lee & Lo and the chief representative of Woo, Kwan, Lee & Lo's Beijing Office. Mr. Lee received his L.L.B (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997. Mr. Lee is currently a non-executive director of GST Holdings Limited (stock code: 416) and an independent non-executive director of GZI REIT Asset Management Limited (being the manager of GZI Real Estate Investment Trust (stock code: 405)), Embry Holdings Limited (stock code: 1388), NetDragon Websoft Inc. (stock code: 777) and Asia Cassava Resources Holdings Limited (stock code: 841), the shares of these companies are listed on the Stock Exchange. Besides, Mr. Lee had been an independent non-executive director of Innomaxx Biotechnology Group Limited (stock code: 340, now known as China Mining Resources Group Limited, a company listed on the Stock Exchange) from May 2005 to February 2007 and a non-executive director of Mirabell International Limited (a company whose shares were delisted on the Stock Exchange) from February 2000 to December 2008. Save as disclosed, in the three years preceding the Latest Practicable Date, Mr. Lee did not hold any directorship in other listed public companies or any major appointments.

Mr. Yuan Bo (袁波先生), aged 46, was appointed as an independent non-executive Director on 5 November 2009. He is currently the senior vice president of Camelot Information Systems Company Limited. Mr. Yuan graduated from 清華大學 (Tsinghua University) with a master degree, majoring in economics. He had held various positions from 1989 to 2000 and was promoted as the general manager of China Business Partner Operation Division of 國際商業機器(中國)投資有限公司 (IBM (China) Investment Co., Ltd.) in 1998 and obtained the best sales awards for three times from 1993 to 1995. He also served as the chief executive Officer of Hi Sun Technology Holding Limited (a subsidiary of Hi Sun Technology (China) Limited (stock code: 818), shares of which are listed on the Stock Exchange) in 2002. Besides, he was the founder and managing director of 百碩同興科技(北京)有限公司 (Bayshore Consulting and Services Co., Ltd.) from 2003 to 2006. He was a non-executive director of Geong International Limited (stock code: GNG, a company whose shares are listed on the London Stock Exchange) from June 2006 to June 2009. Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Yuan did not hold any directorship in other listed public companies or any major appointments.

Mr. Ho Pak Tai Patrick (何白娣先生，又名何柏泰先生), aged 63, was appointed as an independent non-executive Director on 5 November 2009. He is a fellow of the Hong Kong Institute of Bankers, an independent non-executive director of CCB International (Holdings) Ltd., a subsidiary of China Construction Bank Corporation (stock code: 939) and he is the chairman of its audit and compliance committee. He is appointed to the Board of Review under the Inland Revenue Ordinance of the Hong Kong. Mr. Ho holds a banking diploma from the Chartered Institute of Bankers, London in December 1980 and has been a fellow of the Chartered Institute since 1988. Mr. Ho had served as the chief executive and general manager of Jian Sing Bank Limited (subsequently known as China Construction Bank (Asia) Limited, a subsidiary of China Construction Bank Corporation (stock

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code: 939)) from 1996 until 2007 and was also a director of its board. Mr. Ho has extensive banking experience in credit administration and audit. In the three years preceding the Latest Practicable Date, Mr. Ho did not hold any directorship in other listed public companies or any major appointments.

Save as disclosed above, there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Ms. Liu Ying (劉瑛女士), aged 47, is the executive vice president of Futong Dongfang, a subsidiary of the Company. Ms. Liu is responsible for overseeing the day-to-day operations and overall sales and marketing activities of Futong Dongfang. Ms. Liu graduated from 大連海運學院 (Dalian Maritime College, now known as 大連海事大學 (Dalian Maritime University)) with a bachelor's degree, majoring in computer science. Prior to joining the Group in 2006, Ms. Liu served as the senior vice president of 北京長天科技集團 (Pansky Technology Group), a company principally engaged in provision of IT solutions and professional services, from 1997 to 2003.

Mr. Xie Hui (謝輝先生), aged 39, is the vice president of Futong Dongfang and one of the co-founders of the Group. Mr. Xie is responsible for overseeing the day-to-day operations of the Group's business department for software of IBM and the general products business division. Mr. Xie graduated from 北京航空航天大學 (Beihang University), majoring in mechanical and electrical engineering. Prior to joining the Group in 2005, Mr. Xie had held various positions in Futong ComputerLand from 1996 to 2005 and was promoted as the assistant of general manager in 1998.

Mr. Liu Li Min (劉利民先生), aged 39, is the vice president of Futong Dongfang. Mr. Liu is responsible for overseeing the day-to-day operations of the products division and service division of the Group. Mr. Liu graduated from 浙江大學 (Zhejiang University) with a bachelor's degree in electrical engineering. Prior to joining the Group in 2007, Mr. Liu served as the general manager of 思拓創新存儲技術(北京)有限公司 (Storeage (Beijing) Co., Ltd.), a company principally engaged in provision of integrated storage management products, solutions and services, from 2006 to 2007 and was responsible for its overall PRC business. He also had held various positions in IBM from 1994 to 2006 and was promoted as the blade servers division general manager of the PRC in 2006.

Mr. Zhao Wei (趙偉先生), aged 38, is the vice president of Futong Dongfang. Mr. Zhao is responsible for overseeing the day-to-day operations of the industries department of the Group. Mr. Zhao graduated from 北京理工大學 (Beijing Institute of Technology), majoring in electronic appliances. Prior to joining the Group in 2003, he served as the manager of System x server department of Futong ComputerLand from 2002 to 2003. Mr. Zhao had held various positions from 1996 to 2002 in 北京高偉達科技發展有限公司 (Global Infotech Co., Ltd), a company principally engaged in provision of information solutions and services to financial institutions, and promoted as the general manager of the Guangzhou office in 2001.

Mr. Chu Chi Shing (朱至誠先生), aged 42, is the vice president of Futong HK and is responsible for strategic development planning and investor relations of the Group. Prior to joining the Group in

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2009, Mr. Chu served as the executive director of Fintronics Holdings Company Limited (stock code: 706, shares of which are listed on the Stock Exchange) since 1998 and served as the chief executive officer since 2003. Mr. Chu graduated from Shanghai Jiao Tong University with a bachelor's degree in computer science. Mr. Chu has extensive experience in the computer industry.

Mr. Chen Hua Guang (陳華光先生), aged 41, is the assistant president of Futong Dongfang. Mr. Chen is responsible for the overall development of IBM's industry business and the business of the Group in northern China. Mr. Chen graduated from 北京印刷學院 (Beijing Institute of Graphic Communication) with a bachelor's degree, majoring in electrical engineering. Prior to joining the Group in 2004, he held various positions in Futong ComputerLand from 1997 to 2003 and was promoted as the general manager of Oracle business division in 2002. Mr. Chen also served as the supervisor of 四通集團公司 (Stone Group), an IT enterprise, from 1994 to 1996.

Mr. Li Jun (李鈞先生), aged 38, is the assistant president and eastern China region general manager of Futong Dongfang. Mr. Li is responsible for the overall business of the Group in eastern China and matters related to the financial sector in the PRC. Prior to joining the Group in 2002, Mr. Li served as the deputy general manager of 北京美承互聯數碼科技發展有限公司 (Beijing Meichen Technology Development Co., Ltd.), a company principally engaged in distribution and retail sales of IT products and system integration, from 1997 to 2002.

Ms. Chen Jing (陳靜女士), aged 40, is the assistant president of Futong Dongfang. Ms. Chen is responsible for the overall contracts management, process management, logistics management and internal audit management of the Group. Ms. Chen graduated from 北京聯合大學 (Beijing Union University) with a bachelor's degree majoring in mechanical engineering. Prior to joining the Group in 2005, she served as the manager of Futong ComputerLand from 1999 to 2005.

Mr. Lou Shu Lin (婁樹林先生), aged 35, is the financial controller of Futong Dongfang. Mr. Lou is responsible for the overall monitoring the accounting department of the Group. Mr. Lou holds a bachelor's degree in accounting from 杭州電子工業學院 (Hangzhou Electronic and Engineering Institute, now known as 杭州電子科技大學 (Hangzhou Dianzi University)) and a master degree in business administration from 北京大學 (Peking University). Prior to joining the Group in 2008, Mr. Lou served as the financial controller of 北京易初蓮花連鎖超市有限公司 (Beijing Lotus Supermarket Chain Store Co., Ltd.) from 2003 to 2008 and was promoted as the assistant vice president in 2007. He holds a qualification certificate of accountant conferred by the Ministry of Finance of the PRC and a certified public accountant certification of PRC. He is also a member of Beijing Institute of Certified Public Accountants.

Mr. Yuen Kwok Hon (袁國漢先生), aged 33, joined the Group in July 2009 and is the financial controller of Futong HK and authorized representative of the Company. Prior to joining the Group, he served as the financial manager of Matsunichi Communication Holdings Limited (stock code: 283, currently known as Goldin Properties Holdings Limited) and the finance manager of IIN International Limited (stock code: 8128, currently known as China Ground Source Energy Limited), the shares of these companies are listed on the Stock Exchange. He received his bachelor's degree in business administration (majoring in accounting) from Hong Kong University of Science and Technology. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a CFA charterholder.

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COMPANY SECRETARY

Mr. Yuen Kwok Hon is the company secretary of the Company. Please refer to the paragraph headed “Senior management” for details of Mr. Yuen.

STAFF

Overview of number of staff

The Group had 350 staff as at the Latest Practicable Date, with 343 in the PRC and 7 in Hong Kong. A breakdown of its workforce by function is as follows:

	As at the Latest Practicable Date		
	PRC	HK	Total
Management	10	2	12
Finance	11	1	12
Human resources and support	65	1	66
Sales and marketing	130	0	130
IT technical support	92	1	93
Logistics	35	2	37
Total	343	7	350

Relationship with staff

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for all of its employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group makes contributions to the following staff related plans and funds in accordance with the state and local regulations of the PRC, namely, elderly insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund. Having regard to the confirmations issued by the government offices where the Group’s operations are located, the Directors confirm that the Group is in compliance with the applicable laws and regulations.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Directors believe that the Group has a good working relationship with its employees.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

AUDIT COMMITTEE

The Company established an audit committee on 11 November 2009 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members, namely Mr. Ho Pak Tai Patrick, Mr. Lee Kwan Hung and Mr. Yuan Bo, all being independent non-executive Directors. Mr. Ho Pak Tai Patrick is the chairman of the audit committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 11 November 2009 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management. The remuneration committee has four members, comprising three independent non-executive Directors, namely, Mr. Ho Pak Tai Patrick, Mr. Lee Kwan Hung and Mr. Yuan Bo and one executive Director, namely, Mr. Chen Jian. Mr. Yuan Bo is the chairman of the remuneration committee.

NOMINATION COMMITTEE

The Company established a nomination committee on 11 November 2009 with written terms of reference. The nomination committee has four members, comprising one executive Director, namely Ms. Zhang Yun, and three independent non-executive Directors, namely Mr. Ho Pak Tai Patrick, Mr. Lee Kwan Hung and Mr. Yuan Bo. Mr. Lee Kwan Hung is the chairman of the nomination committee. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

DIRECTORS' REMUNERATION

The Directors received remuneration in the form of basic salaries, discretionary bonus and contribution to the pension scheme made by the Group during the Track Record Period. The aggregate remunerations paid to the Directors for the three years ended 31 December 2008 and the six months ended 30 June 2009 were approximately HK\$2.5 million, HK\$3.4 million, HK\$3.1 million and HK\$1.5 million respectively. Each of the executive Directors has entered into a service contract with the Company, further details of which are set out in the paragraph headed "Further information about Directors and Shareholders" in Appendix VI to this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 11 November 2009 which, in the opinion of the Directors, will enable the Group to recruit and retain high-calibre employees and to improve employee loyalty. The principal terms of this scheme are summarized in the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPLIANCE ADVISER

The Company will appoint Taifook Capital, in accordance with Rule 3A.19 of the Listing Rules, as its compliance adviser for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

The material terms of the compliance adviser's agreement to be entered into between the Company and Taifook Capital are as follows:

1. the compliance adviser's appointment shall be for a period commencing on the date on which the Shares are listed on the Stock Exchange and ending on the date on which the Company comply with Rule 13.46 of the Listing Rules in respect of the financial results of the Group;
2. the compliance adviser shall provide the Company with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany the Company to any meetings with the Stock Exchange; and
3. during the period of appointment, the Company must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:
 - (a) before the publication of any regulatory announcement, circular or financial report;
 - (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
 - (c) where the Company propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
 - (d) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Company or other matters.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

INTEREST DISCLOSURE UNDER THE SFO

Interests and short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalization Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the Directors will have the following interests and short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have 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 which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange, once the Shares are listed:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities <i>(note 1)</i>	Approximate percentage of shareholding
Mr. Chen Jian	the Company	Interest of controlled corporation	225,000,000 Shares (L) <i>(notes 2, 3 and 4)</i>	75%
	China Group Associates	Beneficial owner	100 ordinary shares of US\$1 each (L)	100%
Ms. Zhang Yun	the Company	Interest of controlled corporation	42,631,650 Shares (L) <i>(note 3)</i>	14.21%

Notes:

1. *The letter "L" denotes the Directors' long position in the shares of the Company or the relevant associated corporation.*
2. *153,947,250 of these Shares are held by China Group Associates, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the Shares held by China Group Associates.*
3. *42,631,650 of these Shares are held by Rich China, the entire issued share capital of which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. By virtue of the SFO, both Mr. Chen Jian and Ms. Zhang Yun are deemed to be interested in the Shares held by Rich China.*
4. *28,421,100 of these Shares are held by Rich World, the entire issued share capital of which is owned as to approximately 81.67% by Mr. Chen Jian, approximately 13.33% by Mr. Guan Tao, approximately 3.33% by Mr. Xie Hui and approximately 1.67% by Mr. Jie Wen. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the entire 28,421,100 Shares held by Rich World.*

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

Interests and/or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Share Offer and the Capitalization Issue (but without taking into account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of the Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Name of Group member	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
China Group Associates (Note 2)	the Company	Beneficial owner	153,947,250 Shares (L)	51.32%
Rich China (Note 3)	the Company	Beneficial owner	42,631,650 Shares (L)	14.21%
Rich World (Note 4)	the Company	Beneficial owner	28,421,100 Shares (L)	9.47%
Ms. Zhang Xin (Note 5)	the Company	Interest of spouse	225,000,000 Shares (L)	75%
Mr. Meng Huiqiang (Note 6)	the Company	Interest of spouse	42,631,650 Shares (L)	14.21%
Ms. Qu Weiwei	Futong Unica	Beneficial owner	RMB450,000 (RMB225,000 of which has been paid up) (Note 7)	45% (Note 7)

Notes:

1. The Letter "L" denotes the person's long position in the shares of the Company or the relevant Group member.
2. China Group Associates is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of China Group Associates.
3. Rich China is a company incorporated in the BVI with limited liability which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. Ms. Zhang Yun is the sole director of Rich China.
4. Rich World is a company incorporated in the BVI with limited liability which is owned as to approximately 81.67% by Mr. Chen Jian, approximately 13.33% by Mr. Guan Tao, approximately 3.33% by Mr. Xie Hui and approximately 1.67% by Mr. Jie Wen. Mr. Guan Tao is the sole director of Rich World.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

5. *Ms. Zhang Xin is the spouse of Mr. Chen Jian. Under the SFO, Ms. Zhang Xin is taken to be interested in the same number of Shares in which Mr. Chen Jian is interested.*
6. *Mr. Meng Huiqiang is the spouse of Ms. Zhang Yun. Under the SFO, Mr. Meng Huiqiang is taken to be interested in the same number of Shares in which Ms. Zhang Yun is interested.*
7. *As at the Latest Practicable Date, the total registered capital of Futong Unica is RMB1 million of which RMB500,000 has been paid up. Ms. Qu Weiwei, an Independent Third Party, holds 45% of the equity interest in Futong Unica.*

RESTRICTIONS ON DISPOSAL OF SHARES

Under Rule 10.07(1) of the Listing Rules, the Controlling Shareholders shall not, and procure that the relevant registered holder(s) shall not:

- (a) during the period commencing from the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “First Six-Month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of the Company in respect of which they are shown by this prospectus to be the beneficial owners; or
- (b) at any time during the six months commencing on the date on which the period referred to in (a) above expires (the “Second Six-Month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be the Company’s controlling shareholder (as defined in the Listing Rules).

Under the Public Offer Underwriting Agreement, each of the Controlling Shareholders has jointly and severally undertaken to and covenanted with the Company, the Sole Sponsor, Taifook Securities and the Public Offer Underwriters that, save as (a) pursuant to the Share Offer or the Stock Borrowing Agreement; or (b) permitted under the Listing Rules and with the prior written consent of the Sole Sponsor and Taifook Securities (on behalf of the Public Offer Underwriters), it will not, and will procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will:

- (i) at any time during the First Six-Month Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (“Banking Ordinance”))), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorized institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalization Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

these Shares, or enter into any swap or other arrangements that transfers the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (save any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules; and

- (ii) at any time during the Second Six-Month Period sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorized institution (as defined in the Banking Ordinance), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorized institution (as defined in the Banking Ordinance) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalization Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of the Shares, or enter into any swap or other arrangements that transfers the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, if, immediately following such action, the Controlling Shareholders, when taken together, would cease to be a group of controlling shareholders (as defined in the Listing Rules) of the Company.

Each of the Controlling Shareholders has also undertaken to the Company and the Stock Exchange that, during the period commencing on the date by reference to which disclosure of his/its shareholding in the Company is made in this prospectus and ending on the date which is the 12 months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any securities of the Company beneficially owned by him/it in favour of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and
- (2) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities of the Company will be disposed of, immediately inform the Company of such indications.

Under Note (3) to Rule 10.07(2) of the Listing Rules, the Company is required to inform the Stock Exchange as soon as practicable after it has been informed of the matters referred to in (1) or (2) above by any of the Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

Under the Public Offer Underwriting Agreement, each of the Controlling Shareholders has jointly and severally undertaken to and covenanted with the Company and each of the Sole Sponsor, Taifook Securities and the Public Offer Underwriters that, without prejudice to the non-disposal undertakings under the Public Offer Underwriting Agreement as referred to above, during the period commencing on the date by reference to which disclosure of his/its direct or indirect shareholding in the Company is made in this prospectus and ending on the date which is 12 months after the Listing Date:

- (i) when he/it pledges or charges any Shares or other securities of the Company or those of the Controlling Shareholders (other than Mr. Chen Jian) beneficially owned by him/it in favour of an authorized institution pursuant to note (2) to Rule 10.07(2) of the Listing Rules, it shall immediately inform the Company, the Sole Sponsor and Taifook Securities (on behalf of the Public Offer Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of securities so pledged and charged and all other information as requested by the Company, the Sole Sponsor and/or Taifook Securities (on behalf of the Public Offer Underwriters); and
- (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in (i) above, when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in (i) above will be disposed of, he/it shall immediately inform the Company, the Sole Sponsor and Taifook Securities (on behalf of the Public Offer Underwriters) of such indications.

SHARE CAPITAL

The authorized and issued share capital of the Company is as follows:

	<i>HK\$</i>
<i>Authorized:</i>	
2,000,000,000 Shares	200,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
1,000,000 Shares in issue	100,000
224,000,000 Shares to be issued under the Capitalization Issue	22,400,000
<u>75,000,000 Shares to be issued under the Share Offer</u>	<u>7,500,000</u>
<u>300,000,000</u>	<u>30,000,000</u>

Assumptions

The above table assumes the Share Offer and the Capitalization Issue become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued upon the exercise of options granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below.

Ranking

The Offer Shares and the Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for the entitlements under the Capitalization Issue.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.

General mandate to issue Shares

Conditional on the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- (1) 20% of the aggregate amount of Shares in issue immediately following completion of the Share Offer and the Capitalization Issue (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option); and

SHARE CAPITAL

- (2) the aggregate nominal amount of the Shares repurchased by the Company (if any) pursuant to the repurchase mandate (as referred to below).

The Directors may, in addition to the Shares which they are authorized to issue under this mandate, allot, issue and deal in the Shares pursuant to a rights issue, scrip dividend scheme or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Share Offer or the Capitalization Issue or upon the exercise of the Over-allotment Option.

This mandate will expire:

- at the conclusion of the Company's next annual general meeting;
- on the date by which the Company is required by law or the Articles of Association to hold its next annual general meeting; or
- when the authority given to the Directors is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earlier.

For further details of this general mandate, see the paragraph headed "Resolutions in writing of the Shareholders passed on 11 November 2009 and 18 November 2009" in Appendix VI to this prospectus.

General mandate to repurchase Shares

Conditional on the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the Shares in issue immediately following completion of the Share Offer and the Capitalization Issue (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Repurchase by the Company of its own securities" in the section headed "Further information about the Company and its subsidiaries" in Appendix VI to this prospectus.

This mandate will expire:

- at the conclusion of next annual general meeting of the Company;

SHARE CAPITAL

- on the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held; or
- when the authority given to the Directors is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earlier.

For further details of this general mandate, see the paragraph headed “Resolutions in writing of the Shareholders passed on 11 November 2009 and 18 November 2009” in Appendix VI to this prospectus.

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TRADING RECORD

The following table is a summary of the combined income statements of the Group for the three years ended 31 December 2008 and the six months ended 30 June 2008 and 30 June 2009 which has been extracted from, and should be read in conjunction with, the accountants' report set out in Appendix I to this prospectus.

	For the year ended 31 December			For the six months ended 30 June	
	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
				(unaudited)	
Revenue	1,846,684	2,018,822	2,554,539	1,282,757	1,183,906
Cost of sales	<u>(1,745,103)</u>	<u>(1,847,796)</u>	<u>(2,365,375)</u>	<u>(1,183,671)</u>	<u>(1,076,527)</u>
Gross profit	101,581	171,026	189,164	99,086	107,379
Other income	7,495	2,202	2,811	1,698	521
Distribution costs	(55,259)	(65,853)	(81,655)	(39,315)	(41,631)
Administrative expenses	<u>(14,926)</u>	<u>(39,984)</u>	<u>(22,740)</u>	<u>(15,530)</u>	<u>(16,512)</u>
Profit from operations	38,891	67,391	87,580	45,939	49,757
Finance costs	<u>(29,876)</u>	<u>(30,810)</u>	<u>(34,209)</u>	<u>(17,566)</u>	<u>(11,529)</u>
Profit before taxation	9,015	36,581	53,371	28,373	38,228
Income tax	<u>(1,454)</u>	<u>(4,643)</u>	<u>(4,377)</u>	<u>(2,359)</u>	<u>(3,096)</u>
Profit for the year/ period	<u>7,561</u>	<u>31,938</u>	<u>48,994</u>	<u>26,014</u>	<u>35,132</u>
Earnings per Share	<u>0.03</u>	<u>0.14</u>	<u>0.22</u>	<u>0.12</u>	<u>0.16</u>

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES

The financial information have been prepared by the Directors in accordance with the International Financial Reporting Standards (“IFRSs”). The accounting policies and accounting estimates and judgements are set out in the accountants’ report contained in Appendix I to this prospectus. The preparation of the financial information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of the policies and reported amounts of assets, liabilities, income and expenses. The Group bases the assumptions and estimates on historical experience and on various other assumptions that it believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial information. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial information.

Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are carried at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortized cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the combined income statement. A reversal of an impairment loss shall not result in the asset’s carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

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(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- Property, plant and equipment

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflow largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflow independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in the combined income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the combined income statement in the year in which the reversals are recognized.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out principle, and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

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Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the combined income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when

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determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

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Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the consolidated income statement as follows:

(i) Sale of goods

Revenue is recognized when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services fee income

Services fee income is recognized when services are rendered to customers.

(iii) Interest income

Interest income from bank deposits is recognized as it accrues using the effective interest method.

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MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Revenue

The Group distributes a variety of enterprise hardware and software products sourced principally from some well-known international IT vendors, such as IBM and Oracle, and provided IT technical support services in association with the distribution of enterprise IT products. The Group purchases the enterprise IT products that it distributes in anticipation of market demand and takes ownership of these products prior to distribution.

- The following table illustrates the breakdown of the Group's revenue by products during the Track Record Period:

	For the year ended			For the six months	
	31 December			ended 30 June	
	2006	2007	2008	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
IBM					
Enterprise servers	1,096,014	1,422,509	1,843,709	927,907	830,375
System storage products	325,688	293,508	307,804	149,061	174,933
Software	<u>148,337</u>	<u>104,112</u>	<u>195,571</u>	<u>91,925</u>	<u>103,716</u>
Subtotal	1,570,039	1,820,129	2,347,084	1,168,893	1,109,024
Oracle	180,016	162,407	158,036	112,593	43,133
Services	26,899	33,440	14,169	1,142	5,481
Others (note)	<u>69,730</u>	<u>2,846</u>	<u>35,250</u>	<u>129</u>	<u>26,268</u>
Total revenue	<u>1,846,684</u>	<u>2,018,822</u>	<u>2,554,539</u>	<u>1,282,757</u>	<u>1,183,906</u>

Note: Others include IT products from Huawei Symantec, and other IT products and services.

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The Group's revenue has been growing for the three years ended 31 December 2008, from approximately HK\$1,846.7 million in 2006 to approximately HK\$2,018.8 million in 2007 and further increased to approximately HK\$2,554.5 million in 2008, representing an increase of approximately 9.3% from 2006 to 2007 and approximately 26.5% from 2007 to 2008. The Group recorded revenue of approximately HK\$1,183.9 million for the six months ended 30 June 2009, representing a slight decrease of approximately 7.7% over the revenue for the corresponding period in 2008. The growth in revenue for the three years ended 31 December 2008 was mainly attributable to the continuous increase in demand for the enterprise servers to cope with rapid change in IT technology and the gradual growth of the IT industry in the PRC as a whole (representing a CAGR of 10.7% from 2006 to 2008). As reported by IDC, the market value of IT products in the PRC increased from US\$56.1 billion to US\$68.8 billion. The decrease of revenue for the six months ended 30 June 2009 as compared to the corresponding period in 2008 was caused by the financial downturn commenced in the second half of 2008. Enterprises were generally conservative in making their IT acquisition decisions when the economy was uncertain.

IBM's enterprise servers have been the major products of the Group which contributed approximately 59.4%, 70.5%, 72.2% and 70.1% respectively of the Group's total revenue for the Track Record Period. The revenue generated from the sales of IBM's enterprise servers has been increased from approximately HK\$1,096.0 million in 2006 to approximately HK\$1,422.5 million in 2007, representing a growth of approximately 29.8%, and further increased to approximately HK\$1,843.7 million in 2008, representing a growth of approximately 29.6%. For the six months ended 30 June 2009, the revenue generated from the sales of IBM's enterprise servers recorded approximately HK\$830.4 million, representing a decrease of 10.5% from its corresponding period in 2008. As reported by IDC, the increase of the server market in the PRC can be demonstrated by the increase of customer revenue from sale of non-X86 server of approximately HK\$10.5 billion in 2006 to approximately HK\$14.0 billion in 2008.

Apart from IBM's enterprise servers, in terms of contributions to the revenue of the Group, the sales of IBM's system storage products and Oracle's products form another two principal revenue contributors of the Group. The aggregate sales of IBM's system storage products and Oracle's products, during the Track Record Period, accounted for approximately 27.4%, 22.6%, 18.2% and 18.4% of the total revenue of the Group respectively.

Sales of IBM's system storage products have been one of the key revenue sources of the Group. The revenue from IBM's system storage products has been relatively stable during the Track Record Period. Notwithstanding the Group recorded a lower revenue from sale of IBM's enterprise servers for the six months ended 30 June 2009 than that for the corresponding period in 2008, the Group managed to increase the revenue from sale of IBM's system storage products from approximately HK\$149.1 million to HK\$174.9 million, representing an increase of approximately 17.3%, for the same period. Under a financial distress, enterprises may delay or become more conservative in their IT system upgrade. However, certain industries still require expansion of their storage capacity when the data generated from their customers may grow rapidly.

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From 2006 to 2008, the Group recorded a CAGR of approximately 14.8% for the revenue from IBM's software. However, the Group recorded a decrease of revenue from IBM's software from approximately HK\$148.3 million for the year ended 31 December 2006 to approximately HK\$104.1 million for the year ended 31 December 2007. This reduction in sales was part of the Group's strategy to respond to price pressure imposed by competitors during the year.

Besides IBM, Oracle is the second largest brand of IT products distributed by the Group. From 2006 to 2008, the Group's revenue from sale of Oracle's products decreased from approximately HK\$180.0 million for the year ended 31 December 2006 to approximately HK\$162.4 million for the year ended 31 December 2007 and further decreased to HK\$158.0 million for the year ended 31 December 2008. The Group's revenue from Oracle decreased from approximately HK\$112.6 million for the six months ended 30 June 2008 to approximately HK\$43.1 million for the six months ended 30 June 2009. Such decreases were due to customers being hesitated to use Oracle's products as a result of model upgrades carried out by Oracle on quite a few products during the Track Record Period.

2. The following table illustrates the breakdown of the Group's revenue by different industrial users/sectors during the Track Record Period:

	For the year ended			For the six months	
	31 December			ended 30 June	
	2006	2007	2008	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue from					
Government bodies (including educational institutions)	372,728	452,289	526,777	324,097	157,151
Financial institutions	437,319	617,010	982,874	485,224	296,948
Telecommunication	279,815	205,602	254,421	114,653	359,835
Petroleum and manufacturing	181,290	129,476	105,056	65,770	27,848
General business	575,532	614,445	685,411	293,013	342,124
	<u>1,846,684</u>	<u>2,018,822</u>	<u>2,554,539</u>	<u>1,282,757</u>	<u>1,183,906</u>

During the Track Record Period, the Group's revenue derived from end-users of government bodies, financial institutions, telecommunication, petroleum and manufacturing and general business. General business comprises power companies, tobacco companies and other small and medium-size enterprises. The three largest sectors, namely government bodies, financial institutions and general business accounted for approximately 75.0%, 83.4%, 85.9% and 67.3% of the Group's total revenue. The Group's revenue from these sectors has been growing for the three years ended 31 December 2008, while the revenue from these sectors dropped by 27.8% for the six months ended 30 June 2009 as compared to the six months ended 30 June 2008 because of the financial downturn. In particular, the financial sector was badly hit worldwide. According to IDC, the CAGR for each of the

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telecommunication, financial institutions, government bodies and utility sectors in the PRC server market from 2006 to 2008 was approximately 14.0%, 19.9%, 5.5% and 16.0% respectively while the CAGR for each of the telecommunication, government, finance and utility sectors in the PRC storage market from 2006 to 2008 was approximately 24.8%, 16.9%, 27.7% and 12.7% respectively. Traditionally, financial institutions generated most revenue for the Group as the Group has served a lot of banks of national scale.

For public interest and security reason, system failure could not be risked by government bodies and/or financial institutions, while IBM's enterprise IT products are well-known with its advanced stability and processing capacity, therefore IBM has been focused on these sectors which resulted in substantial portion of the Group's revenue derived from these sectors.

The business natures of government bodies and financial institutions, which generally require high data processing capacity for handling a huge number of transactions, in particular, the expected data flow during the Beijing Olympics for these industries, which in turn increased the demand for the enterprise IT products, as such, the revenue derived from the government bodies and financial institutions increased from an aggregate of approximately HK\$810.0 million in 2006 to an aggregate of approximately HK\$1,069.3 million in 2007 and further increased to an aggregate of approximately HK\$1,509.7 million in 2008. The Group's revenue derived from the telecommunication sector decreased from approximately HK\$279.8 million in 2006 to approximately HK\$205.6 million in 2007, such increase was mainly due to the uncertainty of the formal launch of 3G business which held back the business expansion plan of telecommunication operators. The Group's revenue from telecommunication sector bounced back to approximately HK\$254.4 million in 2008, which was mainly due to the establishment of the IT structure in preparations of 3G network deployment. In view of the need to stimulate the economy, the PRC government made an early launch of 3G licenses in the PRC in the first half of 2009. Accordingly, the Group recorded a revenue from the telecommunication sector of approximately HK\$359.8 million for the six months ended 30 June 2009, representing an increase of approximately 213.7% over the corresponding period in 2008. Furthermore, this amount of revenue for the six months ended 30 June 2009 represented 1.4 times over the revenue generated from the telecommunication sector in the entire 2008.

Due to the fierce competition with other distributors engaged in the enterprise IT products, as well as the comparatively lower market share of IBM's enterprise IT products in the petroleum and manufacturing sector in the PRC, the revenue derived from this sector decreased from approximately HK\$181.3 million in 2006 to approximately HK\$129.5 million in 2007 and further decreased to approximately HK\$105.1 million in 2008. With the PRC government's policy to stimulate the domestic demand and the large customer base in the general business sector, the revenue derived from this sector increased from approximately HK\$575.5 million in 2006 to approximately HK\$614.4 million in 2007 and further increased to approximately HK\$685.4 million in 2008. Although the individual contract size of the general business sector is relatively smaller than the other sectors, the Group has been benefited by the value of such transactions.

The revenue derived from the government bodies, financial institutions and petroleum and manufacturing sectors had decreased for the six months ended 30 June 2009, mainly due to the cautious enterprise IT products purchase plan as a result of the adverse effect of the financial downturn while the revenue derived from the telecommunication and general business sectors recorded an increase in revenue. The increase in revenue from the telecommunication sector was

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mainly due to the conclusion of a sale contract from a national telecommunication operator, which accounted for approximately 64.8% of the total revenue of the Group derived from the telecommunication sector for the six months ended 30 June 2009. As a reflection of the government policy and the marketing effort of the Group, the Group also recorded a higher revenue amounted to approximately HK\$342.1 million in the general business sector.

Cost of sales

Total cost of sales of the Group for the Track Record Period amounted to approximately HK\$1,745.1 million, HK\$1,847.8 million, HK\$2,365.4 million and HK\$1,076.5 million respectively. During the Track Record Period, the cost of sales of IBM's enterprise IT products accounted for approximately 85.3%, 90.4%, 91.5% and 93.4% of the total cost of sales of the Group respectively. It is the normal practice of the suppliers of IBM's products to offer rebates to the Group as performance incentive. The percentage and amount of rebates varied according to the promotion schemes adopted by the suppliers for individual line of products from time to time. Pursuant to the Group's accounting policy, rebates were charged against cost of sales. During the Track Record Period the total rebates granted by suppliers of IBM's products to the Group fluctuated, amounted to approximately HK\$56.3 million, HK\$45.6 million, HK\$67.2 million and HK\$10.2 million respectively and approximately HK\$69.1 million, HK\$47.2 million, HK\$60.1 million and HK\$18.5 million were realized in the cost of sales respectively, representing approximately 3.8%, 2.5%, 2.5% and 1.7% respectively to the Group's cost of sales before deduction of the rebates.

Gross profit margin

The overall gross profit margin of the Group for the Track Record Period were approximately 5.5%, 8.5%, 7.4% and 9.1% respectively. The gross profit margin was generally determined by the mix of sales made to the customers. During the Track Record Period, the Group recorded gross profit margin of approximately 4.3%, 8.0%, 6.6% and 7.7% from the sales to business partners and gross profit margin of approximately 12.7%, 11.6%, 11.9% and 11.5% from sales to end-users for each of the three years ended 31 December 2008 and for the six months ended 30 June 2009 respectively. As the enterprise IT products sold by the Group were usually incorporated by business partners as part of their total IT solution packages for sale to end-users, the gross profit margin generated from sales to business partners were generally lower than that for direct sales to end-users. If no rebate were received from such supplier of IBM's products for the Track Record Period, the gross profit margin of the Group would have amounted to approximately 1.8%, 6.1%, 5.0% and 7.5% respectively. However, in determining the selling price of the products, the Group has always taken into consideration the amount of rebate earned from each individual sales. In 2006, the Group recorded a relatively low gross margin of approximately 5.5% because the Group made an effort to reduce the holding risk of the inventories. Therefore, sale prices have been reflected in this strategy when sales were concluded. Instead of promoting the products sourced by the Group firstly from its suppliers in the past, the Group has revised the strategy to source for the customers' requirements. This customer-oriented strategy has successfully revived the Group's gross profit margin to 8.5% in 2007. In 2008, the Group recorded a decrease in the gross profit margin to approximately 7.4% from approximately 8.5% mainly due to the increased amount of sales derived from the financial institutions and government bodies with relatively lower gross profit margin. The increase in gross

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profit margin to approximately 9.1% for the six months ended 30 June 2009 from approximately 7.4% for the corresponding period in 2008 was mainly due to the increase in amount of contracts obtained from telecommunication customers, which demanded for advanced system with better processing capacity to cope with the expansion of their 3G telecommunication business.

Other income

It mainly comprises interest income.

Distribution costs

It mainly comprises salaries and bonus expenses of sales and technical support personnel, rental fees, entertainment, transportation and freight charges.

Finance costs

It mainly consists of interest charged by suppliers of IBM's products during the extended credit period and interest on the bank loans.

IBM extends credit to the Group to allow flexibility for the Group to manage its payment cycle. The average interest rates charged by the suppliers of IBM's products for the Track Record Period ranged from approximately 8.0% to 12.0%. Such credit charge would be imposed after the expiry of the required period stipulated in the transaction document provided by such suppliers.

Taxation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and, accordingly, is exempted from payment of the Cayman Islands income tax. The Company's subsidiary established in BVI is registered as BVI business company under the BVI Business Companies Act and is exempted from payment of income tax of BVI.

The Company is essentially an investment holding company and the entire revenue of the Group during the Track Record Period were generated by the operating subsidiaries of the Company in Hong Kong and the PRC.

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the combined income statement.

Hong Kong Profits Tax has been provided at the applicable tax rate of the relevant year of assessment on the estimated assessable profits arising in Hong Kong during the Track Record Period. For the two years ended 31 December 2007, Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the assessable year. For the year ended 31 December 2008 and six months ended 30 June 2009, Hong Kong Profits Tax has been

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provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the respective assessable year/period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Prior to 1 January 2008, PRC entities were, in general, subject to the statutory income tax rate of 33%, consisting of 30% state tax and 3% local tax, on their assessable profits. Being a then recognized Advanced and New Technology Enterprise (“ANTE”) located in the Beijing New Technology Industry Development Experimental Zone, Futong Dongfang was granted a preferential tax rate of 15% and was entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from the first profit-making year after off setting accumulated tax losses (“3+3 tax holiday”). Futong Dongfang commenced its 3+3 tax holiday in 2004. Accordingly, the applicable tax rates for the years ended 31 December 2006 and 2007 were nil and 7.5% respectively.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Enterprise Income Tax Law of the PRC (“new tax law”), which unified the income tax rate to 25% for all enterprises. The new tax law became effective on 1 January 2008. The State Council of the PRC issued the *Implementation Rules of the Enterprise Income Tax Law* (“Implementation Rules”) on 6 December 2007 and GuoFa [2007] No. 39 *Notice on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* (“Circular 39”) on 26 December 2007. The new tax law, its Implementation Rules and Circular 39 provide a 5-year transitional period from 1 January 2008 for those enterprises which were established before 16 March 2007 and which were entitled to a preferential lower tax rate under the then effective tax laws and regulations, as well as grandfathering on the 3+3 tax holidays. Further, Futong Dongfang is recognised as an ANTE under the new tax law from 2008 to 2010. Consequently, Futong Dongfang is subject to a tax rate of 7.5% for both years ended/ending 31 December 2008 and 2009. Thereafter, tax rate of 15% applies.

Under the new tax law and its Implementation Rules, dividends receivable by non-PRC resident enterprises from PRC resident enterprises are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the *Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasions*, or Mainland China/HKSAR DTA, Hong Kong tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced withholding tax rate of 5%. Pursuant to CaiShui [2008] No. 1 *Notice on Certain Preferential Enterprise Income Tax Policies*, undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Accordingly, dividends receivable by Futong HK from Futong Dongfang in respect of its profits earned since 1 January 2008 will be subject to withholding tax of 5%. Deferred tax liabilities should be recognized for the undistributed retained earnings of Futong Dongfang for profits earned since 1 January 2008 to the extent that the earnings would be distributed in the foreseeable future.

For each of the three financial years ended 31 December 2008 and six months ended 30 June 2009, the effective tax rates of the Group were approximately 16.7%, 12.6%, 8.2% and 8.1% respectively. The reduction in Group’s effective tax rate in the year 2007 and 2008 was primarily due to the increase of the proportion of profit earned by Futong Dongfang, which enjoyed a lower tax rate of 7.5% in PRC as compared with the 17.5%/16.5% tax rate in Hong Kong. The effective tax rate for the six months ended 30 June 2009 was comparable to the corresponding period in 2008.

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Discussion on operating results

For the year ended 31 December 2006

Revenue

For the year ended 31 December 2006, the Group's revenue was approximately HK\$1,846.7 million, primarily comprising revenue generated from the sales of IBM's enterprise servers, IBM's system storage products, software (comprising IBM's software and Oracle's products), IT technical support services and others of approximately HK\$1,096.0 million, HK\$325.7 million, HK\$328.4 million, HK\$26.9 million and HK\$69.7 million respectively.

Cost of sales

During the financial year, the Group's cost of sales was approximately HK\$1,745.1 million and consisted mainly the cost of sales of IBM's enterprise servers, IBM's system storage products, software (comprising IBM's software and Oracle's products), IT technical support services, and other cost of approximately HK\$1,045.8 million, HK\$310.2 million, HK\$304.7 million, HK\$20.6 million and HK\$63.8 million respectively.

Gross profit

The gross profit for the year ended 31 December 2006 was approximately HK\$101.6 million, representing a gross profit margin of approximately 5.5%. The Group recorded gross profit margin of approximately 4.6%, 4.8%, 7.2% and 23.5% for IBM's enterprises servers, IBM's system storage products, software (comprising IBM's software and Oracle's products), IT technical support services respectively.

Other income

For the year ended 31 December 2006, other income amounted to approximately HK\$7.5 million, which primarily consisted of approximately HK\$2.6 million of a gain on disposal of trading securities and approximately HK\$3.7 million of service fee earned from Futong ComputerLand for provision of administrative services.

Distribution costs

During the financial year, the Group recorded distribution costs of approximately HK\$55.3 million (representing approximately 3.0% of the revenue of the Group in 2006) which comprised mainly salaries and allowance of sales and technical support personnel and bonus paid/payable of approximately HK\$23.5 million and HK\$3.4 million respectively, traveling and transportation expenses of approximately HK\$4.2 million and logistics expenses of approximately HK\$5.1 million.

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Administrative expenses

The administrative expenses amounted to approximately HK\$14.9 million, representing approximately 0.8% of the Group's revenue. The administrative expenses for the year primarily consisted of salaries and allowance of approximately HK\$5.6 million, rental expenses of approximately HK\$1.2 million, depreciation cost of approximately HK\$1.7 million, legal cost of approximately HK\$1.2 million, and auditing fee of approximately HK\$1.1 million.

Finance cost

During the financial year, the Group recorded finance cost of approximately HK\$29.9 million mainly consisted of the interest charged by banks which amounted to HK\$20.6 million.

Profit for the year attributable to equity holders of the Company

The Group achieved a profit for the year attributable to equity holders of the Company of approximately HK\$7.6 million, representing a net profit margin of approximately 0.4%.

For the year ended 31 December 2007

Revenue

Revenue of the Group increased by approximately HK\$172.1 million, or approximately 9.3%, from approximately HK\$1,846.7 million for the year ended 31 December 2006 to approximately HK\$2,018.8 million for the year ended 31 December 2007. Such increase was mainly attributable to the approximately 29.8% increase in the sales of IBM's enterprise servers due to the demand of better processing capacity of enterprise IT products to sustain the business growth of the financial institutions. However, the Group recorded decrease in revenue for IBM's system storage products and software because (i) the 3G license for telecommunication sector was still under negotiation; and (ii) there was a general reduction in purchase of IT products made by petroleum and manufacturing sectors as cost control due to high production cost with increasing prices of raw materials and fuel.

Cost of sales

Cost of sales of the Group increased by approximately HK\$102.7 million or approximately 5.9%, from approximately HK\$1,745.1 million for the year ended 31 December 2006 to approximately HK\$1,847.8 million for the year ended 31 December 2007.

Gross profit

The gross profit for the year ended 31 December 2007 was approximately HK\$171.0 million, representing a gross profit margin of approximately 8.5% and an increase of approximately 68.3% from approximately HK\$101.6 million for the year ended 31 December 2006. Such increase in the gross profit margin was mainly attributable to the increase of the sales and gross profit margin of IBM's enterprise servers during the year. During the year, the Group recorded gross profit margin of approximately 7.6%, 10.9%, 7.7%, and 29.8% for IBM's enterprises servers, IBM's system storage

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products, software (comprising IBM's software and Oracle's products) and IT technical support services respectively. The Group's overall profit margin ratios have been enhanced due to adoption of the customer-oriented business strategy by the Group with better understanding of the relevant cost and benefit trade-offs for the customers, thereby source the products for the customers' requirements and have better management of the profit margin to reduce the possibility of mismatch between selling price and cost of products. Furthermore, the Group implemented a more stringent control by not concluding sales with relatively lower gross profit margin and hence the gross profit margin of all products including IBM's enterprise servers generally increased.

Other income

For the year ended 31 December 2007, other income amounted to approximately HK\$2.2 million which primarily consisted of approximately HK\$1.8 million of interest income on bank deposits, representing a decrease of approximately HK\$5.3 million as compared to 2006, such decrease was due to the cessation of business operation of Futong ComputerLand in 2007 and as a result, no service fee was received from 2007 onwards.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK\$65.9 million (representing approximately 3.3% of the revenue of the Group in 2007 and generally in line with approximately 3.0% of the revenue of the Group in 2006) representing an increase of approximately HK\$10.6 million, or approximately 19.2% from the corresponding period in 2006. Such increase was mainly attributable to the increase in (i) salaries and allowances and bonus paid/payable of approximately HK\$4.2 million and HK\$4.5 million respectively due to the increase in headcount for the continued expansion of sales team to cope with the Group's business expansion and to solicit sales with potential customers; and (ii) marketing fee of approximately HK\$2.9 million.

Administrative expenses

The administrative expenses for the year ended 31 December 2007 amounted to approximately HK\$40.0 million, representing approximately 2.0% of the Group's revenue. The administrative expenses for the year representing an increase of approximately HK\$25.1 million or approximately 168.5% as compared to the corresponding period in 2006. Such increase was primarily due to the increase of (1) the impairment loss on trade and other receivables of approximately HK\$22.6 million by Futong Dongfang as a result of the increase in customer base and the Group has critically assessed the recoverability of individual debtors. Once it obtained relevant approval from the Ministry of Commerce of the PRC for engaging in distribution business of IT products in mid 2005, more sales were made in 2006 which resulted in the substantial increase in the balance of long aged trade receivables and (2) the stamp duty of approximately HK\$0.9 million as the total contracts amount had been increased during the year.

Finance cost

During the year, the Group recorded finance cost of approximately HK\$30.8 million, representing a slight increase of approximately HK\$0.9 million or approximately 3.0% to the year ended 31 December 2006. Such increase was mainly attributable to the increase of interest paid/payable to the suppliers of IBM's products.

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Profit for the year attributable to equity holders of the Company

The Group achieved an increase in profit for the year attributable to equity holders of the Company of approximately HK\$24.3 million, or approximately 319.7% from approximately HK\$7.6 million to approximately HK\$31.9 million, representing a net profit margin of approximately 1.6%. The increase in profit was mainly due to (i) the increase in the Group's gross profit by approximately HK\$69.4 million; and (ii) a lower effective tax rate of approximately 12.6% in 2007 against approximately 16.7% in 2006.

For the year ended 31 December 2008

Revenue

Revenue of the Group increased by approximately HK\$535.7 million, or approximately 26.5%, from approximately HK\$2,018.8 million for the year ended 31 December 2007 to approximately HK\$2,554.5 million for the year ended 31 December 2008. Such increase was mainly attributable to the increase in sales of IBM's enterprise servers from approximately HK\$1,422.5 million for the year ended 31 December 2007 to HK\$1,843.7 million for the year ended 31 December 2008 while the sales of the Group's other lines of products were relatively stable. The Group has experienced this significant increase of revenue because (i) there was a high demand from government bodies for public services for the Olympic year of 2008 in the PRC; (ii) there was high demand from financial institutions for storage and service to cope with higher transaction volume for the Olympic year of 2008 in the PRC; (iii) the PRC government has reached the final stage of negotiation of issuance of 3G license in the PRC; and (iv) the telecommunication operators have started to purchase IT products to develop network infrastructure in anticipation of the launch of 3G services.

Cost of sales

Cost of sales of the Group increased by approximately HK\$517.6 million or approximately 28.0%, from approximately HK\$1,847.8 million for the year ended 31 December 2007 to approximately HK\$2,365.4 million for the year ended 31 December 2008, mainly due to the increase in the sales of IBM's enterprise servers.

Gross profit

The gross profit for the year ended 31 December 2008 was approximately HK\$189.2 million, representing a gross profit margin of approximately 7.4%, representing a slight decrease of approximately 1.1% as compared to the year ended 31 December 2007, while the gross profit increased by approximately 10.6% from approximately HK\$171.0 million for the year ended 31 December 2007. Such increase in the gross profit was mainly attributable to the increase of the sales of IBM's enterprise servers during the year. During the year, the Group recorded gross profit margin of approximately 8.2%, 6.5%, 5.9% and 14.2% for IBM's enterprises servers, IBM's system storage products, software (comprising IBM's software and Oracle's products) and IT technical support

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services respectively. The Group's overall gross profit margin have decreased as the gross profit margins generated from government bodies and financial institutions were relatively less than other sectors. During the year, sales to these two sectors contributed approximately 59.1% of the Group's total revenue of the year.

Other income

For the year ended 31 December 2008, other income amounted to approximately HK\$2.8 million, representing an increase of approximately HK\$0.6 million as compared to the year ended 31 December 2007, which primarily consisted of approximately HK\$2.7 million of interest income on bank deposits.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK\$81.7 million (representing approximately 3.2% of the revenue of the Group in 2008) which representing an increase of approximately HK\$15.8 million, or approximately 24.0% from the corresponding period in 2007. Such increase was mainly attributable to the increase in salaries and allowances and bonus paid/payable of approximately HK\$7.1 million and HK\$8.0 million respectively due to the continuous expansion of the Group's business, consequently headcount continued to increase to cope with the business development.

Administrative expenses

The administrative expenses for the year ended 31 December 2008 amounted to approximately HK\$22.7 million, representing approximately 0.9% of the Group's revenue. The administrative expenses for the year decreased by approximately 43.3% as compared to the corresponding period in 2007. Such decrease was primarily due to the decrease in impairment loss on trade receivables of approximately HK\$20.5 million. The impairment loss of approximately HK\$23.9 million made during the year ended 31 December 2007 was mainly due to the increase in customer base and the Group has critically assessed the recoverability of individual debtors. Consequently, a further impairment loss of approximately HK\$3.4 million has been recognised for the year ended 31 December 2008. Without taking into account the abovementioned impairment loss, the administrative expenses would increase by approximately HK\$3.2 million in 2008, or approximately 19.9%. Such increase was primarily attributable to the increase in (1) depreciation cost of approximately HK\$1.3 million as a result of acquisition of office equipment at a consideration of approximately RMB3.5 million (equivalent to approximately HK\$3.9 million) from Futong ComputerLand to Futong Dongfang pursuant to the fixed assets sale and purchase agreement dated 30 June 2007; and (2) the legal cost of approximately HK\$1.0 million in relation to claim by a customer of the Group as disclosed in the paragraph headed "Litigation" in the section headed "Business" in this prospectus.

Finance cost

During the financial year, the Group recorded finance cost of approximately HK\$34.2 million, representing an increase of approximately HK\$3.4 million or approximately 11.0% from the year ended 31 December 2007. Such increase was mainly attributable to the increase of interest on bank loans of approximately HK\$4.8 million or approximately 26.2% for financing the business expansion of the Group.

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Profit for the year attributable to equity holders of the Company

The profit for the year attributable to equity holders of the Company increased by approximately HK\$17.1 million, or approximately 53.6% from approximately HK\$31.9 million to approximately HK\$49.0 million, representing a net profit margin of approximately 1.9%. The increase in profit was mainly due to (i) the increase in the Group's gross profit by approximately HK\$18.2 million; and (ii) a lower effective tax rate of approximately 8.2% in 2008 against approximately 12.6% in 2007.

For the six months ended 30 June 2009

Revenue

Revenue of the Group decreased by approximately HK\$98.9 million, or approximately 7.7%, from approximately HK\$1,282.8 million for the six months ended 30 June 2008 to approximately HK\$1,183.9 million for the six months ended 30 June 2009. Such decrease was mainly attributable to the decrease in sales of IBM's enterprise servers from approximately HK\$927.9 million for the six months ended 30 June 2008 to approximately HK\$830.4 million for the six months ended 30 June 2009. However, the Group was still able to achieve some increase in sales of IBM's system storage products from approximately HK\$149.1 million for the six months ended 30 June 2008 to approximately HK\$174.9 million for the six months ended 30 June 2009. The overall decrease in revenue can be explained by (i) financial institutions cutting down their IT purchases as cost control measures when they were hit by the world financial crisis; (ii) the completion of the Olympic Game 2008 which shrank the demand for IT products from government bodies and financial institutions; and (iii) the compensation effect of the significant demand for IT products from the telecommunication sector triggered by the launch of 3G in the PRC.

Cost of sales

Cost of sales of the Group decreased by approximately HK\$107.2 million, or approximately 9.1%, from approximately HK\$1,183.7 million for the six months ended 30 June 2008 to approximately HK\$1,076.5 million for the six months ended 30 June 2009, mainly due to the decrease in sales of IBM's enterprise servers.

Gross profit

Gross profit of the Group increased by approximately HK\$8.3 million, or approximately 8.4%, from approximately HK\$99.1 million for the six months ended 30 June 2008, representing a gross profit margin of approximately 7.7%, to approximately HK\$107.4 million for the six months ended 30 June 2009, representing a gross profit margin of approximately 9.1%. The Group recorded gross profit margin of approximately 10.0%, 9.0%, 4.8% and 23.4% for IBM's enterprises servers, IBM's system storage products, software (comprising IBM's software and Oracle's products) and IT technical support services respectively for the six months ended 30 June 2009. Although the Group recorded a decrease in revenue compared with the corresponding period in 2008, the Group has managed to capture a higher gross profit margin because the sales in telecommunication sector generally had a

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relatively higher gross profit margin as a result of sales of more high-end IBM's enterprise servers and system storage products with higher gross profit margin. During the period, telecommunication sector shared the biggest portion of approximately 30.4% of the total revenue of the Group during the period.

Other income

During the six months ended 30 June 2009, other income of the Group comprised the interest income on bank deposits of approximately HK\$0.5 million, which represent a decrease of approximately HK\$1.2 million as compared to the corresponding period in 2008. Such decrease was due to decrease in cash and cash equivalents balance as a result of earlier repayment to the suppliers of IBM's products for purchases to minimize high credit charges imposed by the suppliers.

Distribution costs

During the six months ended 30 June 2009, the distribution costs of the Group were approximately HK\$41.6 million (representing approximately 3.5% of the total revenue for the six months ended 30 June 2009 and generally in line with approximately 3.1% of the revenue of the Group for the six months ended 30 June 2008) which representing an increase of approximately HK\$2.3 million as compared to the corresponding period in 2008. Such increase was mainly attributable to the increase in salaries and allowances and bonus paid/payable of approximately HK\$2.0 million and HK\$1.0 million respectively, due to the headcount increased to support the expansion of the Group's business.

Administrative expenses

Administrative expenses of the Group increased by approximately HK\$1.0 million, or approximately 6.5%, from approximately HK\$15.5 million for the six months ended 30 June 2008 to approximately HK\$16.5 million for the six months ended 30 June 2009, mainly due to the increase in the impairment loss on trade receivables of approximately HK\$3.5 million.

Finance costs

Finance costs of the Group decreased by approximately 34.7% from approximately HK\$17.6 million for the six months ended 30 June 2008 to approximately HK\$11.5 million for the six months ended 30 June 2009. For cost saving, the Group settled the outstanding balance for purchases from IBM more promptly in order to reduce the amount of interest being charged.

Profit for the period attributable to the equity holders of the Company

Profit for the period of the Group increased by approximately HK\$9.1 million, or approximately 35.0%, from approximately HK\$26.0 million for the six months ended 30 June 2008 to approximately HK\$35.1 million for the six months ended 30 June 2009. The increase in the profit for the period was mainly caused by (i) increase in gross profit of approximately HK\$8.3 million; and (ii) the decrease in finance cost of approximately HK\$6.1 million.

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Analysis on major balance sheet items

Inventories

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group recorded inventories of approximately HK\$301.8 million, HK\$402.4 million, HK\$367.0 million and HK\$291.7 million respectively. Inventories of the Group principally represent the trading stocks (consists of products and other components) and accounted for approximately 31.7%, 32.4%, 28.7% and 24.7% of the total assets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively. The Group recorded provision for obsolete inventories of approximately HK\$20.4 million, HK\$22.8 million, HK\$24.6 million and HK\$30.6 million as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively. In general, the Group keeps inventory level of different products according to its anticipated demand from customers and weekly reviews of the ageing of inventory which reveal if products held in inventory are becoming less marketable as a result of the introduction of new products into the market and/or market fluctuations. The Group generally made provisions for slow-moving inventories and products held by customers for a trial period (as part of marketing strategy) of more than 270 days of approximately HK\$3.9 million, HK\$3.4 million, HK\$1.8 million and HK\$6.0 million respectively during the Track Record Period.

The inventory turnover days (being the average of beginning and closing inventories of the year/period divided by total cost of sales and multiplied by 365 days or 181 days, as the case may be) for the Track Record Period were approximately 77.3 days, 69.5 days, 59.4 days and 55.4 days respectively. The decrease in inventory turnover days during the Track Record Period was the direct result of the Group's strategic reduction of inventories for risk control by (i) focusing more on the back-to-back orders; (ii) effective matching of purchase orders from customers to existing inventories; and (iii) making the necessary purchases only to meet the customers' demand.

Trade and other receivables

Trade and other receivables constitute a major component of the Group's current assets throughout the Track Record Period. The trade and bills receivables represent primarily the balances due from the Group's customers. As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group recorded trade and other receivables of approximately HK\$430.5 million, HK\$574.0 million, HK\$646.9 million and HK\$679.9 million respectively and the trade and other receivables accounted for approximately 45.3%, 46.2%, 50.5% and 57.7% of the total assets of the Group respectively.

The increase in the trade and other receivables during the Track Record Period was in line with the expansion of the Group's business and the increase of the Group's revenue during the Track Record Period.

As at 31 December 2006, the Group recorded an amount due from a Director, namely Mr. Chen Jian of approximately HK\$0.8 million. The amount was fully settled during the year ended 31 December 2007. The Group recorded no amount due from Mr. Chen Jian as at 31 December 2007 and 2008 and 30 June 2009.

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The prepayments during the Track Record Period were mainly the payments by the Group to certain suppliers. The related goods were delivered to the Group after the year end. The deposits to suppliers during the Track Record Period were security deposits to certain suppliers. Such deposits were refunded upon the full settlement of payments to these suppliers. The deposits during the Track Record Period consist of bidding deposits, utilities and rental deposits. The bidding deposits were refunded regardless the outcome of the bids.

The following table sets forth the ageing analysis of trade and bills receivables as of the respective balance sheet dates:

	As at 31 December			As at
	2006	2007	2008	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2009</i>
				<i>HK\$'000</i>
Current	214,924	353,650	446,500	508,595
Less than 1 month past due	36,846	71,344	51,252	57,240
1 to 3 months past due	35,401	47,606	83,927	69,268
More than 3 months past due	<u>27,676</u>	<u>37,446</u>	<u>41,007</u>	<u>22,721</u>
	<u>314,847</u>	<u>510,046</u>	<u>622,686</u>	<u>657,824</u>

The Group generally grants credit terms of 30 days to 90 days to customers while an extension of credit period would be granted by the Group to certain customers with satisfactory payment records. The credit term and limit for each of the customers are recommended by the Group's sales team and are subject to review and approval from the Group's management. Trade receivables turnover days of the Group (being calculated as the average of beginning and closing net trade and bills receivables of the year/period divided by the total revenue and multiplied by 365 days or 181 days as the case may be) for the three years ended 31 December 2008 and six months ended 30 June 2009 were approximately 60.8 days, 74.6 days, 80.9 days and 97.9 days respectively. The increase in receivables turnover days during the Track Record Period was the direct result of the Group's business strategy of granting longer credit term to customers with low credit risk and good historical payment records.

In determining the amount of impairment required, the Group takes into account the collectability, ageing status, creditworthiness and the past collection history of each customer. If the financial conditions of the customers deteriorate, resulting in an impairment of their abilities to make payments, additional provision may be required. During the Track Record Period, the Group recorded impairment loss of approximately HK\$1.1 million, HK\$23.9 million, HK\$3.4 million and HK\$6.9 million respectively, representing approximately 0.1%, 1.2%, 0.1% and 0.6% of the Group's revenue of the respective periods. The high increase in impairment loss recognized of HK\$23.9 million in 2007 was due to the increase in customer base and the critical assessment on the recoverability of individual debtors carried out by the Group. Consequently, an additional impairment loss of approximately HK\$3.4 million and HK\$6.9 million has been recognized for the year ended 31 December 2008 and the six months ended 30 June 2009 respectively.

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Trade and other payables

The trade and bills payables are generated for the purchase of the enterprise IT products from its suppliers. Receipts in advance are received from the Group's customers before the delivery of goods. In general, purchases of enterprise IT products from the suppliers are settled by the Group with credit terms of 60 days from the invoice date to make payment with interest charged on any outstanding balance over 30 days. As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group recorded trade and other payables of approximately HK\$683.9 million, HK\$845.8 million, HK\$828.7 million and HK\$670.0 million respectively. Trade payables turnover days of the Group (being calculated as the average of beginning and closing trade payables of the year/period divided by the cost of sales and multiplied by 365 days or 181 days as the case may be) for the three years ended 31 December 2008 and six months ended 30 June 2009 remained stable at approximately 85.0 days, 89.5 days, 87.5 days and 85.3 days respectively.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group recorded amounts due to related companies of approximately HK\$18.8 million, HK\$11.4 million, HK\$2.2 million and nil, respectively. All of the balance were unsecured and interest free and were trading nature other than the acquisition of fixed assets from Futong ComputerLand. As at 30 June 2009, all of the such amounts due to related parties were fully settled.

As at 31 December 2007, the Group recorded amounts due to Directors, namely Mr. Chen Jian and Ms. Zhang Yun of approximately HK\$13.8 million which were subsequently settled in 2008. As at 31 December 2006 and 2008 and 30 June 2009, the Group recorded no amount due to Mr. Chen Jian and Ms. Zhang Yun.

The trade and other payables of the Group for the Track Record Period was mainly attributable to the trade and bills payables and the receipts in advance. The increase in trade and bills payables as at 31 December 2007 of approximately HK\$187.4 million was mainly due to (i) onshore purchase policy from IBM resulted in the increase in trade and bills payables to IBM of approximately HK\$88.0 million; and (ii) the increase in stock in transit of approximately HK\$54.8 million at the late of 2007. The further increase in trade and bills payables of approximately HK\$66.9 million as at 31 December 2008 was mainly due to the further expansion of the Group as evidenced by the increase of revenue in 2008. The decrease in trade and bills payables as at 30 June 2009 of approximately HK\$166.2 million as compared to 31 December 2008, was mainly due to the decrease in amount payables to IBM for the purpose of lowering the finance costs whenever possible. Receipts in advance are generally required by the Group for its new customers. However, given the Group has developed longer business relationships with its customers, less receipts in advance were recorded during the Track Record Period.

The other payables and accruals consist of mainly salaries, wages, bonus and other benefits payable, accrued interest and VAT payable.

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During the Track Record Period, salaries, wages, bonus and other benefits payables, VAT payables and compensation payable accounted for approximately 78.0%, 57.9%, 76.0% and 86.8% respectively of the total other payables and accruals. The salaries, wages, bonus and other benefits payable increased by approximately 109.1% from approximately HK\$4.4 million as at 31 December 2006 to approximately HK\$9.2 million as at 31 December 2007 and further increased by approximately 92.4% to approximately HK\$17.7 million as at 31 December 2008 primarily due to increases in salary levels and the number of employees. The salaries, wages, bonus and other benefits payable as at 30 June 2009 amounted to approximately HK\$10.0 million.

The VAT payable decreased from approximately HK\$18.6 million as at 31 December 2006 to nil as at 31 December 2007, such decrease was mainly due to the Group recorded an excess VAT recoverable and increased to approximately HK\$8.3 million as of 31 December 2008 as a result of increases in sales in the month of December. As at 30 June 2009, the VAT payable amounted to approximately HK\$42.5 million.

LIQUIDITY, FINANCIAL RESOURCES AND INDEBTEDNESS

Overview

During the Track Record Period, the Group financed its working capital and capital expenditure requirements principally through net cash flow from operating activities, suppliers' credit and bank borrowings.

Cash flows

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group had cash and cash equivalents of approximately HK\$140.7 million, HK\$131.8 million, HK\$132.7 million, and HK\$75.2 million respectively. Cash generated from operations, when not used for working capital or repayment of bank loan purposes, is held principally in the form of short-term deposits with banks in Hong Kong or the PRC.

The Directors expect that there will not be any material change in the sources and uses of cash of the Group in the future, except that the Group would have additional funds from proceeds of the Share Offer for implementing its future plans as detailed under the section headed "Future plans and use of proceeds" of this prospectus.

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The table below sets out a summary of the cash flow information during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
				(unaudited)	
Net cash generated from/ (used in) operating activities	46,891	(20,922)	31,079	(20,026)	(66,505)
Net cash generated from/ (used in) investing activities	617	(5,897)	(201)	(706)	(574)
Net cash generated from/ (used in) financing activities	<u>58,272</u>	<u>9,175</u>	<u>(37,832)</u>	<u>(39,084)</u>	<u>9,575</u>
Net increase/(decrease) in cash and cash equivalents	105,780	(17,644)	(6,954)	(59,816)	(57,504)
Cash and cash equivalents at beginning of the year/period	34,340	140,706	131,778	131,778	132,684
Effect of foreign exchange rate changes	<u>586</u>	<u>8,716</u>	<u>7,860</u>	<u>8,342</u>	<u>53</u>
Cash and cash equivalents at end of the year/period	<u>140,706</u>	<u>131,778</u>	<u>132,684</u>	<u>80,304</u>	<u>75,233</u>

Operating activities

The Group recorded a net cash inflow from operating activities of approximately HK\$46.9 million for the year ended 31 December 2006. This net inflow was mainly attributable to the approximately HK\$42.0 million of cash inflow before movements in working capital. Due to relatively high inventory level in the beginning of the year, the Group tried to reduce the holding risk by reducing the inventory level. Accordingly, both of the inventories and trade and other payables decreased significantly at the year end.

The Group's net cash flow from operating activities reversed from inflow of approximately HK\$46.9 million for the year ended 31 December 2006 to an outflow of approximately HK\$20.9 million for the year ended 31 December 2007 was mainly due to the significant tie-up in the working capital of approximately HK\$114.9 million. A significant balance of inventories was held as at 31 December 2007 due to significant purchases of inventories as a result of sales orders received near to the year end. In addition, the Group recorded cash inflows before movements in the working capital of approximately HK\$94.6 million for the year ended 31 December 2007 as compared to cash inflows before movements in the working capital of approximately HK\$42.0 million for the year ended 31 December 2006 due to the significant increase of net profit during the year.

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The Group's net cash flow from operating activities improved from outflow of approximately HK\$20.9 million for the year ended 31 December 2007 to an inflow of approximately HK\$31.1 million for the year ended 31 December 2008 was mainly due to the release in the working capital of approximately HK\$59.8 million and the net payment of profit tax of approximately HK\$3.1 million. During the year, the Group recorded significant increase in revenue from approximately HK\$2,018.8 million for the year ended 31 December 2007 to approximately HK\$2,554.5 million for the year ended 31 December 2008. As the Group has focused more on back-to-back orders, less cash was tied up in inventories resulting in an improvement to the working capital. In addition, the Group still recorded cash inflow before movements in the working capital of approximately HK\$94.0 million for the year ended 31 December 2008 as compared to cash inflow before movements in the working capital of approximately HK\$94.6 million for the year ended 31 December 2007.

The Group recorded a net cash outflow from operating activities of approximately HK\$20.0 million for the six months ended 30 June 2008. This net outflow was mainly attributable to the approximately HK\$52.7 million of cash inflows before movements in working capital, outflow of approximately HK\$111.4 million for the increase in inventories and receivables, inflow of approximately HK\$40.3 million for the decrease in payables and the payment of profit tax of approximately HK\$1.6 million.

For the six months ended 30 June 2009, the Group's net cash outflow in operating activities increased to approximately HK\$66.5 million from approximately HK\$20.0 million for the six months ended 30 June 2008 was mainly due to the hold up in the working capital. In particular, it was the strategies of the Group to (i) focus more on back-to-back orders so as to reduce the inventory level; and (ii) settle the payables in a faster manner so as to reduce the credit charges imposed by suppliers.

Investing activities

The Group recorded net cash inflow from investing activities of approximately HK\$0.6 million for the year ended 31 December 2006. Such net cash inflow was mainly attributable to the net proceeds from disposal of trading securities of approximately HK\$2.6 million and the payments for purchase of furniture, fittings and equipment of approximately HK\$2.4 million.

The Group recorded net cash outflow in investing activities of approximately HK\$5.9 million for the year ended 31 December 2007, which was mainly attributable to the payment for the purchase of property, plant and equipment, in particular computer equipments of approximately HK\$8.5 million and the interest received of approximately HK\$1.8 million.

The Group recorded net cash outflow in investing activities of approximately HK\$0.2 million for the year ended 31 December 2008, which was mainly attributable to the payment for the purchase of property, plant and equipment, in particular computer equipments of approximately HK\$2.9 million and the interest received of approximately HK\$2.7 million.

The Group recorded net cash outflow in investing activities of approximately HK\$0.6 million for the six months ended 30 June 2009, which was mainly attributable to the payment for the purchase of vehicle of approximately HK\$0.8 million and the interest received of approximately HK\$0.5 million.

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Financing activities

The Group recorded net cash inflow from financing activities of approximately HK\$58.3 million for the year ended 31 December 2006 as a result of the net off effect of the proceeds from new bank loans of approximately HK\$264.1 million, the placement of pledged deposits of approximately HK\$3.4 million, the repayment of bank loans of approximately HK\$172.6 million and interest paid of approximately HK\$29.9 million.

The Group recorded net cash inflow from financing activities of approximately HK\$9.2 million for the year ended 31 December 2007 as a result of the net off effect of new bank loans of approximately HK\$451.2 million, the repayment of bank loans of approximately HK\$358.3 million, placement of pledged deposits of approximately HK\$52.9 million and the interest paid of approximately HK\$30.8 million. The Group recorded a significant decrease of net cash inflow from financing activities from approximately HK\$58.3 million to approximately HK\$9.2 million as a result of placement of pledged deposits of approximately HK\$52.9 million as security for additional banking facilities drawdown by the Group during the year.

The Group recorded net cash outflow in financing activities of approximately HK\$37.8 million for the year ended 31 December 2008 as a result of the net off effect of the repayment of bank loans of approximately HK\$424.5 million, interest paid of approximately HK\$34.2 million, withdrawal of pledged deposits of approximately HK\$2.1 million and the proceeds from new bank loans of approximately HK\$418.7 million.

The Group recorded net cash inflow from financing activities of approximately HK\$9.6 million for the six months ended 30 June 2009 as a result of the net off effect of the proceeds from new bank loans of approximately HK\$189.8 million, the repayment of bank loans of approximately HK\$169.3 million, withdrawal of pledged deposits of approximately HK\$0.6 million and the interest paid of approximately HK\$11.5 million. To further enhance the sales activities of the Group, a higher level of bank loans was taken by the Group instead of utilising suppliers' credit which bear higher interest rates.

During the Track Record Period, certain banking facilities were guaranteed by Independent Third Party guarantors principally engaged in provision of third party guarantee as requested by banks. As at 30 June 2009, the Group had unutilized banking facilities of approximately HK\$207.0 million, which comprised unutilized bank loans of approximately HK\$92.6 million and other unutilized banking facilities of approximately HK\$114.4 million.

Indebtedness

As at 30 September 2009, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this prospectus, the Group had banking facilities of approximately HK\$655.2 million, consisting of utilized banking facilities of approximately HK\$431.6 million and unutilized banking facilities of approximately HK\$223.6 million.

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Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, at the close of business on 30 September 2009, any debt securities authorized or otherwise created but unissued, or term loans or bank overdrafts, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

Save as discussed herein, the Directors confirm that there is no material adverse change in the Group's indebtedness position since 30 September 2009.

Capital structure

Net tangible assets

As at 30 June 2009, the Group had net tangible assets of approximately HK\$274.3 million, comprising non-current assets of approximately HK\$42.6 million (comprising mainly property, plant and equipment), net current assets of approximately HK\$238.9 million and non-current liabilities of approximately HK\$7.2 million (comprising interest-bearing bank loans).

As at 30 September 2009, the Group had net tangible assets of approximately HK\$279.5 million, comprising non-current assets of approximately HK\$42.3 million (comprising mainly property, plant and equipment), net current assets of approximately HK\$243.5 million and non-current liabilities of approximately HK\$6.3 million (comprising interest-bearing bank loans).

Net current assets

Based on the unaudited combined management accounts of the Group as at 30 September 2009, the Group had net current assets of approximately HK\$243.5 million (30 June 2009: approximately HK\$238.9 million) comprising current assets of approximately HK\$1,359.5 million (30 June 2009: approximately HK\$1,136.3 million) and current liabilities of approximately HK\$1,116.0 million (30 June 2009: approximately HK\$897.4 million).

The current assets of the Group as at 30 September 2009 of approximately HK\$1,359.5 million mainly comprise inventories, trade and other receivables and cash and cash equivalents.

The current liabilities of the Group as at 30 September 2009 of approximately HK\$1,116.0 million mainly comprise trade and other payables and interest-bearing bank borrowings.

The increase in the net current assets of approximately HK\$4.6 million from approximately HK\$238.9 million as at 30 June 2009 to approximately HK\$243.5 million as at 30 September 2009 was mainly due to the accumulation of assets generated from the Group's profitable operations during the period from 1 July 2009 to 30 September 2009.

Financial resources

As at 30 September 2009, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this prospectus, other than

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the leases of its office, properties and warehouses and the credit commitments in relation of its trading activities, the Group does not have material capital commitments nor major expenditures that would have material impact on the liquidity of the Group. Prior to the completion of the Share Offer, the operations of the Group were financed principally by shareholders' equity and internally generated funds, suppliers' credit and bank borrowings. Upon completion of the Share Offer, the Group expects that its operations will be financed mainly by the net proceeds of the Share Offer, internally generated funds and bank borrowings.

Working capital

The Directors are of the opinion that after taking into account the cashflow generated from the operating activities, the existing financial resources available to the Group including internally generated funds, the available banking facilities and the estimated net proceeds of the Share Offer, the Group has sufficient working capital for its present requirements for the next 12 months from the date of this prospectus.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

During its conduct of business, the Group is exposed to various types of market risks including foreign exchange rate risk, interest rate risk, credit risk and liquidity risk.

Foreign exchange risk

The Group's revenue and cost and expenses are mainly denominated in US\$ and RMB. The Group's exposure to exchange rate fluctuations results primarily from revenue generated from overseas purchases from overseas suppliers, which are denominated in US\$ and the operating costs incurred in the PRC while the reporting currency of the Group is HK\$. During the Track Record Period, approximately nil, nil, nil and 0.2% respectively of the Group's turnover were denominated in currencies other than US\$ and RMB. Since HK\$ are pegged with US\$, no significant exposure is expected on US\$ transactions and balances, but any depreciation of RMB will reduce the value of the Group's assets and profitability and any dividends payable on the Shares in HK\$ terms.

The Group currently does not have a formal hedging policy and has not entered into any material foreign currency exchange contracts or derivatives transactions to hedge against its currency risk. The finance department of the Group closely monitors the exchange rates and communicates with the sales department to update the exchange rates when sales contracts are entered into.

Interest rate risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rates on the Group's bank loans. Most of the bank loans of the Group bear interest at rates that are subject to adjustment by its lenders in accordance with changes made by the People's Bank of China ("PBOC") and/or the Hong Kong Monetary Authority ("HKMA"). If the PBOC and/or HKMA increases interest rates (or the HIBOR rate is increased, as the case may be), the interest cost of the Group with respect to variable rate borrowings will increase. In addition, to the extent that the Group may need to raise debt finance in the future, upward fluctuations in interest rates will increase the cost of new bank

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loans. Moreover, the Group is also exposed to interest rate risk resulting from the fluctuations in interest rates of suppliers' credit for the Group's purchase. The interest cost of the Group with respect to variable rate borrowings from the suppliers of IBM's products will also increase should higher interest rates be charged by these suppliers. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of the Group's debt obligations.

The Group does not use any derivative instruments to manage its interest rate risk. To the extent that it decides to do so in the future, there can be no assurance that any future hedging activities will protect the Group from fluctuations in interest rates.

Credit risk

The credit risk of the Group primarily arises from the possibility that customers may not be able to settle their payment obligations according to their terms of transactions. The Group adopts different credit terms for different types of customers. The amount of the credit limit and the term of the credit period granted to each customer are determined based on the length of business relationship between the relevant customer and the Group, past payment history, and the usual size of purchase orders. The credit term and limit for each customer are monitored and reviewed periodically by the Group's relevant senior management members. The Group may amend the credit term and credit limit from time to time in light of changing market conditions and industry norms. The Group grants its customers credit terms of 30-90 days.

The Group has policies in place to ensure that sales are made to customers with available credit limits if not on cash terms. The finance department of the Group is responsible for providing ageing report for trade receivables to identify the overdue accounts, while the sales and marketing department of the Group is responsible for following up with the customers to recover the overdue debts. In addition, the senior management of the Group review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognized for irrecoverable debts. As at each of 31 December 2006, 2007 and 2008 and 30 June 2009, there was no major concentration of credit risk. In respect of trade receivables, the Group does not issue any derivative financial instruments to secure them.

Liquidity risk

The Board regularly monitors the Group's present and future cashflow requirements in order to ensure that the Group maintains sufficient funding readily available for its day-to-day operations, planned capital expenditure and scheduled bank loan repayment.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's bank balances and cash on hand amounted to approximately HK\$140.7 million, HK\$131.8 million, HK\$132.7 million and HK\$75.2 million respectively and the utilised banking facilities were approximately HK\$246.1 million, HK\$360.7 million, HK\$359.0 million and HK\$395.9 million respectively. The Directors consider that the Group is not exposed to any significant liquidity risk as the Group was in a net current asset position as of 31 December 2006, 2007 and 2008 and 30 June 2009.

FINANCIAL INFORMATION

PROPERTY INTEREST AND PROPERTY VALUATION

Property interests in Hong Kong

As at the Latest Practicable Date, the Group rented (i) Rooms 929-935 on the 9th Floor of Sun Hung Kai Centre, No. 30 Harbour Road, Wanchai, Hong Kong as its principal place of business in Hong Kong; (ii) a portion of Flats A, B and C on Ground Floor of How Ming Factory Building, No. 99 How Ming Street, Kwun Tong, Kowloon, Hong Kong as its warehouse in Hong Kong; and (iii) Flat A, 11th Floor, Juniper Mansion, Harbour View Gardens, No. 16 Taikoo Wan Road, Taikoo Shing, Hong Kong as its staff quarter in Hong Kong.

Property interests in the PRC

As at the Latest Practicable Date, the Group owned 1 property in Beijing, the PRC, at Units B1901 on Level 19 and B2001 on Level 20 of Tower B, Chaowaimen Office Center, No. 26 Chaowai Street, Chaoyang District, Beijing, the PRC as its principal offices in the PRC. In addition, the Group also rented Warehouses A and B located at the north of Fu Qian'er Street, Tianzhu Town, Shunyi District, Beijing, the PRC as its warehouse in the PRC and rented 13 other properties as its branch/representative offices in the PRC.

Further details of the Group's property interests are set out in the valuation report issued by Jones Lang LaSalle Sallmanns Limited, independent professional surveyors and valuers, the full text of which is contained in appendix IV to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of property interests from the Group's audited financial statements as at 30 June 2009 to their values as at 30 September 2009 as stated in Appendix IV to this prospectus.

	<i>HK\$'000</i>
Net book value of the buildings as at 30 June 2009	27,387
Less: depreciation for the three months ended 30 September 2009	(151)
Add: valuation surplus	<u>34,386</u>
Valuation of properties owned by the Group as at 30 September 2009 as set out in the property valuation report in Appendix IV to this prospectus	<u>61,622</u>

DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 29 July 2009. There was no reserve available for distribution to the shareholders as at 30 June 2009 (being the date to which the latest audited financial statements of the Group were made up) as the Company did not earn any income since its incorporation.

FINANCIAL INFORMATION

DIVIDEND POLICY

The Group may declare dividends after taking into account, among other things, the results of the Group, cash flows and financial condition and position, operating and capital requirements. Depending on factors including the Group's business operation, earnings, surplus, financial conditions and payments by subsidiaries of dividends to the Group, it is the present intention of the Directors that the Company will declare dividends to the Shareholders in amount not less than 30% of the audited consolidated profit after tax of the Group in each financial year. The amount of distributable profits is based on IFRSs, the memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that are relevant to the Group, including, but not limited to, the consent from certain banks which have credit lines with the Group.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that, at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROFIT FORECAST

The Directors estimate that, on the basis of the assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the profit attributable to the equity holders of the Company for the year ending 31 December 2009 will amount to not less than HK\$65.0 million.

On the basis of the above profit forecast and on the assumption that the Company has been listed since 1 January 2009 and no interest income has been derived from the net proceeds received therefrom, the forecast earnings per Share on a pro forma basis would be approximately HK22 cents, representing a pro forma price-to-earnings multiple of approximately 6.5 times based on an Offer Price of HK\$1.41 or approximately 9.5 times based on an Offer Price of HK\$2.06. These estimates do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

The texts of the letters from KPMG, the reporting accountants of the Company, and the Sole Sponsor respectively in respect of the profit forecast as mentioned above are set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the Share Offer might have affected the net tangible assets of the Group after the completion of the Share Offer as if the Share Offer had taken place on 30 June 2009. The unaudited pro forma adjusted net tangible assets statement does not form part of the accountants' report.

	Combined net tangible assets attributable to the equity holders of the Company as at 30 June 2009	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>
Based on the minimum Offer Price of HK\$1.41 per Share	274,304	81,849	356,153	1.19
Based on the maximum Offer Price of HK\$2.06 per Share	274,304	128,893	403,197	1.34

Notes:

- 1 The audited combined net tangible assets attributable to the equity holders of the Company as at 30 June 2009 which is based on the combined net assets of the Group attributable to the equity holders of the Company as at 30 June 2009 are extracted from the accountants' report set out in Appendix I to this prospectus.
- 2 The estimated net proceeds from the Share Offer is based on the Offer Price of HK\$1.41 and HK\$2.06 per Share, after deduction of the underwriting fees and related expenses payable by the Company and taking no account of any Shares which may be issued upon the exercise of Over-allotment Option.
- 3 The unaudited pro forma adjusted net tangible assets per Share has been arrived at after making the adjustments referred to in note (2) and on the basis of a total of 300,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalization Issue.
- 4 Details of valuation of the Group's property interests as at 30 September 2009 are set out in Appendix IV to this prospectus. The Group will not incorporate the revaluation surplus or deficit in its financial statements for the year ending 31 December 2009. It is the Group's accounting policy to state its property, plant and equipment at cost less accumulated depreciation and any impairment loss in accordance with relevant International Accounting Standards, rather than at revalued amounts. The impairment reviews performed by the Group as at 30 June 2009 did not indicate the need to recognize any impairment loss for its property, plant and equipment. With reference to the valuation of the Group's property interests as set out in Appendix IV to this prospectus, there was a revaluation surplus of the Group's properties of approximately HK\$34.4 million. If the revaluation surplus was incorporated in the Group's financial statements for the year ending 31 December 2009, an additional depreciation of approximately HK\$0.7 million per annum would be incurred.

FINANCIAL INFORMATION

MATERIAL ADVERSE CHANGES

The Directors have confirmed that there has been no material adverse change in the Group's financial or trading position since 30 June 2009 (being the date to which the Group's latest audited combined financial statements were prepared which was set out in the accountants' report in Appendix I to this prospectus).

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

The PRC IT industry represented only a small fraction to the worldwide IT industry in terms of the amount of IT spending from 2006 to 2008. However, that proportion is expected to continue to grow in the PRC on an accelerated level as anticipated by IDC. According to the 2006-2020 National Information Technology Development Plan, the PRC government will encourage the development of IT industry in the PRC including the promotion of the use of IT in various enterprises, enabling electronic public services, developing advanced cultural network, facilitating a digital economy, improving information-based facilities and enhancing the competitiveness of IT industry in the PRC. The Directors are confident that the IT industry in the PRC will continue to be one of the fastest growing markets in Asia, with the enterprise IT market in the PRC continuing to grow steadily. According to the China Statistical Yearbook 2009, the business volume of telecommunication services, government expenditure and total energy production increased by approximately 19.7%, 25.7% and 8.3% respectively from 2007 to 2008. The Directors believe that the Group's business operation in the PRC will benefit from the continued development in various sectors of the PRC economy.

Hence, being one of the leading providers of cost effective IT solutions, quality enterprise IT products and comprehensive IT technical support services in the PRC, the Group intends to enhance its market leading position by formulating a series of development plans as set out below.

Strategic extension of sales network and coverage

Leveraging on the Group's experienced sales team and competent IT technical personnel, the Group has cultivated sound relationship with end-users and various business partners, mainly system integrators and independent software vendors, which is a key component to the success of the Group. The Group intends to extend its network of end-users and business partners by widening the geographical coverage of the Group's sales and technical support in the PRC through establishment of new branch offices and IT solution support centers.

In the IT solution support centers, the Group's IT technical staff will be able to design, test and demonstrate different IT solutions to new or existing business partners and end-users based on the IT requirements from end-users with an aim to initiate and conclude more sales orders on purchase of enterprise IT products and related services after such free provision of IT solutions. With the existing three IT solution support centers located at Beijing, Shanghai and Guangzhou, which are the first-tier cities in the PRC, the Group intends to capture more sales opportunities in second-tier cities in the PRC like Shenyang, Xi'an, Chengdu and Wuhan, which are the regional economic centres where the Group believes to have considerable demand for enterprise IT products.

FUTURE PLANS AND USE OF PROCEEDS

Broadening of IT product range and procurement network

The Group has established solid relationship with some well-known international IT vendors, like IBM and Oracle. By virtue of quality enterprise IT products offered by them, the Group has provided value-added IT solutions to its business partners as well as end-users cost effectively. To this end, the Group intends to reinforce the business cooperation with these current IT vendors through, inter alia, joint marketing and promotion activities to identify potential business opportunities, as well as formulation of cost effective IT solutions which capitalize on the prominent features and functionalities of the IT products offered.

Furthermore, the Group intends to diversify its IT product portfolio by identifying suitable IT products which can complement its current IT product portfolio, in order to (i) capture more revenue from each customer by enriching its product offerings to meet with various IT requirements of each customer, (ii) broaden its customer base through distribution of IT products with features different from those of its current IT product portfolio, as well as (iii) enhance its service opportunities and revenue in association with distribution of different IT products.

Expansion of the IT service provision in the PRC

After establishment of basic IT system infrastructure by general PRC corporations, it is expected that more corporate customers will request for, and increasingly be willing to pay for, routine IT system and network maintenance services and other IT services that will add value to their system and network infrastructure. In this respect, the Group intends to enhance its IT service capability and extend its service offerings, inter alia, provision of IT technical outsourcing services, to meet specific requirements of such corporate customers.

Besides, to further intensify the relationship with existing business partners and end-users, a broader range of IT technical support services and trainings will be offered in association with provision of enterprise IT products, particularly those which enable the business partners and end-users to better understand the features and functionalities of the enterprise IT products that they purchase from the Group to facilitate the business partners to develop industry-specific solutions for their corporate end-users and to assist end-users to better utilize and enhance the performance of the enterprise IT products in their business operation. Hence, the Group intends to set up training centers in the PRC in both first-tier and second-tier cities, like Beijing, Shanghai, Guangzhou, Xi'an, Chengdu and Wuhan, from where the Group's revenue for provision of enterprise IT products mainly derives.

To cope with the Group's business strategy to provide more user-specific value-added IT services to customers as mentioned above, more experienced and qualified IT technical and training personnel will be recruited to strengthen the Group's IT service capability and enrich IT technical know-how of the Group's IT service team in various business sectors.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

Based on an Offer Price of HK\$1.73 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.41 per Offer Share and HK\$2.06 per Offer Share), the gross proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$129.75 million. The net proceeds of the Share Offer after deducting the expenses payable by the Company, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK\$105.0 million. At present, the Directors intend to apply the net proceeds of approximately HK\$105.0 million in the following manner:

- approximately HK\$10.5 million or 10% for incorporation of five branch offices, tentatively at Kunming, Changsha, Shijiazhuang, Nanning and Ha'erbin in the PRC, to complement the Group's current sales and technical support coverage in the PRC, which is expected to cover recruitment of corresponding IT technical and sales force, lease of office premises, office renovation and facilities, and product demonstration facilities;
- approximately HK\$26.25 million or 25% for sourcing new enterprise IT products in the PRC, which is expected to cover product sales, marketing and promotion activities, staff recruitment and training, product demonstration facilities and initial stock up of enterprise IT products for distribution;
- approximately HK\$15.75 million or 15% for establishment of four IT solution support centers, tentatively at Shenyang, Xi'an, Chengdu and Wuhan in the PRC, and expansion of the Group's another three existing IT solution support centers located at Beijing, Shanghai and Guangzhou to further strengthen its IT solution delivery and support service capability, which is expected to cover (i) rental and renovation, recruitment of corresponding IT technical force and purchase of enterprise IT equipment for four newly set-up centers, and (ii) renovation and enterprise IT equipment upgrade and replacement for three existing centers;
- approximately HK\$10.5 million or 10% for set up of six IT training centers, tentatively at Beijing, Shanghai, Guangzhou, Xi'an, Chengdu and Wuhan in the PRC, to offer more industry-specific IT trainings of different variety as a source of extensive and tailor-made IT technical support to the Group's business partners and end-users and to provide more intensive internal IT trainings to enrich IT technical know-how and uplift IT service capability of the Group's IT technical and sales teams, which is expected to cover center rental and renovation, purchase of training facilities and enterprise IT equipment for training purpose and recruitment of corresponding qualified IT trainers;
- approximately HK\$31.5 million or 30% for acquisition of potential targets with brilliant servicing capabilities and expertise for IT products that the Group currently sells, through which the Group can relatively speed up its business development in the IT servicing field and reinforcement of its IT servicing capabilities; and
- approximately HK\$10.5 million or 10% for general working capital purposes of the Group.

FUTURE PLANS AND USE OF PROCEEDS

The Group has not identified any potential target for acquisition and there is currently no concrete plan for the Group to apply the net proceeds towards the acquisition of any specific company.

In the event that the Offer Price is fixed at HK\$2.06 per Offer Share, being the highest end of the indicative Offer Price range, the net proceeds from the Share Offer will be increased by approximately HK\$23.9 million (assuming the Over-allotment Option is not exercised). The Directors intend to apply such additional net proceeds in the manner and proportions as set out above.

In the event that the Offer Price is fixed at HK\$1.41 per Offer Share, being the lowest end of the indicative Offer Price range, the net proceeds from the Share Offer will be decreased by approximately HK\$23.2 million (assuming the Over-allotment Option is not exercised). The Directors intend to apply the reduced net proceeds in the manner and proportions as set out above.

Should the Over-allotment Option be exercised in full, based on the Offer Price of HK\$1.73 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.41 per Offer Share and HK\$2.06 per Offer Share), the net proceeds will be increased by approximately HK\$18.8 million. The Directors intend to apply such additional net proceeds in the manner and proportions as set out above. In the event that the Offer Price is fixed at HK\$2.06 per Offer Share or HK\$1.41 per Offer Share, being the highest and lowest ends of the indicative Offer Price range respectively, the net proceeds will be increased by approximately HK\$22.4 million or approximately HK\$15.3 million respectively. The Directors intend to apply such additional net proceeds in the same manner and proportions as set out above for both the highest and lowest points of the indicative Offer Price range.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with licensed banks and/or financial institutions in Hong Kong and/or the PRC.

UNDERWRITING

UNDERWRITERS

Placing Underwriter

Taifook Securities

Public Offer Underwriters

Taifook Securities

CIMB Securities (HK) Limited

Grand Vinco Capital Limited

Shenyin Wanguo Capital (H.K.) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Under the Public Offer Underwriting Agreement, the Company has agreed to offer the Public Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

Pursuant to the Public Offer Underwriting Agreement, and conditional upon, *inter alia*, the Listing Committee granting listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus (either unconditionally or subject only to such customary conditions that may be imposed by the Stock Exchange) and certain other conditions including the Offer Price being determined by the Company and Taifook Securities (on behalf of the Public Offer Underwriters), the entering into of the Placing Underwriting Agreement and the Price Determination Agreement on or before the Price Determination Date, the Public Offer Underwriters have severally agreed to subscribe for, or procure subscribers to subscribe for, the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of the Public Offer Underwriting Agreement, this prospectus and the Application Forms.

Grounds for termination

Taifook Securities (on behalf of the Public Offer Underwriters) is entitled to terminate the Public Offer Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date (“Termination Time”) to the Company if any of the following events shall occur prior to the Termination Time:

- (a) there comes to the notice of any of the Sole Sponsor, Taifook Securities or any of the Public Offer Underwriters of any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the

UNDERWRITING

Public Offer Underwriting Agreement (other than those undertaken by the Public Offer Underwriters, the Sole Sponsor and/or Taifook Securities) which, in any such cases, is considered, in the sole and absolute opinion of Taifook Securities (on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or

- (b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any material respect; or
- (c) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of Taifook Securities (for itself and on behalf of the Sole Sponsor and the Public Offer Underwriters), an omission in the context of the Share Offer; or
- (d) any event, act or omission which gives or is likely to give rise to any material liability of the Company or any of the Controlling Shareholders and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
- (e) there comes to the notice of any of the Sole Sponsor, Taifook Securities or any of the Public Offer Underwriters any breach by any party to the Public Offer Underwriting Agreement (other than the Sole Sponsor, Taifook Securities or the Public Offer Underwriters) of any provision thereof which, in the sole and absolute opinion of Taifook Securities (for itself and on behalf of the Sole Sponsor and the Public Offer Underwriters), is material; or
- (f) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in, Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

UNDERWRITING

- (iii) any change in the conditions of Hong Kong, the US, the PRC or international equity securities or other financial markets; or
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group; or
- (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of the Group; or
- (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) on Hong Kong or the PRC; or
- (viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- (ix) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or
- (x) any other change whether or not ejusdem generis with any of the foregoing,

which, in the sole and absolute opinion of Taifook Securities (for itself and on behalf of the Public Offer Underwriters):

- (aa) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of the Group taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective shareholder in his/its capacity as such shareholder of the Company; or
- (bb) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or
- (cc) for any reason makes it impracticable, inadvisable or inexpedient to proceed with the Share Offer.

UNDERWRITING

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions; and any market fluctuations, whether or not within the normal range therefor, may be considered a change of market conditions.

Undertakings

Under the Public Offer Underwriting Agreement, each of the Controlling Shareholders has jointly and severally undertaken to and covenanted with the Company and each of the Sole Sponsor, Taifook Securities and the Public Offer Underwriters not to dispose of his/its interest in the Company during certain period subject to the terms and conditions of the Public Offer Underwriting Agreement. Details of such non-disposal undertaking are set out in the paragraph headed “Restrictions on disposal of Shares” in the section headed “Persons having notifiable interests under the SFO” in this prospectus.

The Company has undertaken to and covenanted with the Sole Sponsor, Taifook Securities and the Public Offer Underwriters that, and each of the Controlling Shareholders and the executive Directors has jointly and severally undertaken to the Sole Sponsor, Taifook Securities and the Public Offer Underwriters to procure (so far as he/she/it is able to do so) that:

- (a) without the prior written consent of the Sole Sponsor and Taifook Securities (on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued pursuant to the Capitalization Issue, the grant of the Over-allotment Option and any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the memorandum of association and the Articles or any consolidation, sub-division or capital reduction of the Shares, the Company shall not allot or issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of the Company or enter into any swap agreement or any other arrangement, scheme or capital reorganisation that transfers (or the effect of which is to transfer), in whole or in part, any of the economic consequences of ownership of any shares or other securities of the Company, whether any of the foregoing transactions or arrangement is to be settled by delivery of such shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so:
 - (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in the Prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”); or

UNDERWRITING

- (ii) at any time commencing on the expiry of the First Lock-up Period and ending six months thereafter so as to result in the Controlling Shareholders, taken together with the other of them, ceasing to be a group of controlling shareholders (as defined in the Listing Rules) of the Company; or

- (b) at any time during the First Lock-up Period subject to the Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, the Company shall not make or agree to make any repurchase of Shares or other securities of the Company.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Offer Shares, out of which they will (as the case may be) pay any sub-underwriting commissions. In addition, the Sole Sponsor will receive financial advisory and documentation fees for acting as the Sole Sponsor to the Share Offer. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK\$1.73 (being the mid-point of the indicative Offer Price range of HK\$1.41 per Offer Share and HK\$2.06 per Offer Share), such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Share Offer are estimated to be approximately HK\$24.75 million in total and are payable by the Company.

Public Offer Underwriters' interests in the Company

Save for their respective obligations and interests under the Public Offer Underwriting Agreement as disclosed above and the proposed appointment of the Sole Sponsor as compliance adviser of the Company, none of the Public Offer Underwriters has any shareholding interest in the Company or any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between Taifook Securities (on behalf of the Underwriters) and the Company on or before the Price Determination Date, which is currently scheduled on Friday, 27 November 2009, or such later date as Taifook Securities (on behalf of the Public Offer Underwriters) and the Company may agree but in any event no later than Monday, 30 November 2009 at 9:00 p.m. (Hong Kong time). **If, for any reason, Taifook Securities (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 9:00 p.m. (Hong Kong time) on Monday, 30 November 2009, the Share Offer will not become unconditional and will lapse.**

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$2.06 per Offer Share and is expected to be not less than HK\$1.41 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

Taifook Securities (on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of such a change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed “Summary” of this prospectus, and any other financial information which may change as a result of such reduction. **If applications for the Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced such applications cannot be subsequently withdrawn.** In the absence of any notice being published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Company expects to announce the final Offer Price, the level of indication of interests under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before Thursday, 3 December 2009 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company’s website at www.futong.com.hk and the website of the Stock Exchange at www.hkex.com.hk.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS will be made available as described under the paragraph headed “Publication of results” under the section headed “How to apply for the Public Offer Shares” of this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$2.06 per Offer Share and is expected to be not less than HK\$1.41 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$2.06 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy, amounting to a total of HK\$4,161.57 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$2.06 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, the Capitalization Issue and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option and any Shares, up to 10% of the issued share capital of the Company as at the Listing Date, which may fall to be issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The entering into of the Placing Underwriting Agreement between, among others, the Company and the Placing Underwriter, and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, among other things, the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement has been duly entered into, and if relevant, as a result of the waiver of any conditions given by Taifook Securities (on behalf of the Sole Sponsor and the Underwriters)), and not being terminated in accordance with its terms or otherwise. Details of the Public Offer Underwriting Agreement and grounds for termination are set out

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

in the section headed “Underwriting” in this prospectus. If for any reason, the Placing Underwriting Agreement and the Price Determination Agreement are not entered into, the Share Offer will not proceed. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as Taifook Securities (for itself and on behalf of the Sole Sponsor and the Underwriters) may in its absolute discretion determine, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed “Refund of your money” in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 75,000,000 Shares will initially be made available under the Share Offer, of which 67,500,000 Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Placing. The remaining 7,500,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Public Offer. The number of Shares offered for subscription under the Placing and the Public Offer will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the Placing will also be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE PLACING

The Company is initially offering, at the Offer Price, 67,500,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 90% of the total number of Shares being initially offered under the Share Offer (before any exercise of the Over-allotment Option), for subscription by way of Placing. The Placing will be managed by Taifook Securities and is expected to be fully underwritten by the Placing Underwriter. Pursuant to the Placing, it is expected that the Placing Underwriter or any selling agents which it nominates will, on behalf of the Company, conditionally place the Placing Shares at the Offer Price plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. It is expected that the Placing Underwriting Agreement will be executed on or around the Price Determination Date.

Allocation of the Placing Shares to professional, institutional and private investors pursuant to the Placing will be based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

the Listing. Such allocation is intended to result in a distribution of the Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of the Company and its Shareholders taken as a whole. Investors to whom Placing Shares are offered are required to undertake not to apply for the Public Offer Shares under the Public Offer. The level of indication of interest in the Placing are expected to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, 3 December 2009. The Placing is subject to the conditions stated in the paragraph headed “Conditions of the Share Offer” above.

OVER-ALLOTMENT OPTION

It is expected that under the Placing Underwriting Agreement, the Company will grant the Over-allotment Option to and exercisable by Taifook Securities (in its sole and absolute discretion) to require the Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last date for lodging of applications under the Public Offer, to allot and issue up to an aggregate of 11,250,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing. The additional Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the Placing and/or to satisfy Taifook Securities' obligation to return Shares borrowed under the Stock Borrowing Agreement. Taifook Securities may also cover any over-allocations under the Placing through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued under the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of the Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalization Issue. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option) will represent approximately 27.7% of the enlarged issued share capital of the Company immediately after completion of the Share Offer, the Capitalization Issue and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made in English in South China Morning Post and in Chinese in the Hong Kong Economic Times.

Based on an Offer Price of HK\$1.73 per Offer Share (being the mid-point of the Offer Price range between HK\$1.41 per Offer Share and HK\$2.06 per Offer Share), the net proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be approximately HK\$105.0 million. If the Over-allotment Option is exercised in full, the Company will receive additional net proceeds of approximately HK\$18.8 million, after deducting brokerages, commissions and expenses attributable to the exercise of the Over-allotment Option.

The Public Offer is open to the public as well as to institutional, professional and private investors in Hong Kong. The Placing involves selective marketing of the Placing Shares by the Placing Underwriter to professional, institutional and private investors. Investors may either apply for the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Shares under the Public Offer or indicate an interest for the Shares under the Placing, and may only receive an allocation of Shares under the Public Offer or the Placing. The Offer Shares are not available for subscription by the Directors, chief executive of the Company, existing beneficial owners of the Shares or their respective associates.

THE PUBLIC OFFER

The Company is initially offering, at the Offer Price, 7,500,000 Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 10% of the total number of Shares being initially offered under the Share Offer, for subscription under the Public Offer (before any exercise of the Over-allotment Option). The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the relevant Application Form submitted by him/her that he/she has not applied for nor taken up any Placing Shares nor participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of 3,750,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B but not both. Multiple applications or suspected multiple applications and any application made for more than 100% of the Public Offer Shares initially available under either pool A or pool B will be rejected.

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Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. The results of the Public Offer and basis of allotment of the Public Offer Shares (with successful applicants' identification document numbers, where appropriate) are expected to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, 3 December 2009.

Applications under the Public Offer from investors receiving the Placing Shares under the Placing will be identified and rejected and investors receiving the Public Offer Shares under the Public Offer will not be offered the Placing Shares under the Placing. Multiple applications or suspected multiple applications or applications for more than 100% of the Public Offer Shares in either pool A or pool B being initially offered for public subscription under the Public Offer (i.e. to apply for more than 3,750,000 Public Offer Shares) are liable to be rejected.

The Public Offer is subject to the conditions as stated in the paragraph headed "Conditions of the Share Offer" above.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, agree to purchase or actually purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent a decline in the initial public offer prices of the securities. In Hong Kong, the stabilization price will not exceed the initial public offer price.

In connection with the Share Offer, Taifook Securities, as stabilizing manager, or any person acting for it, (on behalf of the Underwriters and not as agent for the Company) may over-allocate Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on Taifook Securities to conduct any such stabilization action which, if commenced, may be discontinued at any time at the absolute discretion of Taifook Securities, its affiliates or any person acting for it, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 11,250,000 Shares, which is 15% of the Shares initially available under the Share Offer.

Stabilization action cannot be taken to support the price of the Offer Shares for longer than the stabilizing period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Public Offer ("Stabilization Period"). The Stabilization Period is expected to expire on Thursday, 24 December 2009 and that after this date, when no further stabilizing action may be taken, demand for the Shares, and therefore its price, could fall.

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During the Stabilization Period, Taifook Securities as stabilizing manager or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with any such stabilization actions as described above, Taifook Securities as stabilizing manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilization transactions in order to liquidate any position that has been established by such action.

Taifook Securities may, in connection with the stabilizing action, maintain a long position in the Shares. The size of the long position, and the time period for which Taifook Securities will maintain such a position during the Stabilization Period, are at the sole discretion of Taifook Securities and is uncertain. In the event that Taifook Securities liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Investors should be aware that the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilizing action. Stabilization bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price the investor has paid for the Offer Shares.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares between the Placing and the Public Offer is subject to re-allocation. If the number of Shares validly applied for in the Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then 15,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 22,500,000 Shares will be available under the Public Offer, representing 30% of the Offer Shares initially available under the Share Offer;
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then 22,500,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 30,000,000 Shares will be available under the Public Offer, representing 40% of the Offer Shares initially available under the Share Offer;
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then 30,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 37,500,000 Shares will be available under the Public Offer, representing 50% of the Offer Shares initially available under the Share Offer; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (d) in each of the above cases, the number of Shares allocated to the Placing will be correspondingly reduced, subject to the exercise of the Over-allotment Option.

In all cases, the additional Shares re-allocated to the Public Offer will be allocated, if applicable, equally between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer is not fully subscribed, Taifook Securities (on behalf of the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing. If the Placing is not fully subscribed, Taifook Securities has the authority to re-allocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such unsubscribed Placing Shares. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on Thursday, 3 December 2009.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

METHODS OF APPLYING FOR THE PUBLIC OFFER SHARES

There are two ways to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by either using a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, **you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC via CCASS.**

WHICH APPLICATION FORM TO USE

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

Note: Except in the circumstances permitted under the Listing Rules, the Offer Shares are not available to the Directors or chief executive of the Company or any of its subsidiaries, the existing beneficial owners of the Shares and the associates of any of them.

WHERE TO COLLECT THE APPLICATION FORMS

Copies of this prospectus, together with the **WHITE** Application Forms, may be obtained during normal business hours from 9:00 a.m. on Tuesday, 24 November 2009 until 12:00 noon on Friday, 27 November 2009 from:

Taifook Securities Company Limited

25th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

CIMB Securities (HK) Limited

25th Floor, Central Tower
28 Queen's Road Central
Hong Kong

Grand Vinco Capital Limited

Units 4909-10, 49th Floor
The Center
99 Queen's Road Central
Hong Kong

Shenyin Wanguo Capital (H.K.) Limited

28th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

or any of the following branches of the **Standard Chartered Bank (Hong Kong) Limited**:

District	Branch Name	Address
Hong Kong Island:	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
	Leighton Centre Branch	Shop 12-16, UG/F, Leighton Centre, 77 Leighton Road, Causeway Bay
	Wanchai Southorn Branch	Shop C2, G/F & 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon:	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
New Territories:	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin
	Yuen Long Branch	140, Yuen Long Main Road, Yuen Long
	Tuen Mun Town Plaza Branch	Shop No. G047 - G052, Tuen Mun Town Plaza Phase I, Tuen Mun

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The **YELLOW** Application Forms, together with copies of this prospectus, may be obtained during normal business hours from 9:00 a.m. on Tuesday, 24 November 2009 until 12:00 noon on Friday, 27 November 2009 at the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong. Your stockbroker may also have the **YELLOW** Application Forms and this prospectus available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

If your application is made through a duly authorized attorney, the Company, the Sole Sponsor, the Sole Lead Manager and/or their respective agents or nominees may accept it at their respective discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

You should note that by completing and submitting an Application Form, among other things:

- (a) you confirm that you have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;
- (b) you agree that none of the Company, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto) and the Application Forms;
- (c) you undertake and confirm that you (if the application is made for your benefit) or the person(s) or whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up, or indicate an interest for, any Placing Shares nor otherwise participated in the Placing; and
- (d) you agree to disclose to the Company, and/or the share registrars, receiving bankers, the Sole Lead Manager, the Underwriters and their respective advisers and agents any personal data and any information which they require about you and the person(s) for whose benefit you have made the application.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signature will be accepted.

(a) **if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

- the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant ID in the appropriate box in the Application Form.

(b) **if the application is made by an individual CCASS Investor Participant:**

- (i) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
- (ii) the individual CCASS Investor Participant must insert its CCASS Participant ID in the appropriate box in the Application Form.

(c) **if the application is made by joint individual CCASS Investor Participants:**

- (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all of the joint CCASS Investor Participants; and
- (ii) the CCASS Participant ID must be inserted in the appropriate box in the Application Form.

(d) **if the application is made by a corporate CCASS Investor Participant:**

- (i) the Application Form must contain the CCASS Investor Participant's company name and the Hong Kong business registration certificate number; and
- (ii) the CCASS Participant ID must be inserted and the company chop (bearing the CCASS Investor Participant's company name) chopped in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (include participant ID and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorized attorney, the Company, the Sole Sponsor, the Sole Lead Manager and/or their respective agents or nominees may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Company, the Sole Sponsor, the Sole Lead Manager and/or their respect agents or nominees will have full discretion to reject or accept any application, in full or in part, without assigning any reasons.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address. If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to the Company and the Company’s Hong Kong branch share registrar and transfer office.

Application for the Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) HKSCC Nominees does the following things on behalf of each such person:
- **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;
 - (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
 - **understands** that the above declaration will be relied upon by the Company, the Directors and Taifook Securities in deciding whether or not to make any allotment of the Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
 - **authorizes** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
 - **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
 - **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
 - **agrees** that the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, advisers and any other parties involved in the Share Offer are not liable for the information and representations not so contained in this prospectus and any supplement thereto;

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- **agrees** to disclose that person's personal data to the Company, its registrars, receiving banker, advisor and agents, and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before Thursday, 24 December 2009, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before Thursday, 24 December 2009 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the end of the fifth Business Day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instruction** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares;
- **agrees** with the Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and constructed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- **instructed and authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for Public Offer Shares on your behalf;

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- **instructed and authorized** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the maximum offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;
- **instructed and authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Minimum subscription amount and permitted multiples

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any other number of the Public Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information in this regard is set forth under “How many applications you may make for the Public Offer Shares” below.

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

The subscription of Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sole Sponsor, the Sole Lead Manager and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Public Offer Shares. To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit the **WHITE** or **YELLOW** Application Form (as appropriate), or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Friday, 27 November 2009 or such later time as described under the sub-paragraph headed "Effect of bad weather on the opening of the application lists" below.

HOW MANY APPLICATIONS YOU MAY MAKE FOR THE PUBLIC OFFER SHARES

There is only one situation where you may make more than one application for the Public Offer Shares. You may make more than one application for the Public Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS, and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked "For nominee(s)" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. **Otherwise, multiple applications are not allowed.**

It will be a term and condition of all applications that by completing and delivering an Application Form or by giving **electronic application instructions** to HKSCC via CCASS, you:

- if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or through giving **electronic application instructions** to HKSCC via CCASS;

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- if you are an agent for another person, warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or through giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorized to sign the relevant Application Form or give **electronic application instructions** as that other person's agent.

Multiple applications or suspected multiple applications are liable to be rejected. All of your applications are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS;
- apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by way of giving **electronic application instructions** to HKSCC via CCASS;
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS for more than 100% of the Public Offer Shares initially available in either pool A or pool B for subscription under the Public Offer; or
- have applied for or taken up, or indicated an interest for or have been or will be placed Offer Shares under the Placing and make application on **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) or you have applied for or taken up or otherwise indicated an interest for Offer Shares under the Placing. If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise “statutory control” over that company,

then the application will be treated as being for your benefit.

An unlisted company means a company with no equity securities listed on the Stock Exchange.

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Statutory control means you:

- control the composition of the board of directors of that company; and/or
- control more than half the voting power of that company; and/or
- hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK\$2.06 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,000 Public Offer Shares, you will pay HK\$4,161.57. Each Application Form has a table showing the exact amount payable for certain multiples of the Public Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Public Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Friday, 27 November 2009. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange. If the Offer Price as finally determined is less than HK\$2.06 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interests. Details of the procedures for refund are contained below in the section headed "Despatch/collection of share certificates and refund of application money".

The Company will not issue temporary documents of title, evidence of title or receipt for payment.

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Friday, 27 November 2009, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists".

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of the Standard Chartered Bank (Hong Kong) Limited listed under the paragraph headed “Where to collect the Application Forms” above at the following times:

Tuesday, 24 November 2009 — 9:00 a.m. to 5:00 p.m.
Wednesday, 25 November 2009 — 9:00 a.m. to 5:00 p.m.
Thursday, 26 November 2009 — 9:00 a.m. to 5:00 p.m.
Friday, 27 November 2009 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 27 November 2009.

Electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 24 November 2009 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 25 November 2009 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 26 November 2009 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 27 November 2009 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 24 November 2009 until 12:00 noon on Friday, 27 November 2009 (24 hours daily, except the last application date).

The latest time for inputting your **electronic application instructions** (if you are a CCASS Participant) is 12:00 noon on Friday, 27 November 2009 or, if the application lists are not open on that day, by the time and date stated under “Effects of bad weather on the opening of the application lists” below.

Application lists

Subject to the events as described in the paragraph headed “Effect of bad weather on the opening of the application lists” below, the application lists will open at 11:45 a.m. and close at 12:00 noon on Friday, 27 November 2009.

No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

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EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 27 November 2009.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the notes attached to the related Application Forms, and you should read them carefully. You should note, in particular, the following situations in which the Public Offer Shares will not be allocated to you:

If your application is revoked

By depositing the **WHITE** or **YELLOW** Application Form or submitting **electronic application instructions** to HKSCC via CCASS, you agree that your application or the application made by HKSCC Nominees cannot be revoked on your behalf on or before Thursday, 24 December 2009.

This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC via CCASS and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before Thursday, 24 December 2009 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth Business Day after time of the closing of the application lists, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have

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been so notified but have not withdrawn their applications in accordance with the procedure(s) to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made, is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

Full discretion of the Company or its agents to reject or accept your application

The Company and its agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If your application is rejected

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received the Placing Shares; and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer; or
- your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares; or
- the Company or any of its agents believes that by accepting your application, the Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or

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- your application is for more than 50% of the Public Offer Shares initially offered for public subscription.

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon **electronic application instructions**) will not be accepted if either:

- the Public Offer Underwriting Agreement does not become unconditional; or
- the Public Offer Underwriting Agreement is terminated in accordance with its terms and conditions; or
- no agreement has been reached on the Offer Price on or before the Price Determination Date.

If the allotment of Public Offer Shares is void

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists.

PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest under the Placing, the level of applications in the Public Offer and the basis of allotment of the Public Offer Shares under the Public Offer on or before Thursday, 3 December 2009 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at www.futong.com.hk and the website of the Stock Exchange at www.hkex.com.hk.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS will be made available at the times and dates and in the manner specified below:

- on the website of Tricor Investor Services Limited at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Thursday, 3 December 2009 to 12:00 midnight on Wednesday, 9 December 2009. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its Application Form to search for his/her/its own allocation result;

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- on the Company's website at www.futong.com.hk and the website of the Stock Exchange at www.hkex.com.hk on Thursday, 3 December 2009 onwards;
- from the Company's Public Offer allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 3 December 2009 to Tuesday, 8 December 2009 (excluding Saturday, Sunday and public holidays); and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches of the receiving bank from Thursday, 3 December 2009 to Monday, 7 December 2009 at the addresses set out in the paragraph headed "Where to collect the Application Forms".

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONEY

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Friday, 27 November 2009. The Company will keep any interest accrued on your application monies (up till, in the case of monies to be refunded, the date of despatch of refund cheque).

Any certificate relating to the Offer Shares issued by the Company or deposited into CCASS prior to 8:00 a.m. on the Listing Date will only become valid certificate of title at 8:00 a.m. on the Listing Date if the Public Offer has become unconditional in all aspects and the Underwriting Agreements have not been terminated in accordance with its terms on or before 8:00 a.m. on the Listing Date.

Your application money, or an appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and the SFC transaction levy, will be refunded, without interest if:

- your application is rejected, not accepted or only accepted in part;
- the Offer Price as finally determined is less than the maximum indicative Offer Price;
- the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer" in this prospectus;
- any application is revoked or any allocation pursuant thereto has become void; or
- any of the reasons set forth under "Circumstances in which you will not be allotted the Public Offer Shares".

It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

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If you have given **electronic application instructions**, your refund (if any) will be credited to your designated bank account or the designated bank account of the designated CCASS Participant through which you are applying on Thursday, 3 December 2009. If you have instructed your designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on your behalf, you can check the amount of refund (if any) payable to you with that designated CCASS Participant. If you have applied as CCASS Investor Participant, you can check the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 3 December 2009 or in the activity statement showing the amount of refund money credited to your designated bank account made available to you by HKSCC immediately after the credit of refund money to your bank account.

You will receive one share certificate for all the Public Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** where the share certificate will be deposited into CCASS as described below under "Deposit of share certificates into CCASS" below).

Subject to the provisions mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on your Application Form:

- for applicants on **WHITE** Application Forms: (i) share certificate for all the Public Offer Shares applied for, if your application is wholly successful; or (ii) share certificate for the number of Public Offer Shares successfully applied for, if your application is partially successful; and/or
- for applicants on **WHITE** and **YELLOW** Application Forms, a refund cheque crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the excess application money for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price as determined and the maximum indicative Offer Price, payable upon application, in the event that the Offer Price is lower than the maximum indicative Offer Price, in each case including related brokerage of 1%, the Stock Exchange trading fee of 0.005% and the transaction levy of 0.004% imposed by the SFC, without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

In a contingency situation involving a very high level of over-subscription, at the discretion of the Company and the Sole Sponsor, applications for certain small denominations of the Public Offer Shares may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders accompanying such applications on the Application Forms will not be presented for clearing.

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Subject as mentioned below, refund cheques (if any) and share certificates for successful applicants under **WHITE** Application Forms are expected to be despatched on Thursday, 3 December 2009. We reserve the right to retain any share certificates and any excessive application money pending clearance of cheque(s) or banker's cashier order(s).

If you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form and have indicated your intention on your Application Form to collect your refund cheque (where applicable) and/or (for applicants using **WHITE** Application Forms) share certificate (where applicable) from the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque and/or (where applicable) share certificate from the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on Thursday, 3 December 2009 from 9:00 a.m. to 1:00 p.m. or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques.

If you are an individual who opts for collection in person, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for collection in person, the authorized representative bearing a letter of authorization from the corporation stamped with the corporation's chop must be presented for collection. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Company's Hong Kong branch share registrar and transfer office. If you do not collect your share certificate and/or refund cheque during the above period, they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for less than 1,000,000 Public Offer Shares or if you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form but have not indicated in your Application Form that you wish to collect your share certificate (where applicable) and/or refund cheque in person, the share certificate and/or refund cheque (if applicable) will be sent to the address as stated on your Application Form on Thursday, 3 December 2009 or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques by ordinary post and at your own risk.

Deposit of share certificates into CCASS

If you apply for the Public Offer Shares using a **YELLOW** Application Form or by giving **electronic application instructions** via CCASS, and your application is wholly or partially successful, your share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you at the close of business on Thursday, 3 December 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

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We expect to publish the application results of CCASS Investor Participants using **YELLOW** Application Form and the application results of CCASS Participants applying by giving **electronic application instructions** (and where the CCASS Participant is a broker or custodian, we shall include information relating to the beneficial owner, the Hong Kong identity card numbers, passport numbers or other identification code (Hong Kong business registration certificate number for corporations), if supplied) on Thursday, 3 December 2009. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 3 December 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Applicants applying by giving **electronic application instructions** can also check the result of application via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

If you are applying as a CCASS Investor Participant, you can check your new account balance via the CCASS Phone System and CCASS Internet System immediately after the credit of the Public Offer Shares to your stock account. HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

COMMENCEMENT OF DEALINGS IN THE SHARES

The application for the Offer Shares will commence on Tuesday, 24 November 2009 up to Friday, 27 November 2009 for a total of 3.5 calendar days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 3 December 2009. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Friday, 4 December 2009. Shares will be traded in board lots of 2,000 Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Shares 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 Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. 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 have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements, as such arrangements will affect their rights and interests.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

24 November 2009

The Directors
Futong Technology Development Holdings Limited
Taifook Capital Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Futong Technology Development Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group, for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 (the "Relevant Period") and the combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 24 November 2009 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 29 July 2009 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization completed on 11 November 2009 (the "Reorganization") as detailed in the section headed "Group reorganization" in Appendix VI to the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganization.

As at the date of this report, no audited financial statements have been prepared for the Company and Beijing Futong Dongfang Unica Technology Co. Ltd. ("Futong Unica") as they were newly incorporated and have not carried on any business since the date of incorporation. The audited consolidated financial statements of Futong Technology Co. Ltd. ("Futong BVI") for the years ended 31 December 2006, 2007 and 2008 which were prepared in accordance with International Financial Reporting Standards ("IFRSs") are prepared for management purposes. We have reviewed all significant transactions of Futong BVI from the date of its incorporation to 30 June 2009 for the purpose of this report.

The statutory financial statements of other companies now comprising the Group, which were prepared in accordance with either the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC") or Hong Kong Financial Reporting Standards ("HKFRSs"), were audited during the Relevant Period by the following auditors:

Name of company	Financial period	Statutory auditors
Futong Technology (HK) Company Limited ("Futong HK")	Years ended 31 December 2006, 2007 and 2008	KPMG Certified Public Accountants Hong Kong
北京富通東方科技有限公司 Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang")*	Years ended 31 December 2006, 2007 and 2008	北京中博華會計師事務所 Beijing ZhongBoHua Certified Public Accountants* The PRC

* The English translation of the company name is for reference only. The official name of this entity is in Chinese.

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with accounting policies referred to in Section C below, which are in accordance with IFRSs promulgated by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). IFRSs include International Accounting Standards ("IASs") and Interpretations.

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009.

Corresponding financial information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, combined statement of comprehensive income, combined statement of changes in equity and combined cash flow statement for the six months ended 30 June 2008, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A Basis of presentation

As the ultimate controlling shareholder, Mr Chen Jian, who controlled the companies now comprising the Group before and after the Reorganization is the same and, consequently there was a continuation of the risks and benefits to the ultimate controlling shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Reorganization had occurred as of the beginning of the earliest period presented. The net assets of the companies now comprising the Group are combined using the existing book values from the ultimate controlling shareholder's perspective.

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group as set out in Sections B1, B2, B4 and B5 below respectively include the results of operations of the companies now comprising the Group for the Relevant Period (or where the companies were incorporated/established at a date later than 1 January 2006, for the period from their respective dates of incorporation/establishment to 30 June 2009) as if the current group structure had been in existence throughout the entire Relevant Period. The combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 as set out in Section B3 below have been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on combination.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Futong BVI	British Virgin Islands ("BVI") 8 July 1999	United States Dollars ("US\$") 50,000	100%	—	Investment holding
Futong HK	Hong Kong 26 November 1999	Hong Kong Dollars ("HK\$") 1,000,000	—	100%	Sale of enterprise IT products
Futong Dongfang (Note (i))	The PRC 4 December 2003	Renminbi ("RMB") 100,000,000	—	100%	Distribution of enterprise IT products and provision of IT services
北京富通東方優尼卡 科技有限公司 Futong Unica (Notes (ii), (iii) and (iv))	The PRC 24 July 2009	RMB500,000	—	55%	Distribution of data analysis software

Notes:

- (i) This entity is a wholly foreign-owned enterprise established in the PRC.
- (ii) This entity is a limited liability company established in the PRC.
- (iii) The English translation of the company name is for reference only. The official name of this entity is in Chinese.
- (iv) On 24 July 2009, Futong Unica was established by Futong Dongfang and an independent third party for proposed distribution of data analysis software in the PRC. Futong Unica has not commenced its operations since the date of its incorporation.

B Financial information**1 Combined income statements**

	<i>Section C Note</i>	Years ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)	
Revenue	2	1,846,684	2,018,822	2,554,539	1,282,757	1,183,906
Cost of sales		<u>(1,745,103)</u>	<u>(1,847,796)</u>	<u>(2,365,375)</u>	<u>(1,183,671)</u>	<u>(1,076,527)</u>
Gross profit		101,581	171,026	189,164	99,086	107,379
Other income	4	7,495	2,202	2,811	1,698	521
Distribution costs		<u>(55,259)</u>	<u>(65,853)</u>	<u>(81,655)</u>	<u>(39,315)</u>	<u>(41,631)</u>
Administrative expenses		<u>(14,926)</u>	<u>(39,984)</u>	<u>(22,740)</u>	<u>(15,530)</u>	<u>(16,512)</u>
Profit from operations		38,891	67,391	87,580	45,939	49,757
Finance costs	5(a)	<u>(29,876)</u>	<u>(30,810)</u>	<u>(34,209)</u>	<u>(17,566)</u>	<u>(11,529)</u>
Profit before taxation	5	9,015	36,581	53,371	28,373	38,228
Income tax	6(a)	<u>(1,454)</u>	<u>(4,643)</u>	<u>(4,377)</u>	<u>(2,359)</u>	<u>(3,096)</u>
Profit for the year/ period		<u>7,561</u>	<u>31,938</u>	<u>48,994</u>	<u>26,014</u>	<u>35,132</u>
Earnings per share						
- Basic and diluted (HK\$)	10	<u>0.03</u>	<u>0.14</u>	<u>0.22</u>	<u>0.12</u>	<u>0.16</u>

The accompanying notes form part of the Financial Information.

2 Combined statements of comprehensive income

	<i>Section C Note</i>	Years ended 31 December			Six months ended 30 June	
		2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year/ period		7,561	31,938	48,994	26,014	35,132
Other comprehensive income for the year/period						
- Exchange differences on translation of financial statements of operations outside Hong Kong		<u>826</u>	<u>3,912</u>	<u>8,552</u>	<u>8,332</u>	<u>67</u>
Total comprehensive income for the year/period		<u>8,387</u>	<u>35,850</u>	<u>57,546</u>	<u>34,346</u>	<u>35,199</u>

The accompanying notes form part of the Financial Information.

3 Combined balance sheets

	<i>Section C</i>	At 31 December			At
	<i>Note</i>	2006	2007	2008	30 June
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Property, plant and equipment	11	33,776	40,191	39,881	38,745
Deferred tax assets	12(a)	2,392	960	3,299	3,887
		<u>36,168</u>	<u>41,151</u>	<u>43,180</u>	<u>42,632</u>
Current assets					
Inventories	13	301,773	402,385	367,021	291,679
Trade and other receivables	14	430,487	573,965	646,918	679,891
Tax recoverable		2,734	333	—	—
Pledged deposits	15	39,309	92,220	90,071	89,515
Cash and cash equivalents	16	140,706	131,778	132,684	75,233
		<u>915,009</u>	<u>1,200,681</u>	<u>1,236,694</u>	<u>1,136,318</u>
Current liabilities					
Trade and other payables	17	683,866	845,775	828,714	669,982
Bank loans	18	109,399	202,870	208,726	222,013
Tax payable		—	—	3,329	5,390
		<u>793,265</u>	<u>1,048,645</u>	<u>1,040,769</u>	<u>897,385</u>
Net current assets		<u>121,744</u>	<u>152,036</u>	<u>195,925</u>	<u>238,933</u>
Total assets less current liabilities		<u>157,912</u>	<u>193,187</u>	<u>239,105</u>	<u>281,565</u>
Non-current liabilities					
Bank loans	18	12,203	11,628	—	7,261
		<u>12,203</u>	<u>11,628</u>	<u>—</u>	<u>7,261</u>
NET ASSETS		<u>145,709</u>	<u>181,559</u>	<u>239,105</u>	<u>274,304</u>
CAPITAL AND RESERVES					
Capital	19	390	390	390	390
Reserves	20	145,319	181,169	238,715	273,914
TOTAL EQUITY		<u>145,709</u>	<u>181,559</u>	<u>239,105</u>	<u>274,304</u>

The accompanying notes form part of the Financial Information.

4 Combined statements of changes in equity

	Attributable to equity holders of the Company					Total HK\$'000
	Capital HK\$'000 (Note 19)	Share premium HK\$'000 (Note 20(a))	Translation reserve HK\$'000 (Note 20(b))	Statutory reserves HK\$'000 (Note 20(c))	Retained profits HK\$'000	
At 1 January 2006	390	50,041	39	—	86,852	137,322
Total comprehensive income for the year	—	—	826	—	7,561	8,387
Appropriations	—	—	—	790	(790)	—
At 31 December 2006	<u>390</u>	<u>50,041</u>	<u>865</u>	<u>790</u>	<u>93,623</u>	<u>145,709</u>
At 1 January 2007	390	50,041	865	790	93,623	145,709
Total comprehensive income for the year	—	—	3,912	—	31,938	35,850
Appropriations	—	—	—	3,282	(3,282)	—
At 31 December 2007	<u>390</u>	<u>50,041</u>	<u>4,777</u>	<u>4,072</u>	<u>122,279</u>	<u>181,559</u>
At 1 January 2008	390	50,041	4,777	4,072	122,279	181,559
Total comprehensive income for the year	—	—	8,552	—	48,994	57,546
Appropriations	—	—	—	5,688	(5,688)	—
At 31 December 2008	<u>390</u>	<u>50,041</u>	<u>13,329</u>	<u>9,760</u>	<u>165,585</u>	<u>239,105</u>
At 1 January 2009	390	50,041	13,329	9,760	165,585	239,105
Total comprehensive income for the period	—	—	67	—	35,132	35,199
Appropriations	—	—	—	2,942	(2,942)	—
At 30 June 2009	<u>390</u>	<u>50,041</u>	<u>13,396</u>	<u>12,702</u>	<u>197,775</u>	<u>274,304</u>
Unaudited						
At 1 January 2008	390	50,041	4,777	4,072	122,279	181,559
Total comprehensive income for the period	—	—	8,332	—	26,014	34,346
Appropriations	—	—	—	2,694	(2,694)	—
At 30 June 2008	<u>390</u>	<u>50,041</u>	<u>13,109</u>	<u>6,766</u>	<u>145,599</u>	<u>215,905</u>

The accompanying notes form part of the Financial Information.

5 Combined cash flow statements

	<i>Section C Note</i>	Years ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
						(unaudited)
Operating activities						
Cash generated from/(used in) operations	16(b)	46,891	(20,287)	34,165	(18,467)	(64,890)
Income tax refund		—	8,129	7	—	—
Income tax paid		—	(8,764)	(3,093)	(1,559)	(1,615)
Net cash generated from/(used in) operating activities		<u>46,891</u>	<u>(20,922)</u>	<u>31,079</u>	<u>(20,026)</u>	<u>(66,505)</u>
Investing activities						
Proceeds from disposal of trading securities		14,521	—	—	—	—
Advance to a director		(784)	784	—	—	—
Payment for the purchase of property, plant and equipment		(2,402)	(8,471)	(2,884)	(2,280)	(1,095)
Payment for purchase of trading securities		(11,933)	—	—	—	—
Interest received		1,215	1,790	2,683	1,574	521
Net cash generated from/(used in) investing activities		<u>617</u>	<u>(5,897)</u>	<u>(201)</u>	<u>(706)</u>	<u>(574)</u>
Financing activities						
Proceeds from new bank loans		264,092	451,239	418,710	102,393	189,801
Repayment of bank loans		(172,564)	(358,343)	(424,482)	(124,447)	(169,253)
(Placement)/withdrawal of pledged deposits		(3,380)	(52,911)	2,149	536	556
Interest paid		(29,876)	(30,810)	(34,209)	(17,566)	(11,529)
Net cash generated from/(used in) financing activities		<u>58,272</u>	<u>9,175</u>	<u>(37,832)</u>	<u>(39,084)</u>	<u>9,575</u>

	<i>Section C Note</i>	Years ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
						(unaudited)
Net increase/(decrease) in cash and cash equivalents		105,780	(17,644)	(6,954)	(59,816)	(57,504)
Cash and cash equivalents at beginning of the year/period		34,340	140,706	131,778	131,778	132,684
Effect of foreign exchange rate changes		<u>586</u>	<u>8,716</u>	<u>7,860</u>	<u>8,342</u>	<u>53</u>
Cash and cash equivalents at end of the year/period	16(a)	<u>140,706</u>	<u>131,778</u>	<u>132,684</u>	<u>80,304</u>	<u>75,233</u>

The accompanying notes form part of the Financial Information.

C Notes to the Financial Information**1 Significant accounting policies****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes IASs and related interpretations, promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purposes of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the six months ended 30 June 2009. The revised and new accounting standards and interpretations issued but not yet effective for the six months ended 30 June 2009, are set out in note 27.

This Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of combination

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

(c) Basis of measurement

The Financial Information is presented in HK\$, rounded to the nearest thousand. The functional currency of the entities within the Group is HK\$ except for Futong Dongfang, where the functional currency is RMB. It is prepared on the historical cost basis.

(d) Use of estimates and judgements

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

(e) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

(f) *Property, plant and equipment*

Property, plant and equipment are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in the combined income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over the estimated useful lives:

Buildings	— The shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion
Leasehold improvements	— The shorter of the remaining term of the lease or 5 years
Furniture, fittings and equipment	— 3 to 5 years
Motor vehicles	— 4 years

When parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the combined income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in the combined income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the combined income statement in the accounting period in which they are incurred.

(h) *Impairment of assets*

(i) *Impairment of trade and other receivables*

Trade and other receivables that are carried at cost or amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial

recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortized cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the combined income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in the combined income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the combined income statement in the year in which the reversals are recognized.

(i) ***Inventories***

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in first-out principle, and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(j) ***Trade and other receivables***

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) ***Interest-bearing borrowings***

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in the combined income statement over the period of the borrowings, together with any interest and fees payable, using an effective interest method.

(m) ***Trade and other payables***

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) ***Employee benefits***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(o) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the combined income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(p) ***Provisions and contingent liabilities***

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) ***Revenue recognition***

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the combined income statement as follows:

(i) ***Sale of goods***

Revenue is recognized when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) ***Services fee income***

Services fee income is recognized when services are rendered to customers.

(iii) ***Interest income***

Interest income from bank deposits is recognized as it accrues using the effective interest method.

(r) ***Translation of foreign currencies***

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in the combined income statement.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items are translated into Hong Kong dollars at foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and presented separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the combined income statement when the profit or loss on disposal is recognized.

(s) ***Borrowing costs***

Borrowing costs are expensed in the combined income statement in the period in which they are incurred.

(t) ***Related parties***

For the purposes of this Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Revenue

The principal activities of the Group are distribution of enterprise IT products and provision of services.

Revenue represents the sales value of goods sold to customers excluding value added tax or other sales taxes and is after allowances for goods returned and deduction of any trade discounts. The amounts of each significant category of revenue recognized during the Relevant Period are as follows:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Sales of goods	1,819,785	1,985,382	2,540,370	1,281,615	1,178,425
Provision of services	<u>26,899</u>	<u>33,440</u>	<u>14,169</u>	<u>1,142</u>	<u>5,481</u>
	<u>1,846,684</u>	<u>2,018,822</u>	<u>2,554,539</u>	<u>1,282,757</u>	<u>1,183,906</u>

3 Segment reporting

The directors consider that the Group operates in a single business and geographical segment as the turnover and profit are derived entirely from the distribution of enterprise IT products and provision of services to the customers in the PRC. Accordingly, no segmental analysis is presented.

4 Other income

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Gain on disposal of trading securities (<i>note</i>)	2,588	—	—	—	—
Interest income on bank deposits	1,215	1,790	2,683	1,574	521
Service fee (<i>note 22(b)(i)</i>)	3,669	—	—	—	—
Others	<u>23</u>	<u>412</u>	<u>128</u>	<u>124</u>	<u>—</u>
	<u>7,495</u>	<u>2,202</u>	<u>2,811</u>	<u>1,698</u>	<u>521</u>

Note: In December 2006, Futong HK subscribed for certain shares in a company at its initial public offering in the Stock Exchange. A gain on disposal of HK\$2,588,000 was realized upon the disposal of these shares one week after that company's listing. There were no such gain or loss on disposal of trading securities for the years ended 31 December 2007 and 2008 and the six months ended 30 June 2008 and 2009.

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
(a) Finance costs:					
Interest on bank borrowings	20,582	18,294	23,087	11,579	8,036
Other borrowing costs	<u>9,294</u>	<u>12,516</u>	<u>11,122</u>	<u>5,987</u>	<u>3,493</u>
	<u>29,876</u>	<u>30,810</u>	<u>34,209</u>	<u>17,566</u>	<u>11,529</u>
(b) Staff costs:					
Salaries and allowances	32,539	40,801	56,844	26,574	30,103
Contributions to retirement schemes	<u>2,221</u>	<u>2,794</u>	<u>3,701</u>	<u>1,727</u>	<u>2,195</u>
	<u>34,760</u>	<u>43,595</u>	<u>60,545</u>	<u>28,301</u>	<u>32,298</u>

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiary in the PRC participates in a defined contribution retirement benefit scheme (the "Scheme") organized by the local authorities whereby the subsidiary is required to make contributions to the Scheme at rates ranging from 18% to 22% of the eligible employees' salaries for the three years ended 31 December 2008 and the six months ended 30 June 2008 and 2009. Contributions to the Scheme vest immediately.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.

Save for the above, the Group has no other material obligation for payment of retirement benefits beyond the contributions described above.

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(c) Other items:				(unaudited)	
Cost of inventories	1,745,103	1,847,796	2,365,375	1,183,671	1,076,527
Compensation (<i>note 17(d)</i>)	—	—	994	994	—
Depreciation	1,688	2,657	3,917	1,857	2,235
Net foreign exchange loss/(gain)	64	166	3,352	3,220	(14)
Impairment losses					
- trade receivables	1,119	23,902	3,359	3,359	6,937
- other receivables	185	—	—	—	—
Operating lease charges in respect of properties	6,417	6,836	8,196	3,602	4,133
Research and development expenditure	1,667	1,679	2,524	1,264	1,630
Auditors' remuneration	1,093	962	1,178	607	579

6 Income tax

(a) Income tax in the combined income statements represents:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax - Hong Kong Profits Tax				(unaudited)	
Provision for the year/period	3,485	1,279	1,334	903	634
Under/(over) provision in respect of prior years	296	(78)	780	546	—
	3,781	1,201	2,114	1,449	634
Current tax - PRC income tax					
Provision for the year/period	—	1,899	4,500	2,158	3,040
Deferred tax					
Origination and reversal of temporary differences (<i>note 12(a)</i>)	(2,327)	1,543	(2,264)	(1,275)	(578)
Effect on deferred tax balance at 1 January 2008 resulting from a change in tax rate (<i>note 12(a)</i>)	—	—	27	27	—
	1,454	4,643	4,377	2,359	3,096

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The provisions for Hong Kong Profits Tax for the years ended 31 December 2006 and 2007 were calculated at 17.5% of the estimated assessable profits for the respective years.

In February 2008, the Hong Kong SAR Government announced a decrease in the Hong Kong Profits Tax rate from 17.5% to 16.5% with effect from the fiscal year 2008/2009. Accordingly, the provisions for Hong Kong Profits Tax are calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2008 and the six months ended 30 June 2009.

- (iii) Prior to 1 January 2008, PRC entities were, in general, subject to the statutory income tax rate of 33%, consisting of 30% state tax and 3% local tax, on their assessable profits. Being a then recognized Advanced and New Technology Enterprise ("ANTE") located in the Beijing New Technology Industry Development Experimental Zone, Futong Dongfang was granted a preferential tax rate of 15% and was entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from the first profit-making year after off setting accumulated tax losses ("3+3 tax holiday"). Futong Dongfang commenced its 3+3 tax holiday in 2004. Accordingly, the applicable tax rates for the years ended 31 December 2006 and 2007 were Nil and 7.5% respectively.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Enterprise Income Tax Law of the PRC ("new tax law"), which unified the income tax rate to 25% for all enterprises. The new tax law was effective on 1 January 2008. The State Council of the PRC issued the *Implementation Rules of the Enterprise Income Tax Law* ("Implementation Rules") on 6 December 2007 and GuoFa [2007] No. 39 *Notice on the Implementation of the Transitional Preferential Enterprise Income Tax Policies* ("Circular 39") on 26 December 2007. The new tax law, its Implementation Rules and Circular 39 provide a 5-year transitional period from 1 January 2008 for those enterprises which were established before 16 March 2007 and which were entitled to a preferential lower tax rate under the then effective tax laws and regulations, as well as grandfathering on the 3+3 tax holidays. Further, Futong Dongfang is recognised as an ANTE under the new tax law from 2008 to 2010. Consequently, Futong Dongfang is subject to a tax rate of 7.5% for both years ended/ending 31 December 2008 and 2009. Thereafter, tax rate of 15% applies.

- (iv) Under the new tax law and its Implementation Rules, dividends receivable by non-PRC resident enterprises from PRC resident enterprises are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the *Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasions*, or Mainland China/HKSAR DTA, Hong Kong tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Pursuant to CaiShui [2008] No. 1 *Notice on Certain Preferential Enterprise Income Tax Policies*, undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Accordingly, dividends receivable by Futong HK from Futong Dongfang in respect of its profits earned since 1 January 2008 will be subject to 5% withholding tax. Deferred tax liabilities should be recognized for the undistributed retained earnings of Futong Dongfang for profits earned since 1 January 2008 to the extent that the earnings would be distributed in the foreseeable future.

(b) *Reconciliation between income tax expense and profit before taxation at applicable tax rates:*

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	9,015	36,581	53,371	28,373	38,228
Applicable income tax rate	17.5%	17.5%	16.5%	16.5%	16.5%
Notional tax on profit before taxation	1,577	6,402	8,806	4,682	6,308
Effect of rate differential of entities operating in different jurisdictions	(123)	(2,696)	(5,379)	(2,582)	(3,688)
Effect on deferred tax balance at 1 January 2008 resulting from a change in Hong Kong Profits Tax rate	—	—	27	27	—
Tax effect of non-deductible expenses	349	1,266	348	258	476
Tax effect of non-taxable income	(645)	(251)	(205)	(572)	—
Under/(over) provision in prior years	296	(78)	780	546	—
Actual income tax expense	1,454	4,643	4,377	2,359	3,096

7 **Directors' remuneration**

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2006				
	Directors' fees	Salaries, allowances and benefits-in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors</i>					
Chen Jian	—	969	—	26	995
Zhang Yun	—	860	—	26	886
Guan Tao	—	621	—	14	635
<i>Independent non-executive directors</i>					
Lee Kwan Hung	—	—	—	—	—
Yuan Bo	—	—	—	—	—
Ho Pak Tai Patrick	—	—	—	—	—
	—	2,450	—	66	2,516

Year ended 31 December 2007

	Directors' fees	Salaries, allowances and benefits-in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors</i>					
Chen Jian	—	1,009	—	29	1,038
Zhang Yun	—	1,009	—	29	1,038
Guan Tao	—	477	824	17	1,318
<i>Independent non-executive directors</i>					
Lee Kwan Hung	—	—	—	—	—
Yuan Bo	—	—	—	—	—
Ho Pak Tai Patrick	—	—	—	—	—
	—	2,495	824	75	3,394

Year ended 31 December 2008

	Directors' fees	Salaries, allowances and benefits-in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors</i>					
Chen Jian	—	1,106	—	73	1,179
Zhang Yun	—	970	—	73	1,043
Guan Tao	—	440	440	25	905
<i>Independent non-executive directors</i>					
Lee Kwan Hung	—	—	—	—	—
Yuan Bo	—	—	—	—	—
Ho Pak Tai Patrick	—	—	—	—	—
	—	2,516	440	171	3,127

Six months ended 30 June 2008 (unaudited)

	Directors' fees	Salaries, allowances and benefits-in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors</i>					
Chen Jian	—	525	—	35	560
Zhang Yun	—	457	—	35	492
Guan Tao	—	223	—	10	233
<i>Independent non-executive directors</i>					
Lee Kwan Hung	—	—	—	—	—
Yuan Bo	—	—	—	—	—
Ho Pak Tai Patrick	—	—	—	—	—
	—	1,205	—	80	1,285

Six months ended 30 June 2009

	Directors' fees	Salaries, allowances and benefits-in-kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors</i>					
Chen Jian	—	635	—	38	673
Zhang Yun	—	561	—	38	599
Guan Tao	—	224	—	16	240
<i>Independent non-executive directors</i>					
Lee Kwan Hung	—	—	—	—	—
Yuan Bo	—	—	—	—	—
Ho Pak Tai Patrick	—	—	—	—	—
	—	1,420	—	92	1,512

During the Relevant Period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

8 **Individuals with highest emoluments**

Of the five individuals with the highest emoluments, three, three, two, three and three are directors for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining two, two, three, two and two individuals are as follows:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Salaries and other benefits	1,202	762	1,037	446	448
Retirement scheme contributions	28	32	74	20	31
Discretionary bonuses	—	1,465	2,574	—	—
	1,230	2,259	3,685	466	479

The emoluments of the two, two, three, two and two individuals with the highest emoluments (pro-rata on a per annum basis for the six months ended 30 June 2008 and 30 June 2009) are within the following bands:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	2	1	1	2	2
HK\$1,000,001 to HK\$1,500,000	—	1	2	—	—

9 **Dividends**

No dividends have been declared or paid by the Company since its incorporation.

10 **Earnings per share**

The calculation of basic earnings per share for the Relevant Period is based on the profit attributable to equity holders for each year of the Relevant Period and on the assumption that 225,000,000 shares of the Company are in issue and issuable, comprising 1,000,000 shares in issue at the date of the Prospectus and 224,000,000 shares to be issued pursuant to the Capitalization Issue as set out in Appendix VI to the Prospectus as if the shares were outstanding throughout the entire Relevant Period.

There were no potential dilutive ordinary shares during the Relevant Period.

11 Property, plant and equipment

	Buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fittings and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 January 2006	29,690	2,308	2,039	—	34,037
Additions	—	—	2,402	—	2,402
Effect of movements in exchange rates	—	90	121	—	211
At 31 December 2006	<u>29,690</u>	<u>2,398</u>	<u>4,562</u>	<u>—</u>	<u>36,650</u>
At 1 January 2007	29,690	2,398	4,562	—	36,650
Additions	350	89	8,032	—	8,471
Effect of movements in exchange rates	—	174	611	—	785
At 31 December 2007	<u>30,040</u>	<u>2,661</u>	<u>13,205</u>	<u>—</u>	<u>45,906</u>
At 1 January 2008	30,040	2,661	13,205	—	45,906
Additions	—	11	2,349	524	2,884
Effect of movements in exchange rates	—	161	877	16	1,054
At 31 December 2008	<u>30,040</u>	<u>2,833</u>	<u>16,431</u>	<u>540</u>	<u>49,844</u>
At 1 January 2009	30,040	2,833	16,431	540	49,844
Additions	—	—	302	793	1,095
Effect of movements in exchange rates	—	—	7	1	8
At 30 June 2009	<u>30,040</u>	<u>2,833</u>	<u>16,740</u>	<u>1,334</u>	<u>50,947</u>
Accumulated depreciation:					
At 1 January 2006	544	255	351	—	1,150
Depreciation charge for the year	594	544	550	—	1,688
Effect of movements in exchange rates	—	18	18	—	36
At 31 December 2006	<u>1,138</u>	<u>817</u>	<u>919</u>	<u>—</u>	<u>2,874</u>
At 1 January 2007	1,138	817	919	—	2,874
Depreciation charge for the year	614	597	1,446	—	2,657
Effect of movements in exchange rates	—	77	107	—	184
At 31 December 2007	<u>1,752</u>	<u>1,491</u>	<u>2,472</u>	<u>—</u>	<u>5,715</u>

	Buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fittings and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008	1,752	1,491	2,472	—	5,715
Depreciation charge for the year	601	481	2,776	59	3,917
Effect of movements in exchange rates	—	104	225	2	331
	<u>2,353</u>	<u>2,076</u>	<u>5,473</u>	<u>61</u>	<u>9,963</u>
At 1 January 2009	2,353	2,076	5,473	61	9,963
Depreciation charge for the period	300	248	1,577	110	2,235
Effect of movements in exchange rates	—	—	4	—	4
	<u>2,653</u>	<u>2,324</u>	<u>7,054</u>	<u>171</u>	<u>12,202</u>
<i>Net book values:</i>					
At 31 December 2006	<u>28,552</u>	<u>1,581</u>	<u>3,643</u>	<u>—</u>	<u>33,776</u>
At 31 December 2007	<u>28,288</u>	<u>1,170</u>	<u>10,733</u>	<u>—</u>	<u>40,191</u>
At 31 December 2008	<u>27,687</u>	<u>757</u>	<u>10,958</u>	<u>479</u>	<u>39,881</u>
At 30 June 2009	<u>27,387</u>	<u>509</u>	<u>9,686</u>	<u>1,163</u>	<u>38,745</u>

(a) Buildings which are held for own use are situated in the PRC.

(b) At 31 December 2006, 2007 and 2008 and 30 June 2009, buildings with net book value of HK\$28,552,000, HK\$28,288,000, HK\$27,687,000 and HK\$27,387,000 respectively have been pledged as security for the Group's bank loans (see note 18(c)).

12 Deferred tax assets

(a) *Deferred tax assets and liabilities recognized*

Net deferred tax assets/(liabilities) recognized in the combined balance sheets as at 31 December 2006, 2007 and 2008 and 30 June 2009 are attributable to the following:

	Provision for inventories	Impairment loss on trade receivables	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2006	—	—	—	—
Recognized in combined income statement (note 6(a))	1,621	82	624	2,327
Exchange adjustments	28	2	35	65
At 31 December 2006	<u>1,649</u>	<u>84</u>	<u>659</u>	<u>2,392</u>
At 1 January 2007	1,649	84	659	2,392
Recognized in combined income statement (note 6(a))	134	1,511	(3,188)	(1,543)
Exchange adjustments	105	61	(55)	111
At 31 December 2007	<u>1,888</u>	<u>1,656</u>	<u>(2,584)</u>	<u>960</u>
At 1 January 2008	1,888	1,656	(2,584)	960
Recognized in combined income statement (note 6(a))	(526)	134	2,656	2,264
Effect of change in Hong Kong Profits Tax rate (note 6(a))	(19)	—	(8)	(27)
Exchange adjustments	85	106	(89)	102
At 31 December 2008	<u>1,428</u>	<u>1,896</u>	<u>(25)</u>	<u>3,299</u>
At 1 January 2009	1,428	1,896	(25)	3,299
Recognized in combined income statement (note 6(a))	945	709	(1,076)	578
Exchange adjustments	—	2	8	10
At 30 June 2009	<u>2,373</u>	<u>2,607</u>	<u>(1,093)</u>	<u>3,887</u>

Net deferred tax assets recognized in the combined balance sheets as at 31 December 2006, 2007 and 2008 and 30 June 2009 are attributable to the following:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	2,392	3,544	3,324	4,980
Deferred tax liabilities	—	(2,584)	(25)	(1,093)
Net deferred tax assets recognized in the combined balance sheets	<u>2,392</u>	<u>960</u>	<u>3,299</u>	<u>3,887</u>

(b) *Deferred tax liabilities not recognized*

At 31 December 2008 and 30 June 2009, temporary difference relating to the undistributed profits accumulated since 1 January 2008 of Futong Dongfang amounted to HK\$38,025,000 and HK\$67,401,000 respectively. The deferred tax liabilities of HK\$1,901,000 and HK\$3,370,000 respectively have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of Futong Dongfang and it has been determined that it is not probable that profits will be distributed out of Futong Dongfang in the foreseeable future.

13 **Inventories**

(a) Inventories in the combined balance sheets comprise:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trading stocks	<u>301,773</u>	<u>402,385</u>	<u>367,021</u>	<u>291,679</u>

Inventories with carrying amount of HK\$99,532,000, HK\$106,792,000, Nil and Nil have been pledged as security for the bank loans (see note 18(c)) as at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively.

- (b) The analysis of the amount of inventories recognized as an expense and included in the combined income statements is as follows:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Carrying amount of inventories sold	1,741,250	1,845,350	2,363,588	1,180,657	1,070,512
Write-down of inventories	3,853	3,448	1,787	3,014	6,015
Reversal of write-down of inventories	—	(1,002)	—	—	—
	<u>1,745,103</u>	<u>1,847,796</u>	<u>2,365,375</u>	<u>1,183,671</u>	<u>1,076,527</u>

The reversal of write-down of inventories for the year ended 31 December 2007 arose due to certain inventories which were written down in prior years have been sold subsequently.

14 Trade and other receivables

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and bills receivables	315,966	535,067	651,066	693,141
Less: allowance for doubtful debts	<u>(1,119)</u>	<u>(25,021)</u>	<u>(28,380)</u>	<u>(35,317)</u>
	314,847	510,046	622,686	657,824
Prepayments (i)	55,630	8,152	7,979	7,406
Deposits to suppliers (ii)	51,090	35,490	—	—
Deposits (iii)	2,301	5,414	8,517	10,779
Advance to a director (iv)	784	—	—	—
Other receivables	<u>5,835</u>	<u>14,863</u>	<u>7,736</u>	<u>3,882</u>
	<u>430,487</u>	<u>573,965</u>	<u>646,918</u>	<u>679,891</u>

- (i) Prepayments consist of advance payments made to suppliers for purchases of raw materials and other prepaid expenses.
- (ii) Deposits were paid to certain suppliers as security deposits during the Relevant Period. These deposits will be refunded upon the full settlement of payments to these suppliers.
- (iii) Deposits consist of bidding deposits, utilities and rental deposits. Bidding deposits are deposits placed upon bidding of sales contracts and are refundable to the Group regardless of the outcome of the bids.

Included in the deposits as at 31 December 2006, 2007 and 2008 and 30 June 2009 was an amount of rental and utilities deposits of HK\$736,000, HK\$845,000, HK\$1,044,000 and HK\$1,235,000 respectively which was not expected to be recovered within one year.

- (iv) The advance to a director, Chen Jian, was unsecured, interest free and repayable on demand. The maximum balances outstanding during the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 were HK\$784,000, HK\$784,000, Nil and Nil respectively. There was no amount due but unpaid, nor any provision made against these advances at 31 December 2006, 2007 and 2008 and 30 June 2009.
- (v) At 31 December 2006, 2007 and 2008 and 30 June 2009, certain trade and bills receivables with carrying amount of HK\$273,041,000, HK\$421,233,000, Nil and HK\$100,766,000 respectively have been pledged as security for the bank loans (see note 18(c)).

All of the trade and other receivables, apart from (iii) above are expected to be recovered or recognized as expense within one year.

(a) *Ageing analysis*

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current	214,924	353,650	446,500	508,595
Less than 1 month past due	36,846	71,344	51,252	57,240
1 to 3 months past due	35,401	47,606	83,927	69,268
More than 3 months past due	27,676	37,446	41,007	22,721
Amounts past due	99,923	156,396	176,186	149,229
	<u>314,847</u>	<u>510,046</u>	<u>622,686</u>	<u>657,824</u>

Trade and bills receivables are due within 30 - 90 days from the date of billing. Further details of the Group's credit policy are set out in note 23(b).

(b) *Impairment of trade and bills receivables*

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 1(h)).

The movement in the allowance for doubtful debts during the Relevant Period, including both specific and collective loss components, is as follows:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	—	1,119	25,021	28,380
Impairment loss recognized	<u>1,119</u>	<u>23,902</u>	<u>3,359</u>	<u>6,937</u>
At 31 December / 30 June	<u>1,119</u>	<u>25,021</u>	<u>28,380</u>	<u>35,317</u>

The Group's trade receivables of HK\$1,119,000, HK\$25,021,000, HK\$28,380,000 and HK\$35,317,000 were individually determined to be impaired as at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively. The individually impaired receivables related to receivables which debts have been long outstanding with no subsequent settlement received or customers that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of HK\$1,119,000, HK\$25,021,000, HK\$28,380,000 and HK\$35,317,000 were recognized as at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively. The Group does not hold any collateral over these balances.

(c) *Trade and bills receivables that are not impaired*

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 14(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired (as shown in the table in note 14(a)) relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

15 **Pledged deposits**

Pledged deposits with banks have been placed as security for the banking facilities granted to the Group (see note 18(c)) and performance security guarantees.

16 **Cash and cash equivalents**

(a) Cash and cash equivalents in the combined balance sheets and combined cash flow statements comprise:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	<u>140,706</u>	<u>131,778</u>	<u>132,684</u>	<u>75,233</u>

At 31 December 2006, 2007 and 2008 and 30 June 2009, cash at bank and in hand in the PRC included in the cash and cash equivalents of the Group amounted to HK\$133,330,000, HK\$128,225,000, HK\$125,808,000 and HK\$56,186,000 respectively. The remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

	Years ended 31 December			Six months ended 30 June	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000 <i>(unaudited)</i>	2009 HK\$'000
Profit before taxation	9,015	36,581	53,371	28,373	38,228
Adjustments for:					
- Gain on disposal of trading securities	(2,588)	—	—	—	—
- Interest expense and other borrowing costs	29,876	30,810	34,209	17,566	11,529
- Depreciation	1,688	2,657	3,917	1,857	2,235
- Interest income	(1,215)	(1,790)	(2,683)	(1,574)	(521)
- Write-down of inventories	3,853	3,448	1,787	3,014	6,015
- Reversal of write-down of inventories	—	(1,002)	—	—	—
- Impairment loss on trade and other receivables	1,304	23,902	3,359	3,359	6,937
Changes in working capital:					
- Decrease/(increase) in inventories	131,959	(103,058)	33,577	(12,150)	69,327
- Decrease/(increase) in trade and other receivables	35,137	(173,744)	(76,311)	(99,211)	(39,908)
- (Decrease)/increase in trade and other payables	<u>(162,138)</u>	<u>161,909</u>	<u>(17,061)</u>	<u>40,299</u>	<u>(158,732)</u>
Cash generated from/(used in) operations	<u>46,891</u>	<u>(20,287)</u>	<u>34,165</u>	<u>(18,467)</u>	<u>(64,890)</u>

17 Trade and other payables

	At 31 December			At 30 June
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Trade payables	370,115	536,234	598,457	416,308
Bills payable	92,328	113,565	118,261	134,174
Amounts due to related parties <i>(note 22(c))</i>	18,808	11,383	2,181	—
Amounts due to directors	—	13,843	—	—
Receipts in advance	173,079	154,892	63,521	48,414
Other payables and accruals	<u>29,536</u>	<u>15,858</u>	<u>46,294</u>	<u>71,086</u>
	<u>683,866</u>	<u>845,775</u>	<u>828,714</u>	<u>669,982</u>

All of the above balances are expected to be settled within one year.

- (a) An ageing analysis of the trade payables of the Group is analyzed as follows:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 60 days	323,086	479,936	549,976	398,883
61 - 120 days	41,422	20,392	36,429	16,639
Above 120 days	<u>5,607</u>	<u>35,906</u>	<u>12,052</u>	<u>786</u>
	<u>370,115</u>	<u>536,234</u>	<u>598,457</u>	<u>416,308</u>

- (b) Bills payable are normally issued with a maturity of not more than 90 days.
- (c) The amounts due to directors were unsecured, interest free and repayable on demand. The amounts were fully settled in 2008.
- (d) An analysis of the other payables and accruals of the Group is analyzed as follows:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages, bonus and other benefits payable	4,374	9,232	17,680	9,953
Accrued interest	3,785	3,373	1,732	2,143
VAT payable	18,638	—	8,318	42,466
Deferred income	—	—	6,065	4,264
Others (<i>note</i>)	<u>2,739</u>	<u>3,253</u>	<u>12,499</u>	<u>12,260</u>
	<u>29,536</u>	<u>15,858</u>	<u>46,294</u>	<u>71,086</u>

Note: Included in the others as at 31 December 2008 and 30 June 2009 was an amount of approximately HK\$9,244,000 being compensation payable in respect of a claim by a customer. The balance included sales proceeds previously received and other legal costs claimed by the customer of approximately HK\$8,250,000 and HK\$994,000 (see note 5(c)). Full provision has been made in respect of this claim. The legal proceedings are still ongoing as of the date of this report.

18 Bank loans

(a) At the balance sheet dates, the bank loans were repayable as follows:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year or on demand	109,399	202,870	208,726	222,013
After 1 year but within 2 years	1,960	3,577	—	4,055
After 2 years but within 5 years	6,874	7,367	—	3,206
After 5 years	3,369	684	—	—
	12,203	11,628	—	7,261
	<u>121,602</u>	<u>214,498</u>	<u>208,726</u>	<u>229,274</u>

(b) At the balance sheet dates, the bank loans were secured as follows:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unsecured bank loans	68,677	139,332	150,865	157,423
Secured bank loans	52,925	75,166	57,861	71,851
	<u>121,602</u>	<u>214,498</u>	<u>208,726</u>	<u>229,274</u>

Further details of the security are set out in note 18(c).

(c) The amounts of banking facilities and the utilization at each balance sheet dates are set out as follows:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Banking facilities				
- Unsecured	68,677	139,332	174,623	158,341
- Secured	231,834	272,348	319,810	444,597
	<u>300,511</u>	<u>411,680</u>	<u>494,433</u>	<u>602,938</u>
Amounts utilized	<u>246,106</u>	<u>360,702</u>	<u>359,025</u>	<u>395,886</u>

The banking facilities include balances of HK\$69,673,000, HK\$96,113,000, HK\$113,392,000 and HK\$141,804,000 as at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively which was guaranteed by certain independent third parties and a related company. The guarantees provided by the related company have been released as of the date of this report.

The secured banking facilities were secured by the following:

- the carrying value of the following assets:

	At 31 December			At 30 June
	2006	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Buildings	28,552	28,288	27,687	27,387
Inventories	99,532	106,792	—	—
Pledged deposits	37,776	87,675	88,339	85,109
Trade and bills receivables	<u>273,041</u>	<u>421,233</u>	<u>—</u>	<u>100,766</u>
	<u>438,901</u>	<u>643,988</u>	<u>116,026</u>	<u>213,262</u>

- a fixed charge of deposits of not less than HK\$27,300,000 placed by Chen Jian as at 31 December 2006. No deposit was placed as security at 31 December 2007 and 2008 and 30 June 2009;
- a personal guarantee from two directors, Chen Jian and Zhang Yun at 31 December 2006, 2007 and 2008 and 30 June 2009. The guarantees provided by the two directors will be released upon the listing of the Company's shares on the Stock Exchange.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, all of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions except for an additional condition set forth by a bank whereby the banking facilities from the bank are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

Further details of the Group's management of liquidity risk are set out in note 23(c). As at 31 December 2006, 2007 and 2008 and 30 June 2009, none of the covenants relating to drawn down facilities had been breached.

19 Capital

As disclosed in Section A, the Financial Information has been prepared under the merger accounting method in that financial statements of the companies comprising the Group during the Relevant Period were combined as if the Group existed on 1 January 2006.

For the purpose of this report, the capital of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 represented the capital of Futong BVI which was the then holding company of the companies now comprising the Group.

20 Reserves

(a) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

(b) *Translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of operations outside Hong Kong.

(c) *PRC statutory reserves*

Transfers from retained profits to PRC statutory reserves are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiary established in the PRC and were approved by the respective boards of directors.

General reserve fund

The subsidiary in the PRC is required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Enterprise development fund

The subsidiary in the PRC is required to set up an enterprise development fund. Transfers to this fund are made at the discretion of the board of directors of the subsidiary. This fund can only be utilized on capital items for the collective benefit of the subsidiary's employees. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

(d) *Distributable reserves*

The Company was incorporated on 29 July 2009 and has not carried out any business since its date of incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 30 June 2009.

On the basis set out in Section A above, the aggregate amounts of distributable reserves of the companies comprising the Group at 31 December 2006, 2007 and 2008 and 30 June 2009 were HK\$143,664,000, HK\$172,320,000, HK\$215,626,000 and HK\$247,816,000 respectively.

21 Commitments and contingent liabilities

- (a) The Group has no material capital commitments at 31 December 2006, 2007 and 2008 and 30 June 2009.
- (b) At 31 December 2006, 2007 and 2008 and 30 June 2009, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 31 December			At 30 June
	2006	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	666	1,405	1,892	3,017
After 1 year but within 5 years	<u>113</u>	<u>64</u>	<u>271</u>	<u>498</u>
	<u>779</u>	<u>1,469</u>	<u>2,163</u>	<u>3,515</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals as at 31 December 2006, 2007 and 2008 and 30 June 2009.

- (c) Pursuant to the distribution agreements entered into between the Group and the suppliers, the Group is committed to achieve a minimum annual purchase attainment in order to maintain the rights as the distributors. The amount of the purchase attainments committed during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 were HK\$539,487,000, HK\$838,214,000, HK\$1,388,998,000 and HK\$1,327,537,000 respectively.

The Group is generally required to fulfil the annual purchase attainments within one to three years from the dates of signing of the respective distribution agreements. The purchase attainment committed during the six months ended 30 June 2009 and remained outstanding as at 30 June 2009 amounted to HK\$1,038,258,000, including an amount of HK\$110,387,000, HK\$602,774,000 and HK\$325,097,000 which the Group is required to attain on or before 31 December 2009, from March 2010 to December 2010, and from April 2011 to December 2011 respectively.

As at 31 December 2008 and 30 June 2009, the Group was unable to fulfill a minimum purchase attainment under an exclusive distribution agreement amounted to HK\$16,724,000 and Nil respectively and a minimum purchase attainment under a distribution agreement amounted to HK\$16,234,000 and HK\$12,487,000 respectively. Pursuant to the distribution agreements, the suppliers have the rights to revoke the exclusivity of the distribution right of the Group and/or distribution right if the Group fails to achieve the minimum purchase attainments.

- (d) As at 31 December 2006, 2007, 2008 and 30 June 2009, the Group has the following outstanding performance security guarantees to its customers for goods sold by the Group, which are secured by deposits placed with banks and independent credit guarantee companies.

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Performance security guarantees	<u>2,515</u>	<u>5,109</u>	<u>21,943</u>	<u>17,970</u>

22 Related party transactions

In addition to the related party information disclosed elsewhere in this Financial Information, the Group entered into the following significant related party transactions during the Relevant Period.

(a) Name and relationship with related parties

During the Relevant Period, transactions with the following parties are considered as related party transactions:

Name of party	Relationships
北京深思軟件股份有限公司 Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought")*	Controlled by close family member of Mr Chen Jian, beneficial owner of the Company
北京富通天地電腦有限公司 Beijing Futong ComputerLand Co. Ltd. ("Futong ComputerLand")*	Effectively owned by Mr Chen Jian, beneficial owner of the Company

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(b) *Significant related party transactions*

Particulars of significant related party transactions during the Relevant Period are as follows:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
<i>Recurring transactions:</i>					
Sales to Beijing Deep Thought	37,312	24,204	38,373	25,326	2,670
Purchases from Beijing Deep Thought	—	—	7,502	5,131	—
<i>Non-recurring transactions:</i>					
Sales to Futong ComputerLand	39,604	6,913	—	—	—
Purchases from Futong ComputerLand	23,666	1,960	—	—	—
Service fee received from Futong ComputerLand (i)	3,669	—	—	—	—
Acquisition of fixed assets from Futong ComputerLand	—	3,858	—	—	—

- (i) The service fee represented the management fee for provision of administrative services to Futong ComputerLand. As Futong ComputerLand ceased its operations in 2007, no such service fee was received during the years ended 31 December 2007 and 2008 and the six months ended 30 June 2008 and 2009.

(c) *Amounts due from/(to) related parties*

As at the balance sheet dates, the Group had the following balances with related parties:

	At 31 December			At 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables from:				
- Beijing Deep Thought (i)	—	6,260	2,669	2,114
Trade payables to:				
- Beijing Deep Thought (ii)	(1,807)	—	(1,434)	—
- Futong ComputerLand (ii)	(17,001)	(11,383)	(747)	—
	<u>(18,808)</u>	<u>(11,383)</u>	<u>(2,181)</u>	<u>—</u>

- (i) Trade receivables from a related party are unsecured, interest free and expected to be recovered within one year.
- (ii) Trade payables to related parties are unsecured and interest free. The amounts have been fully settled as of 30 June 2009.

(d) *Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Short term employee benefits	4,610	8,116	9,564	2,434	2,868
Post-employment benefits	133	190	351	155	218
Equity compensation benefits	—	—	—	—	—
	<u>4,743</u>	<u>8,306</u>	<u>9,915</u>	<u>2,589</u>	<u>3,086</u>

Total remuneration was included in "staff costs" (see note 5(b)).

23 **Financial risk management and fair values**

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) *Dependent on suppliers*

The Group has certain concentration of supply risk as approximately 85%, 90%, 92% and 94% of the revenue is generated from the distribution of products supplied by major suppliers, International Business Machines Corporation ("IBM") and its subsidiaries for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 respectively.

(b) *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the combined balance sheets after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 14.

(c) *Liquidity risk*

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet dates) and the earliest date the Group can be required to pay.

	At 31 December 2006					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	121,602	128,745	114,452	2,112	8,483	3,698
Trade and other payables	683,866	683,866	683,866	—	—	—
	<u>805,468</u>	<u>812,611</u>	<u>798,318</u>	<u>2,112</u>	<u>8,483</u>	<u>3,698</u>

	At 31 December 2007					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	214,498	229,491	214,138	5,458	9,197	698
Trade and other payables	845,775	845,775	845,775	—	—	—
	<u>1,060,273</u>	<u>1,075,266</u>	<u>1,059,913</u>	<u>5,458</u>	<u>9,197</u>	<u>698</u>

	At 31 December 2008					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	208,726	214,369	214,369	—	—	—
Trade and other payables	828,714	828,714	828,714	—	—	—
	<u>1,037,440</u>	<u>1,043,083</u>	<u>1,043,083</u>	<u>—</u>	<u>—</u>	<u>—</u>

	At 30 June 2009					
	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	229,274	234,413	226,823	4,055	3,535	—
Trade and other payables	669,982	669,982	669,982	—	—	—
	<u>899,256</u>	<u>904,395</u>	<u>896,805</u>	<u>4,055</u>	<u>3,535</u>	<u>—</u>

(d) *Interest rate risk*

The Group's interest rate risk arises primarily from long-term borrowings issued at variable rates that expose the Group to cash flow interest rate risk and fixed rates that expose the Group to fair value interest rate risk. The Group adopts a policy of ensuring that not more than 60% of its total borrowings are on a fixed rate basis. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's total borrowings at the balance sheet dates:

	At 31 December 2006		At 31 December 2007		At 31 December 2008		At 30 June 2009	
	<i>Effective interest rate %</i>	<i>HK\$'000</i>	<i>Effective interest rate %</i>	<i>HK\$'000</i>	<i>Effective interest rate %</i>	<i>HK\$'000</i>	<i>Effective interest rate %</i>	<i>HK\$'000</i>
Fixed rate borrowings:								
RMB bank loans	6.51	68,677	6.94	107,295	6.85	105,843	6.03	155,496
US\$ bank loans	7.02	19,001	6.40	20,824	2.97	60,151	3.17	22,339
		<u>87,678</u>		<u>128,119</u>		<u>165,994</u>		<u>177,835</u>
Variable rate borrowings:								
US\$ bank loans	4.83	14,017	6.35	12,198	—	—	—	—
HK\$ bank loans	—	—	4.00	10,107	3.25	1,424	5.85	11,734
RMB bank loans	7.34	19,907	8.37	64,074	5.96	41,308	5.84	39,705
Bills payable	7.41	92,328	6.99	113,565	3.13	118,261	2.69	134,174
		<u>126,252</u>		<u>199,944</u>		<u>160,993</u>		<u>185,613</u>
Total borrowings		<u>213,930</u>		<u>328,063</u>		<u>326,987</u>		<u>363,448</u>
Fixed rate borrowings as a percentage of total borrowings		<u>41%</u>		<u>39%</u>		<u>51%</u>		<u>49%</u>

(ii) *Sensitivity analysis*

At 31 December 2006, 2007 and 2008 and 30 June 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK\$116,000, HK\$486,000, HK\$394,000 and HK\$465,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the Relevant Period.

(e) *Currency risk*

The Group is exposed to currency risk primarily through sales and purchases and banking facilities that are denominated in US\$, a currency other than the functional currency of its subsidiary in Hong Kong.

As the HK\$ is pegged to US\$, the Group considers the risk of movement in exchange rates between the HK\$ and the US\$ to be insignificant.

(f) *Fair values*

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006, 2007 and 2008 and 30 June 2009.

(g) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group defines "capital" as including all components of equity.

Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debts as total bank loans less cash and cash equivalents.

The net debt-to-capital ratio was as follows:

		At 31 December			At 30 June
	Note	2006	2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	18	121,602	214,498	208,726	229,274
Less: Cash and cash equivalents	16	<u>(140,706)</u>	<u>(131,778)</u>	<u>(132,684)</u>	<u>(75,233)</u>
Net (cash)/ debt		<u>(19,104)</u>	<u>82,720</u>	<u>76,042</u>	<u>154,041</u>
Capital		<u>145,709</u>	<u>181,559</u>	<u>239,105</u>	<u>274,304</u>
Net debt-to-capital ratio		<u>N/A</u>	<u>46%</u>	<u>32%</u>	<u>56%</u>

The Group is subject to capital requirements imposed by certain banks as disclosed in note 18.

24 Accounting estimates and judgements

Key sources of estimation uncertainty

The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(i) *Net realizable value of inventories*

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or changes in market conditions. Management reassess these estimations at the balance sheet dates to ensure inventory is shown at the lower of cost and net realizable value.

(ii) *Impairment of trade receivables*

The management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassess the impairment of trade receivables at the balance sheet dates.

(iii) *Depreciation*

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iv) *Income tax*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities have not been recognized in respect of the withholding income tax that would be payable on the distribution of retained profits accumulated since 1 January 2008 of the Group's subsidiary in the PRC as the Company controls the dividend policy of this subsidiary and it has been determined that it is not probable that profits will be distributed out of this subsidiary in the foreseeable future. Any changes in dividend policy may result in the recognition of the related deferred tax liabilities.

25 **Financial information of the Company**

The Company was incorporated in the Cayman Islands on 29 July 2009. The issued and paid up capital as at the date of incorporation was HK\$0.1. The Company has not carried on any business since its date of incorporation.

26 **Immediate and ultimate holding company**

The directors consider the immediate parent and ultimate holding company of the Company as at 30 June 2009 to be China Group Associates Limited which is incorporated in the BVI. China Group Associates Limited does not produce financial statements available for public use.

27 **Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2009**

Up to the date of issue of these Financial Information, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the six months ended 30 June 2009 and which have not been adopted in the Financial Information.

	Effective for accounting periods beginning on or after
IFRS 3 (revised), Business combinations	1 July 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009
Amendments to IAS 39, Financial instruments: recognition and measurement	1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

D Subsequent events

The following significant events took place subsequent to 30 June 2009:

(a) Group reorganization

On 11 November 2009, the Group completed the Reorganization to rationalize the Group's structure in preparing for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganization are set out in the Section headed "Group reorganization" in Appendix VI to the Prospectus. As a result of the Reorganization, the Company became the holding company of the Group.

(b) Share Option Scheme

Pursuant to the written resolution of the shareholders of the Company passed on 11 November 2009, the Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in section headed "Share Option Scheme" in Appendix VI to the Prospectus. No option was granted as at the date of this report.

E Subsequent financial statements

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2009.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the Share Offer might have affected the net tangible assets of the Group after the completion of the Share Offer as if the Share Offer had taken place on 30 June 2009.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 30 June 2009, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus and adjusted as described below:

	Combined net tangible assets attributable to the equity holders of the Company as at 30 June 2009	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000 (Note 1)</i>	<i>HK\$'000 (Note 2)</i>	<i>HK\$'000</i>	<i>HK\$ (Note 3)</i>
Based on the minimum Offer Price of HK\$1.41 per Share	274,304	81,849	356,153	1.19
Based on the maximum Offer Price of HK\$2.06 per Share	274,304	128,893	403,197	1.34

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- 1 The audited combined net tangible assets attributable to the equity holders of the Company as at 30 June 2009 which is based on the combined net assets of the Group attributable to the equity holders of the Company as at 30 June 2009 are extracted from the accountants' report set out in Appendix I to this prospectus.
- 2 The estimated net proceeds from the Share Offer is based on the Offer Price of HK\$1.41 and HK\$2.06 per Share, after deduction of the underwriting fees and related expenses payable by the Company and taking no account of any Shares which may be issued upon the exercise of Over-allotment Option.
- 3 The unaudited pro forma adjusted net tangible assets per Share has been arrived at after making the adjustments referred to in note (2) and on the basis of a total of 300,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalization Issue.
- 4 Details of valuation of the Group's property interests as at 30 September 2009 are set out in Appendix IV to this prospectus. The Group will not incorporate the revaluation surplus or deficit in its financial statements for the year ending 31 December 2009. It is the Group's accounting policy to state its property, plant and equipment at cost less accumulated depreciation and any impairment loss in accordance with relevant International Accounting Standards, rather than at revalued amounts. The impairment reviews performed by the Group as at 30 June 2009 did not indicate the need to recognize any impairment loss for its property, plant and equipment. With reference to the valuation of the Group's property interests as set out in Appendix IV to this prospectus, there was a revaluation surplus of the Group's properties of approximately HK\$34.4 million. If the revaluation surplus was incorporated in the Group's financial statements for the year ending 31 December 2009, an additional depreciation of approximately HK\$0.7 million per annum would be incurred.

(B) UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share for the year ending 31 December 2009 have been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 1 January 2009. They have been prepared for illustrative purpose only and, because of their hypothetical nature, may not give a true and fair picture of the financial results of the Group.

Forecast combined net profit attributable to equity holders of the Company for the year ending 31 December 2009 (<i>Notes 1 and 2</i>)	Not less than HK\$65.0 million
Unaudited pro forma forecast earnings per Share (<i>Note 3</i>)	Not less than HK\$0.22

Notes:

- 1 The bases and assumptions on which the above profit forecast for the year ending 31 December 2009 have been prepared are summarized in Appendix III to this prospectus.
- 2 The unaudited forecast combined net profit attributable to equity holders of the Company for the year ending 31 December 2009 prepared by the Directors are based on, in the absence of unforeseen circumstances, the audited combined financial statements of the Group for the six months ended 30 June 2009, the unaudited combined management accounts of the Group for the three months ended 30 September 2009 and a forecast of the combined results of the Group for the three months ending 31 December 2009.
- 3 The calculation of the unaudited forecast earnings per Share on a pro forma basis is based on the forecast combined net profits for the year ending 31 December 2009, assuming that the Company had been listed since 1 January 2009 and a total of 300,000,000 Shares were issued during the entire year. This calculation does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

(C) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong, prepared for inclusion in this prospectus, in respect of the Group's unaudited pro forma financial information.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

24 November 2009

The Directors
Futong Technology Development Holdings Limited

Dear Sirs,

Futong Technology Development Holdings Limited (the "Company")

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of the Company and its subsidiaries (the "Group") as set out in Parts A and B of Appendix II to the prospectus of the Company dated 24 November 2009 (the "Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the share offer might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Parts A and B of Appendix II to the Prospectus.

Responsibilities

It is the responsibility solely of the directors of the Company 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 (the "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 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 work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 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 unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma 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 unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company 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 of the Company, and because of its hypothetical nature, it 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 2009 or any future date; or
- the earnings per share of the Group for the year ending 31 December 2009 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described in the section “Future Plans and Use of Proceeds” in the Prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company 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,
KPMG
Certified Public Accountants
Hong Kong

The forecast of the combined net profit of the Group for the year ending 31 December 2009 is set out in the paragraph headed “Profit forecast” in the section headed “Financial information” in this prospectus.

(1) BASIS AND ASSUMPTIONS

The forecast of the combined net profit of the Group for the financial year ending 31 December 2009 prepared by the Directors is based on the audited combined financial statements of the Group for the six months ended 30 June 2009, the unaudited combined management accounts of the Group for the three months ended 30 September 2009 and a forecast of the combined results of the Group for the three months ending 31 December 2009. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarized in the accountants’ report, the text of which is set out in Appendix I to this prospectus and is based on the following principal assumptions:

- (a) there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal or economic conditions in Hong Kong, the PRC or any other places in which any member of the Group is incorporated, carries on business;
- (b) there will be no material changes in the bases or rates of taxation or duties applicable to the activities of the Group in Hong Kong, in the PRC, or any other place in which the Group operates or in which any member of the Group is incorporated;
- (c) there will be no material adverse changes in the foreign currency exchange rates and interest rates from those currently prevailing; and
- (d) the operations of the Group will not be materially affected or interrupted by risk factors described under the “Risk factors” section of the Prospectus.

(2) LETTERS

Set out below are texts of letters received by the Directors from (i) KPMG, the reporting accountants of the Company, and (ii) the Sole Sponsor, prepared for the purpose of inclusion in this prospectus in connection with the profit forecast of the Group for the year ending 31 December 2009.

(i) Letter from KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

24 November 2009

The Directors
Futong Technology Development Holdings Limited
Taifook Capital Limited

Dear Sirs,

Futong Technology Development Holdings Limited

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the combined profit attributable to equity holders of Futong Technology Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ending 31 December 2009 (the "Profit Forecast"), for which the directors of the Company are solely responsible, as set forth in the section headed "Financial Information — Profit Forecast" in the prospectus of the Company dated 24 November 2009 (the "Prospectus").

The Profit Forecast has been prepared by the directors of the Company based on the audited combined results of the Group for the six months ended 30 June 2009, the unaudited combined results of the Group for the three months ended 30 September 2009 and a forecast of the combined results of the Group for the remaining three months ending 31 December 2009.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the assumptions made by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 24 November 2009, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

(ii) *Letter from the Sole Sponsor*



25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong
24 November 2009

The Directors
Futong Technology Development Holdings Limited

Dear Sirs,

We refer to the forecast of the combined profit attributable to the equity holders of Futong Technology Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ending 31 December 2009 (the "Profit Forecast") as set out in the paragraph headed "Profit Forecast" in the section headed "Financial information" of the prospectus of the Company dated 24 November 2009 (the "Prospectus").

The Profit Forecast, for which the directors of the Company (the "Directors") are solely responsible, has been prepared based on the audited combined results of the Group for the six months ended 30 June 2009 and the unaudited combined results as shown in the unaudited management accounts of the Group for the three months ended 30 September 2009 and a forecast of the combined results of the Group for the three months ending 31 December 2009. We have discussed with you the bases, as set forth in part 1 of Appendix III to the Prospectus, upon which the Profit Forecast has been made. We have also considered the letter dated 24 November 2009 addressed to us from KPMG regarding the accounting policies and calculations upon which the Profit Forecast has been made. On the basis of the foregoing, the bases, the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Forecast, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
for and on behalf of
Taifook Capital Limited
Derek C.O. Chan
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 September 2009 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

24 November 2009

**The Board of Directors
Futong Technology Development Holdings Limited**

Dear Sirs,

In accordance with your instructions to value the properties in which Futong Technology Development Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2009 (the “date of valuation”).

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

We have valued the property interest in Group I by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have attributed no commercial value to the property interests in Groups II and III, which are rented by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, and other title documents relating to the property interests in the PRC and have caused searches to be made at the Land Registry in Hong Kong. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — King & Wood, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interest held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 30 September 2009 <i>RMB</i>	Interest attributable to the Group	Capital value attributable to the Group as at 30 September 2009 <i>RMB</i>
1.	Units B1901 on Level 19 and B2001 on Level 20 of Tower B and 4 underground car parking lots Chaowaimen Office Center No. 26 Chaowai Street Chaoyang District Beijing The PRC	54,320,000	100%	54,320,000
	Sub-total:	<u>54,320,000</u>		<u>54,320,000</u>

Group II — Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 30 September 2009 <i>RMB</i>
2.	Unit B-2(6-C) on Level 6 of Tower A Sanjianyinyuan Building No. 22 Minsheng Street Shizhong District, Jinan City Shandong Province The PRC	No commercial value
3.	Unit 3703 on Level 37 of Tower B Zhongtai International Plaza No. 161 West Linhe Road Tianhe District, Guangzhou City Guangdong Province The PRC	No commercial value

No. Property	Capital value in existing state as at 30 September 2009 RMB
4. Unit 1503 on Level 15 Main building of Xinxing Plaza Jiefang Road, Luohu District Shenzhen City, Guangdong Province The PRC	No commercial value
5. Unit No. 6 on Level 24 Oriental Plaza No. 11 Zidonglou Street Jinjiang District, Chengdu City Sichuan Province The PRC	No commercial value
6. Unit 1616 on Level 16 Fuzhou Meilun Hotel No. 118 West Beihuan Road Gulou District, Fuzhou City Fujian Province The PRC	No commercial value
7. Unit 3605 and Unit 3606 on Level 36 Zhaofeng Plaza No. 1027 Changning Road Changning District, Shanghai The PRC	No commercial value
8. Unit 1105 on Level 11 Suhao Building No. 8 South Zhongshan Road Nanjing City, Jiangsu Province The PRC	No commercial value
9. Unit 9G on Level 9 of Tower A International Garden No. 42 Tianmushan Road Hangzhou City, Zhejiang Province The PRC	No commercial value

No. Property	Capital value in existing state as at 30 September 2009 RMB
10. Unit D on Level 9 Huaxin International Building No. 219 Qingnian Street Shenhe District, Shenyang City Liaoning Province The PRC	No commercial value
11. Unit 2302 on Level 23 Tower I of New World International Trade Center No. 568 Jianshe Avenue Jianghan District, Wuhan City Hubei Province The PRC	No commercial value
12. Unit 719 on Level 7 Zhongda International Mansion No. 30 Nanda Avenue Xi'an City, Shaanxi Province The PRC	No commercial value
13. Warehouses A and B Located at the north of Fu Qian'er Street Tianzhu Town, Shunyi District Beijing The PRC	No commercial value
14. Room 793 on Level 7 Fanya Building No. 128 Zhichun Road Haidian District Beijing The PRC	No commercial value
15. A portion of Unit 615 on Level 6 Zhucheng Building No. Jia 6 Zhongguancun Nan Avenue Haidian District Beijing The PRC	No commercial value
Sub-total:	<u><u>Nil</u></u>

Group III — Property interests rented and occupied by the Group in HONG KONG

No. Property	Capital value in existing state as at 30 September 2009 RMB
16. Workshop No. 2 3rd Floor of APEC Plaza No. 49 Hoi Yuen Road Kwun Tong Kowloon Hong Kong	No commercial value
17. A portion of Flats A, B and C on Ground Floor of How Ming Factory Building No. 99 How Ming Street Kwun Tong Kowloon Hong Kong	No commercial value
18. Flat A, 11th Floor Juniper Mansion Harbour View Gardens No. 16 Taikoo Wan Road Taikoo Shing Hong Kong	No commercial value
19. Rooms 929-935 on the 9th Floor of Sun Hung Kai Centre No. 30 Harbour Road Wanchai Hong Kong	No commercial value
Sub-total:	<u>Nil</u>

	Capital value in existing state as at 30 September 2009 <i>RMB</i>	Capital value attributable to the Group as at 30 September 2009 <i>RMB</i>
Grand total:	<u>54,320,000</u>	<u>54,320,000</u>

VALUATION CERTIFICATE

Group I — Property interest held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
1.	Units B1901 on Level 19 and B2001 on Level 20 of Tower B and 4 underground car parking lots Chaowaimen Office Center No. 26 Chaowai Street Chaoyang District Beijing The PRC	<p>The property comprises two office units on Levels 19 and 20 of a 26-storey office building together with 4 underground car parking lots completed in about 2005.</p> <p>The property has a total gross floor area of approximately 2,226.38 sq.m. exclusive of the 4 underground car parking lots.</p> <p>The land use rights of the property have been granted for a term expiring on 26 January 2054 for office use.</p>	The property is currently occupied by the Group for office purpose.	<p>54,320,000</p> <p>100% interest attributable to the Group: RMB54,320,000</p>

Notes:

- Futong Technology (HK) Company Limited (“Futong HK”) is an indirect wholly-owned subsidiary of the Company.
- Beijing Futong Dongfang Technology Co., Ltd. (“Futong Dongfang”) is an indirect wholly-owned subsidiary of the Company.
- Pursuant to a Real Estate Purchase Agreement entered into between Futong HK and Beijing Glory Real Estate Development Co., Ltd. (北京成榮房地產發展有限公司), an independent third party, dated 5 January 2005, two units both with a gross floor area of approximately 1,100.62 sq.m. were contracted to be purchased by Futong HK. The total price was US\$3,624,320.

Pursuant to a supplementary agreement, Futong HK was endowed with 4 underground car parking lots.
- Pursuant to two State-owned Land Use Rights Certificates — Jing Shi Chao Gang Ao Tai Guo Yong (2008chu) Di Nos. 7002334 and 7002335 (京市朝港澳台國用(2008出)第7002334號及7002335號), the land use rights to the total apportioned land area of approximately 272.74 sq.m. have been granted to Futong HK for a term expiring on 26 January 2054 for office use.
- Pursuant to two Building Ownership Certificates — Jing Fang Quan Zheng Shi Chao Gang Ao Tai Zi Di Nos. 4440976 and 4440977 (京房權證市朝港澳台字第4440976號及4440977號), two units both with a gross floor area of approximately 1,113.19 sq.m. are owned by Futong HK.

As advised by the Group, there is no legal title certificate obtained for the 4 underground car parking lots.

6. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Futong HK with a total gross floor area of approximately 2,200 sq.m. and 4 underground car parking lots for a term of 5 years commencing from 1 August 2005 and expiring on 31 July 2010 at nil rent, exclusive of management fees, water and electricity charges.
7. Pursuant to a Real Estate Mortgage Agreement entered into between Nanyang Commercial Bank (China) Limited and Futong HK dated 8 December 2008, two units of the property with a total gross floor area of approximately 2,226.38 sq.m. were subject to a mortgage with the maximum loan amount of HK\$14,610,000 and US\$14,000,000.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. 2 office units of the property are legally owned by Futong HK, which has the legal rights to occupy, use, lease and transfer them;
 - b. There is no material legal impediment for Futong HK to obtain title certificate(s) for those 4 underground car parking lots. But Futong HK is subject to the risk that the relevant real estate management bureau may refuse to register the title certificate(s) for any reason;
 - c. The Tenancy Agreement is valid, binding and enforceable under the PRC laws;
 - d. The Tenancy Agreement has not been registered with local authorities, but the validity of the Tenancy Agreement will not be affected. Futong Dongfang has the lessee's rights under the Tenancy Agreement, but the lessor and the lessee may be subject to a maximum penalty of RMB500 from local authorities due to the lack of registration of the Tenancy Agreement; and
 - e. Futong HK has obtained approval from Nanyang Commercial Bank (China) Limited to lease the property to Futong Dongfang.
9. In the course of our valuation, we have attributed no commercial value for the 4 car parking lots of the property due to the lack of legal titles.

VALUATION CERTIFICATE

Group II — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
2.	Unit B-2(6-C) on Level 6 of Tower A Sanjianyinyuan Building No. 22 Minsheng Street Shizhong District Jinan City Shandong Province The PRC	<p>The property comprises a unit on Level 6 of a 28-storey building completed in about 2001.</p> <p>The property has a gross floor area of approximately 182.17 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 2 years commencing from 1 January 2009 and expiring on 31 December 2010 at an annual rent of RMB70,000, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. (“Futong Dongfang”) is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Guo Bei (郭蓓), an independent third party, for a term of 2 years commencing from 1 January 2009 and expiring on 31 December 2010 at an annual rent of RMB70,000, exclusive of management fees, water and electricity charges.
3. Pursuant to a Building Ownership Certificate — Ji Fang Quan Zheng Zhong Zi Di No. 106085 (濟房權證中字第106085號), a unit with a gross floor area of approximately 182.17 sq.m. is owned by Guo Bei.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Guo Bei, who has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
3.	Unit 3703 on Level 37 of Tower B Zhongtai International Plaza No. 161 West Linhe Road Tianhe District Guangzhou City Guangdong Province The PRC	<p>The property comprises a unit on Level 37 of a 46-storey office building completed in about 2004.</p> <p>The property has a gross floor area of approximately 337.6091 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 3 years commencing from 22 October 2008 and expiring on 21 October 2011, and the annual rent is RMB546,926.76 in the first two years and RMB567,183.24 in the third year, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Bachar Aboudaoud (巴查·阿博達奧德), an independent third party, for a term of 3 years commencing from 22 October 2008 and expiring on 21 October 2011, and the annual rent is RMB546,926.76 in the first two years and RMB567,183.24 in the third year, exclusive of management fees, water and electricity charges.
3. Pursuant to a Building Ownership Certificate — Yue Fang Di Zheng Zi Di No. C4908600 (粵房地證字第C4908600號), a unit with a gross floor area of approximately 337.6091 sq.m. is owned by Bachar Aboudaoud.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Bachar Aboudaoud, who has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
4.	Unit 1503 on Level 15 Main building of Xinxing Plaza Jiefang Road Luohu District Shenzhen City Guangdong Province The PRC	<p>The property comprises a unit on Level 15 of a 68-storey office building completed in about 1996.</p> <p>The property has a gross floor area of approximately 131.36 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 1 year commencing from 25 April 2009 and expiring on 25 April 2010 at an annual rent of RMB186,000, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. (“Futong Dongfang”) is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Mao Tiandong (毛天棟), an independent third party, for a term of 1 year commencing from 25 April 2009 and expiring on 25 April 2010 at an annual rent of RMB186,000, exclusive of management fees, water and electricity charges.
3. Pursuant to a Building Ownership Certificate — Shen Fang Di Zi Di No. 2000284926 (深房地字第2000284926號), a unit with a gross floor area of approximately 131.36 sq.m. is owned by Mao Tiandong.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Mao Tiandong, who has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
5.	Unit No. 6 on Level 24 Oriental Plaza No. 11 Zidonglou Street Jinjiang District Chengdu City Sichuan Province The PRC	<p>The property comprises a unit on Level 24 of a 29-storey office building completed in about 2007.</p> <p>The property has a gross floor area of approximately 140.43 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 3 years commencing from 16 December 2007 and expiring on 15 December 2010, and the annual rent is RMB131,442.48 in the first two years and RMB138,014.60 in the third year, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Dong Qing (董清), an independent third party, for a term of 3 years commencing from 16 December 2007 and expiring on 15 December 2010, and the annual rent is RMB131,442.48 in the first two years and RMB138,014.60 in the third year, exclusive of management fees, water and electricity charges.
3. Pursuant to a Building Ownership Certificate — Cheng Fang Quan Zheng Jian Zheng Zi Di No. 1703126 (成房權證監證字第1703126號), a unit with a gross floor area of approximately 140.43 sq.m. is owned by Dong Qing.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Dong Qing, who has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
6.	Unit 1616 on Level 16 Fuzhou Meilun Hotel No. 118 West Beihuan Road Gulou District Fuzhou City Fujian Province The PRC	<p>The property comprises a unit on Level 16 of a 30-storey hotel building completed in about 2001.</p> <p>The property has a gross floor area of approximately 50.00 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 3 years commencing from 1 November 2008 and expiring on 31 October 2011 at an annual rent of RMB108,000, exclusive of telephone and other charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. (“Futong Dongfang”) is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Fuzhou Meilun Hotel Co., Ltd. (福州美倫大飯店有限公司, “Fuzhou Meilun”), an independent third party, for a term of 3 years commencing from 1 November 2008 and expiring on 31 October 2011 at an annual rent of RMB108,000, exclusive of telephone and other charges.
3. Pursuant to a Building Ownership Certificate — Rong Fang Quan Zheng R Zi Di No. 0533750 (榕房權證R字第0533750號), a unit with a gross floor area of approximately 50.00 sq.m. is owned by Fujian Coal Industry Group Co., Ltd. (福建省煤炭工業(集團)有限責任公司, “Fujian Coal”).
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Fujian Coal, and Fuzhou Meilun has obtained Fujian Coal’s approval to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value In existing state as at 30 September 2009 RMB
7.	Unit 3605 and Unit 3606 on Level 36 Zhaofeng Plaza No. 1027 Changning Road Changning District Shanghai The PRC	<p>The property comprises two units on Level 36 of a 42-storey office building completed in about 2002.</p> <p>The property has a total gross floor area of approximately 490.42 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 2 years commencing from 1 September 2008 and expiring on 31 August 2010 at an annual rent of RMB1,163,521.20, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Shanghai Multimedia Park Development Company Limited (上海多媒體產業園發展有限公司, "MPDC"), an independent third party, for a term of 2 years commencing from 1 September 2008 and expiring on 31 August 2010 at an annual rent of RMB1,163,521.20, exclusive of management fees, water and electricity charges.
3. Pursuant to a Building Ownership Certificate — Hu Fang Di Chang Zi (2005) Di No. 030337 (滬房地長字(2005)第030337號), two units with a total gross floor area of approximately 490.42 sq.m. are owned by MPDC.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by MPDC, which has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
8.	Unit 1105 on Level 11 Suhao Building No. 8 South Zhongshan Road Nanjing City Jiangsu Province The PRC	<p>The property comprises a unit on Level 11 of a 28-storey office building completed in about 2003.</p> <p>The property has a gross floor area of approximately 126.00 sq.m..</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 2 years commencing from 1 August 2009 and expiring on 31 July 2011. From 1 August 2009 to 31 January 2010, the total rent is RMB52,888.50; and from 1 February 2010 to 31 July 2011, the total rent is RMB183,412.50, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Jiangsu Silk Group Co., Ltd. (江蘇省絲綢集團有限公司, "Jiangsu Silk"), an independent third party, for a term of 2 years commencing from 1 August 2009 and expiring on 31 July 2011. From 1 August 2009 to 31 January 2010, the gross floor area for rent computation is approximately 126.00 sq.m., and the total rent is RMB52,888.50, exclusive of management fees, water and electricity charges. From 1 February 2010 to 31 July 2011, the gross floor area for rent computation is approximately 134.00 sq.m., and the total rent is RMB183,412.50, exclusive of management fees, water and electricity charges.
3. Pursuant to a Building Ownership Certificate — Ning Fang Quan Zheng Bai Zhuan Zi Di No. 213695 (寧房權證白轉字第213695號), a unit with a gross floor area of approximately 126.00 sq.m. is owned by Jiangsu Silk.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Jiangsu Silk, which has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
9.	Unit 9G on Level 9 of Tower A International Garden No. 42 Tianmushan Road Hangzhou City Zhejiang Province The PRC	<p>The property comprises a unit on Level 9 of a 23-storey office building completed in 1999.</p> <p>The property has a gross floor area of approximately 116.89 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 1 year commencing from 21 November 2008 and expiring on 20 November 2009 at an annual rent of RMB95,816.00, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Zhao Min (趙敏), an independent third party, for a term of 1 year commencing from 21 November 2008 and expiring on 20 November 2009 at an annual rent of RMB 95,816.00, exclusive of management fees, water and electricity charges.
3. Pursuant to a Building Ownership Information Inquiry Certificate (房屋權屬記載信息查詢證明) — Hang Fang Quan Zheng Xi Yi Zi Di No. 0048462 (杭房權證西移字第0048462號), a unit with a gross floor area of approximately 116.89 sq.m. is owned by Zhao Min.
4. As advised by the Group, the Tenancy Agreement has been renewed for a term of 2 years commencing from 21 November 2009 and expiring on 20 November 2011 at an annual rent of RMB106,660, exclusive of management fees, water and electricity charges.
5. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Zhao Min, who has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
10.	Unit D on Level 9 Huaxin International Building No. 219 Qingnian Street Shenhe District Shenyang City Liaoning Province The PRC	<p>The property comprises a unit on Level 9 of a 22-storey office building completed in about 1999.</p> <p>The property has a gross floor area of approximately 157.26 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 2 years commencing from 1 September 2008 and expiring on 31 August 2010 at an annual rent of RMB117,712.00, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Chi Liming (遲立明), an independent third party, for a term of 2 years commencing from 1 September 2008 and expiring on 31 August 2010 at an annual rent of RMB117,712.00, exclusive of management fees, water and electricity charges.
3. Pursuant to a Building Ownership Certificate — Shen Fang Quan Zheng Shi Shen He Zi Di No. 38645 (沈房權證市沈河字第38645號), a unit with a gross floor area of approximately 157.26 sq.m. is owned by Chi Liming.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Chi Liming, who has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
11.	Unit 2302 on Level 23 Tower I of New World International Trade Center No. 568 Jianshe Avenue Jiangnan District Wuhan City Hubei Province The PRC	<p>The property comprises a unit on Level 23 of a 57-storey office building completed in about 2004.</p> <p>The property has a gross floor area of approximately 132.84 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 2 years commencing from 15 April 2008 and expiring on 14 April 2010 at an annual rent of RMB87,674.40, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from New World Development (Wuhan) Co., Ltd. (新世界發展(武漢)有限公司, "New World Development"), an independent third party, for a term of 2 years commencing from 15 April 2008 and expiring on 14 April 2010 at an annual rent of RMB87,674.40, exclusive of management fees, water and electricity charges.
3. Pursuant to a Building Ownership Certificate — Wu Fang Quan Zheng Shi Zi Di No. 200520494 (武房權證市字第200520494號), a unit with a gross floor area of approximately 132.84 sq.m. is owned by New World Development.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by New World Development, which has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
12.	Unit 719 on Level 7 Zhongda International Mansion No. 30 Nanda Avenue Xi'an City Shaanxi Province The PRC	<p>The property comprises a unit on Level 7 of a 8-storey office building completed in about 2000.</p> <p>The property has a gross floor area of approximately 105.83 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 2 years commencing from 16 May 2009 and expiring on 15 May 2011 at an annual rent of RMB157,061.40, inclusive of management fees but exclusive of water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Shaanxi Zhongda International Mansion Co., Ltd. (陝西中大國際大廈有限公司, "Shaanxi Zhongda"), an independent third party, for a term of 2 years commencing from 16 May 2009 and expiring on 15 May 2011 at an annual rent of RMB157,061.40, inclusive of management fees but exclusive of water and electricity charges.
3. Pursuant to a Building Ownership Certificate — Xi An Shi Fang Quan Zheng Bei Lin Qu Zi Di No. 11001080051-22-1 (西安市房權證碑林區字第11001080051-22-1號), a unit with a gross floor area of approximately 105.83 sq.m. is owned by Shaanxi Zhongda.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Shaanxi Zhongda, which has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
13.	Warehouses A and B Located at the north of Fu Qian'er Street Tianzhu Town Shunyi District Beijing The PRC	<p>The property comprises two warehouses with a total gross floor area of approximately 3,533.1 sq.m. completed in about 2001.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for terms of about 7 years at an annual rent of RMB902,707.2, inclusive the cleaning fees, landscape management fees, security fees and exclusive of water and electricity charges. The lease term of Warehouse A is commencing from 15 June 2006 and expiring on 31 July 2013 as well as that of Warehouse B is commencing from 1 August 2006 and expiring on 31 July 2013.</p>	The property is currently occupied by the Group for warehouse and assembly base purposes.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Beijing Yong Li Long Economic and Technological Development Co., Ltd. (北京永利隆經濟技術開發有限公司, "Beijing Yong Li Long"), an independent third party, for terms of about 7 years at an annual rent of RMB902,707.2, inclusive the cleaning fees, landscape management fees, security fees and exclusive of water and electricity charges. The lease term of Warehouse A is commencing from 15 June 2006 and expiring on 31 July 2013 as well as that of Warehouse B is commencing from 1 August 2006 and expiring on 31 July 2013.
3. Pursuant to a Building Ownership Certificate — Jing Fang Quan Zheng Shun Qi Zi Di No. 00108 (京房權證順其字第00108號), Warehouses A and B with a total gross floor area of approximately 3,533.1 sq.m. are owned by Beijing Yong Li Long.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Beijing Yong Li Long, which has the rights to lease the property to Futong Dongfang;
 - b. The Tenancy Agreement is valid, binding and enforceable on both signing parties; and
 - c. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
14.	Room 793 on Level 7 Fanya Building No. 128 Zhichun Road Haidian District Beijing The PRC	<p>The property comprises a unit on Level 7 of a 20-storey office building completed in about 1996.</p> <p>The property has a lettable area of approximately 109.97 sq.m.</p> <p>The property is rented to Beijing Futong Dongfang Technology Co., Ltd. for a term of 2 years commencing from 1 July 2009 and expiring on 30 June 2011 at an annual rent of RMB138,240, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang") is an indirect wholly-owned subsidiary of the Company.
2. Beijing Times Xingda Computer Co., Ltd. (北京時代興達電腦有限公司, "Futong Times") (formerly known as Beijing Futong Times Computer Co. Limited, "北京富通時代電腦有限公司") is a connected person of the Company.
3. Pursuant to a Tenancy Agreement, the property is rented to Futong Dongfang from Futong Times for a term of 2 years commencing from 1 July 2009 and expiring on 30 June 2011 at an annual rent of RMB138,240, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The property is legally owned by Futong Times, which has the rights to lease the property to Futong Dongfang;
 - b. The Building Ownership Certificate for the property is in the process of being updated for changing the name of the registered owner from Beijing Futong Times Computer Co. Limited to Futong Times and there is no material legal impediment for such update;
 - c. The Tenancy Agreement is valid, binding, and enforceable on both signing parties; and
 - d. The Tenancy Agreement has been registered with local authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
15.	A portion of Unit 615 on Level 6 Zhucheng Building No. Jia 6 Zhongguancun Nan Avenue Haidian District Beijing The PRC	The property comprises a portion of a unit on Level 6 of a 19-storey building completed in about 2005. The property has a lettable area of approximately 50.0 sq.m. The property is subleased to Beijing Futong Dongfang Unica Technology Co. Ltd. for a term of 1 year commencing from 1 July 2009 and expiring on 30 June 2010 at nil rent.	The property is currently occupied by Futong Unica as registered office.	No commercial value

Notes:

1. Beijing Futong Dongfang Unica Technology Co. Ltd. (北京富通東方優尼卡科技有限公司, "Futong Unica") is a 55% interest owned subsidiary of the Company.
2. Pursuant to a Tenancy Agreement, Unit 615 of Zhucheng Building with a gross floor area of approximately 168.02 sq.m. is rented to Zhongguancun Technology Intermediary Service Institute (北京市海澱區中關村科技中介服務機構協會, "Zhongguancun Service") from Zhang Min (張敏), an independent third party, for a term of 3 years commencing from 19 August 2007 and expiring on 18 August 2009 at an annual rent of RMB183,984, and commencing from 19 August 2009 and expiring on 18 August 2010 at an annual rent of RMB190,116, inclusive of management fees, heating charges and leasing tax.
3. Pursuant to a Building Ownership Certificate — Jing Fang Quan Zheng Hai Si Yi Zi Di No. 0108131 (京房權證海私移字第0108131號), Unit 615 of Zhucheng Building with a gross floor area of approximately 168.02 sq.m. is owned by Zhang Min.
4. Pursuant to a Property Use Agreement, the property (a portion of Unit 615) with a lettable area of approximately 50.0 sq.m. is subleased to Futong Unica from Zhongguancun Service for a term of 1 year commencing from 1 July 2009 and expiring on 30 June 2010 at nil rent.
5. As advised by the Group, Zhongguancun Technology Park (the "Park") would like to provide office at nil rent to technology companies which have registered in the Park in order to attract those companies to invest and locate in the Park. Zhongguancun Service, as a service institute of the Park, has the right to provide office spaces at nil rent to Futong Unica which is a technology company registered in the Park.

6. We have been provided with a legal opinion on the legality of the Property Use Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property is legally owned by Zhang Min, who has the rights to lease the property to Zhongguancun Service;
 - b. The Property Use Agreement is valid, binding and enforceable on both signing parties as Zhang Min has approved the sublease; and
 - c. The registration of the Property Use Agreement is in process and the validity of the Property Use Agreement will not be affected due to the lack of registration.

VALUATION CERTIFICATE

Group III — Property interests rent and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 <i>RMB</i>
16.	Workshop No. 2 3rd Floor of APEC Plaza No. 49 Hoi Yuen Road Kwun Tong Kowloon Hong Kong	<p>The property comprises a unit on the 3rd floor of a 26-storey industrial building completed in about 1995.</p> <p>The unit has a saleable area of approximately 982 sq.ft. (or 91.23 sq.m.)</p> <p>The property is rented to Futong Technology (HK) Company Limited from Jugada Company Limited (an independent third party) for a term of 1 year expiring on 31 October 2009 at a monthly rent of HK\$19,392, exclusive of rates, management fees and central chilled water charges.</p>	The property was occupied by the Group for office purpose as at the date of valuation.	No commercial value

Notes:

1. Futong Technology (HK) Company Limited ("Futong HK") is an indirect wholly-owned subsidiary of the Company.
2. The registered owner of the property is Jugada Company Limited.
3. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.
4. As advised by the Group, the Tenancy Agreement has expired and Futong HK has relocated to Property no. 19.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 <i>RMB</i>
17.	A portion of Flats A, B and C on Ground Floor of How Ming Factory Building No. 99 How Ming Street Kwun Tong Kowloon Hong Kong	<p>The property comprises a portion of Flats A, B and C on the ground floor of an 11-storey industrial building completed in about 1970.</p> <p>The unit has a lettable area of approximately 10,000 sq.ft.(or 929.02 sq.m.)</p> <p>The property is subleased to Futong Technology (HK) Company Limited from Hong Kong Sen Fung Logistics Company Limited (an independent third party) for a term of 11 months expiring on 31 March 2010 at a monthly rent of HK\$125,000, inclusive of rates, government rent, management fees and outgoing charges.</p>	The property is currently occupied by the Group for storage purpose.	No commercial value

Notes:

1. Futong Technology (HK) Company Limited ("Futong HK") is an indirect wholly-owned subsidiary of the Company.
2. The registered owner of the property is Business Hub Limited.
3. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.
4. As advised by the Group, no written consent of the owner of the property to the entering into of the Tenancy Agreement and the sublease of the property by Hong Kong Sen Fung Logistics Company Limited (an independent third party) to Futong HK is available despite the declaration and confirmation to that effect contained in the Tenancy Agreement.
5. As advised by the Company's Hong Kong legal advisers, the user of the property as storage purpose does not conform with the permitted user of workshop for non-domestic use as set out in the occupation permit of such premises. The Building Authority may order Futong HK as occupier of the property to discontinue the present use within one month from the service of the order. In the event of Futong HK failing to comply with the order without reasonable excuse, it could be liable on conviction to, among others, a fine of HK\$50,000 and a daily fine of HK\$5,000 for each day of non-compliance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 <i>RMB</i>
18.	Flat A, 11th Floor Juniper Mansion Harbour View Gardens No. 16 Taikoo Wan Road Taikoo Shing Hong Kong	<p>The property comprises a residential unit on the 11th floor of a 29-storey residential building completed in about 1984.</p> <p>The unit has a gross floor area of approximately 1,237 sq.ft. (or 114.92 sq.m.).</p> <p>The property is rented to Futong Technology (HK) Company Limited from Pan Chin Chao (an independent third party) commencing from 25 March 2009 and expiring on 31 March 2011 at a monthly rent of HK\$32,000, inclusive of rates, government rent and management fees.</p>	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Futong Technology (HK) Company Limited is an indirect wholly-owned subsidiary of the Company.
2. The registered owner of the property is Pan Chin Chao.
3. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
19.	Rooms 929-935 on the 9th Floor of Sun Hung Kai Centre No. 30 Harbour Road Wanchai Hong Kong	<p>The property comprises 7 adjoining office units on the 9th Floor of a 56-storey office building completed in about 1980.</p> <p>The property has a total lettable area of approximately 1,860 sq.ft. (172.80 sq.m.)</p> <p>The property is rented to Futong Technology (HK) Company Limited from Speedway Assets Limited (an independent third party) for a term of 3 years commencing from 28 September 2009 and expiring on 27 September 2012 at a monthly rent of HK\$57,660, exclusive of rates, service and management charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Futong Technology (HK) Company Limited ("Futong HK") is an indirect wholly-owned subsidiary of the Company.
2. The registered owner of the property is Speedway Assets Limited. Sun Hung Kai Real Estate Agency Limited acts as the agent of Speedway Assets Limited to let the property to Futong HK.
3. The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.

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Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in appendix VII to this Prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 11 November 2009. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

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(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts, provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarized in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or

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providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his

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associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly whether as an officer or an executive or a member, other than a company in which the Director or his associates owns five per cent. or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through the Company;
- (gg) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and
- (ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement,

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equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

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A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarized above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) *Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

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(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) **Alterations to constitutive documents**

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) **Alterations of capital**

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares 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 the shares to be consolidated, determine which particular shares are to be consolidated into a 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 Directors 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 rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) 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;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the

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resolution whereby any shares are 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;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorized and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorized representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than 21 clear days' and less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or,

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in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorize such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorization shall specify the number and class of shares in respect of which each such representative is so authorized. Each person so authorized under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorization.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorized by the Directors or by the Company in general meeting.

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The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

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(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

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(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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All dividends, bonuses or other distributions or the proceeds of the realization of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

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If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

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(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarized in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

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(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law;
- (iv) in writing off (aa) the preliminary expenses of the company; or
(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorize the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorized by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorized by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorized by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorized by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorized, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorized to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

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In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

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(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official

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liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 July 2009.

The Company was registered in Hong Kong under Part XI of the Companies Ordinance as a non-Hong Kong company and its principal place of business in Hong Kong is at Rooms 929-935 on the 9th Floor of Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on 29 October 2009. In compliance with the requirements of the Companies Ordinance, Ms. Zhang Yun of Flat A, 11th Floor, Juniper Mansion, Harbour View Gardens, No.16 Taikoo Wan Road, Taikoo Shing, Hong Kong has been appointed as the agent for the acceptance of service of process and any notice required to be served on the Company in Hong Kong.

The Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain aspects of Companies Law is set out in Appendix V to this prospectus.

2. Changes in share capital of the Company**(a) Increase in authorized share capital**

- (i) As of the date of incorporation of the Company on 29 July 2009, the authorized share capital of the Company was HK\$100,000 divided into 1,000,000 Shares having a par value of HK\$0.10 each. On the same day, one nil-paid subscriber share of HK\$0.10 was transferred by its subscriber to Mr. Chen Jian at nil consideration. The nil-paid Share referred to this paragraph was subsequently paid up in the manner described in paragraph 4 below.
- (ii) On 11 November 2009, the authorized share capital of the Company was further increased to HK\$200,000,000 by creation of further 1,999,000,000 Shares pursuant to a resolution passed by the Shareholders referred to in paragraph 3 below.
- (iii) Immediately following completion of the Share Offer and the Capitalization Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, the authorized share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 Shares, of which 300,000,000 Shares will be issued fully paid or credited as fully paid, and 1,700,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorized but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in paragraphs headed “Resolutions in writing of the Shareholders passed on 11 November 2009 and 18 November 2009” and “Group reorganization” of this appendix, there has been no alteration in the share capital of the Company since its incorporation.

(b) *Founder shares*

The Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the Shareholders passed on 11 November 2009 and 18 November 2009

Written resolutions were passed by the Shareholders on 11 November 2009 and 18 November 2009 pursuant to which, among other matters:

- (a) the Company approved and adopted the Articles of Association;
- (b) the authorized share capital of the Company was increased from HK\$100,000 to HK\$200,000,000 by the creation of further 1,999,000,000 Shares;
- (c) conditional on (aa) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (bb) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the respective terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Share Offer and the grant of the Over-allotment Option were approved and the Directors were authorized to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

- (iii) conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorized to capitalize HK\$22,400,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 224,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on 11 November 2009 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in the Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorized to give effect to such capitalization;
- (iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with (and to make or grant offers, agreements and options which may require the exercise of such powers), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Share Offer or the Capitalization Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of the Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Share Offer and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.
- (d) the Company approved the form and substance of each of the service agreements made between the executive Directors and the Company, and the form and substance of each of the appointment letters made between each of the independent non-executive Directors and the Company.

4. Group reorganization

The companies comprising the Group underwent a reorganization to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange which involved the following:

- (a) Pursuant to a share purchase agreement dated 9 July 2009 and entered into between ChinaEquity Holdings and Mr. Chen Jian, on 9 July 2009, ChinaEquity Holdings procured the Minority Ex-Shareholders (except SCS) to sell and China Group Associates (as nominated by Mr. Chen Jian) acquired an aggregate of 3,513 shares of US\$1.00 each in Futong BVI for an aggregate cash consideration of HK\$17,565,000;
- (b) Pursuant to a share repurchase agreement dated 20 August 2009 and entered into between SCS and Futong BVI, on 24 August 2009, SCS sold and Futong BVI repurchased 2,500 shares of US\$1.00 each in Futong BVI for an aggregate cash consideration of HK\$12,500,000. The 2,500 shares of Futong BVI were subsequently cancelled; and
- (c) On 11 November 2009, the Company acquired from China Group Associates, Rich China and Rich World an aggregate of 47,500 shares of US\$1.00 each in Futong BVI, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 999,999 Shares, as to 684,209 Shares to China Group Associates, 189,474 Shares to Rich China and 126,316 Shares to Rich World; and (ii) credited as fully-paid at par a nil-paid Share then held by Mr. Chen Jian (which was transferred to China Group Associates at nil consideration on the same date).

Upon completion of the Reorganization, the Company became the holding company of the Group.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus.

(a) *Futong BVI*

On 24 August 2009, 2,500 shares of Futong BVI were cancelled as a result of the repurchase of shares by Futong BVI, and the issued share capital of Futong BVI was decreased from US\$50,000 to US\$47,500, divided into 47,500 shares of US\$1.00 each, on that date.

(b) *Futong Unica*

On 24 July 2009, Futong Unica was established in the PRC with a registered capital of RMB1,000,000, of which RMB500,000 has been paid up as at the Latest Practicable Date. 55% and 45% of the equity interest of Futong Unica were held by Futong Dongfang and Ms. Qu Weiwei respectively.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Further information about the Group's PRC establishment

The Group has interest in the registered capital of (a) Futong Dongfang, a WFOE established in the PRC and (b) Futong Unica, a limited liability company established in the PRC. A summary of the corporate information of Futong Dongfang and Futong Unica as at the Latest Practicable Date is set out as follows:

(a) *Futong Dongfang*

- | | | |
|---|---|--|
| (i) Name of the enterprise | : | 北京富通東方科技有限公司 (Beijing Futong Dongfang Technology Co. Ltd.) |
| (ii) Date of establishment | : | 4 December 2003 |
| (iii) Registered address | : | Room 793 on Level 7,
Fanya Building,
No.128 Zhichun Road,
Haidian District,
Beijing,
The PRC
(中國北京市海澱區知春路128號泛亞大廈7樓793室) |
| (iv) Economic nature | : | Wholly foreign owned enterprise |
| (v) Registered owner | : | Futong HK |
| (vi) Total investment amount | : | RMB200,000,000 |
| (vii) Registered capital | : | RMB100,000,000 |
| (viii) Attributable interest to the Group | : | 100% |
| (ix) Term of operation | : | 4 December 2003 to 3 December 2023 |
| (x) Scope of business | : | Commission-based agency and wholesale services of computer software and hardware products; production of assembled computers; technical development, technology transfer, technical services and technical consultancy in relation to computer software and hardware; sale of computers, hardware and in-house products. |

(b) *Futong Unica*

- (i) Name of the enterprise : 北京富通東方優尼卡科技有限公司 (Beijing Futong Dongfang Unica Technology Co. Ltd.)
- (ii) Date of establishment : 24 July 2009
- (iii) Registered address : Unit 615 on Level 6, Zhucheng Building,
No. Jia 6, Zhongguancun Nan Avenue,
Haidian District, Beijing
the PRC
(北京市海澱區中關村南大街甲6號鑄誠大廈615室)
- (iv) Economic nature : Limited liability company
- (v) Registered owner : Futong Dongfang (as to 55% of the registered capital)
Ms. Qu Weiwei (屈巍巍) (as to 45% of the registered capital)
- (vi) Total investment amount : RMB1,000,000
- (vii) Registered capital : RMB1,000,000 (RMB500,000 of which has been paid up)
- (viii) Attributable interest to the Group : 55%
- (xi) Term of operation : 24 July 2009 to 23 July 2029
- (x) Scope of business : For businesses which are prohibited by law, administrative regulations or executive decisions of the State Council, not to operate those businesses; for businesses which are required by law, administrative regulations or executive decisions of the State Council to be operated under permit, not to operate those businesses unless approved by the authorities and registered with the industrial and commerce administration bureau; for businesses not required by law, administrative regulations or executive decisions of State Council to be operated under permit, to operate those businesses voluntarily.

7. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the Shareholders on 11 November 2009, the Repurchase Mandate was given to the Directors authorizing any repurchase by the Company of Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Group which in the opinion of the Directors are from time to time appropriate for the Group.

The exercise in full of the Repurchase Mandate, on the basis of 300,000,000 Shares in issue immediately after the Listing, would result in up to 30,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

8. Summary of material contracts






The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share purchase agreement dated 20 August 2009 and entered into between SCS as vendor and Futong BVI as purchaser in relation to the sale and purchase of 2,500 shares of US\$1.00 each in the share capital of Futong BVI for a cash consideration of HK\$12,500,000;
- (b) a share purchase agreement dated 11 November 2009 and entered into by and among (i) the Company as purchaser, (ii) China Group Associates, Rich China and Rich World as vendors and three of the warrantors, and (iii) Mr. Chen Jian as one of the warrantors, pursuant to which the Company acquired from China Group Associates, Rich China and Rich World an aggregate of 47,500 shares of US\$1.00 each in the share capital of Futong BVI, being its entire issued share capital, in consideration of and in exchange for which the Company (aa) allotted and issued, credited as fully paid, an aggregate of 999,999 Shares, as to 684,209 Shares to China Group Associates, 189,474 Shares to Rich China and 126,316 Shares to Rich World; and (bb) credited as fully-paid at par a nil-paid Share then held by Mr. Chen Jian;
- (c) a deed of indemnity dated 23 November 2009 and executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries stated therein) containing the indemnities more particularly referred to in paragraph 14 of this appendix; and
- (d) the Public Offer Underwriting Agreement.

9. Intellectual property rights of the Group

(a) Trade marks

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following trademarks:

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
1.	 Futong 富通	Hong Kong	35, 37, 41 & 42 <i>(notes 1 to 4)</i>	300143441	15 January 2004 — 14 January 2014
2.	 Futong 富通	PRC	35 <i>(note 5)</i>	3897580	21 January 2009 — 20 January 2019
3.	 Futong 富通	PRC	37 <i>(note 6)</i>	3897581	7 September 2006 — 6 September 2016
4.	 Futong 富通	PRC	41 <i>(Note 7)</i>	3897582	28 September 2006 — 27 September 2016
5.	 Futong 富通	PRC	42 <i>(Note 8)</i>	3897583	14 September 2006 — 13 September 2016

Notes:

1. *The specific services under class 35 in respect of which the trademark was applied for registration are sales and sales promotion of computer hardware, computer software, products relating to information technology and other computer-related products.*
2. *The specific services under class 37 in respect of which the trademark was applied for registration are installation, maintenance and repair of computer hardware, computer software, products relating to information technology and other computer-related products.*
3. *The specific services under class 41 in respect of which the trademark was applied for registration are exhibition and display of computer hardware, computer software, products relating to information technology and other computer-related products; training relating to application of computer hardware, computer software, products relating to information technology and other computer-related products.*
4. *The specific services under class 42 in respect of which the trademark was applied for registration are analysis of computer system application, advisory and consultancy services relating to computer hardware, computer software, products relating to information technology and other computer-related products.*
5. *The specific services under class 35 of which the trademark was applied for registration are advertisement; import and export agency; marketing for other parties; acting as intermediary to purchase goods or services for other corporations; business management and organization consultation; business administration assistance; market research; professional consultation for trading business; tendering; and business intelligence.*
6. *The specific services under class 37 in respect of which the trademark was applied for registration are installation, maintenance and repair of computer hardware and computer, products relating to information technology.*

7. *The specific services under class 41 in respect of which the trademark was applied for registration are training; education; arranging and organizing training classes; organizing educational and entertainment competitions; arranging and organizing conferences; organizing cultural or education exhibitions; arranging and organizing topical seminars; publication of online books and magazines; provision of online electronic publications (not for downloading); provision of online games (on Internet).*
8. *The specific services under class 42 in respect of which the trademark was applied for registration are technical research; leasing of computers; consultancy for computer hardware; leasing of computer software; maintenance of computer software; design of computer software; installation of computer software; compilation of computer codes; establishing and maintaining websites for others; real-time connection services for intra-machine data exchange between clients.*

(b) **Computer software copyright registration**

As at the Latest Practicable Date, the Group had registered the following computer software under the Measures for the Registration of Computer Software Copyrights (《計算機軟件著作權登記辦法》) of the PRC:

No.	Title of computer software	Registration number	Date of first publication	Duration of validity
1.	電子商務FTB2B數據傳輸系統v1.0 (Electronic Commerce FTB2B Data Transmission System v1.0)	2008SR31538	1 September 2006	1 September 2006 — 31 December 2056
2.	大型數據庫克隆系統v1.0 (Large Database Cloning System v1.0)	2008SR31539	1 December 2007	1 December 2007 — 31 December 2057
3.	電子商務FTB2B數據交換系統v1.0 (Electronic Commerce FTB2B Data Exchange System v1.0)	2008SR31540	10 November 2005	10 November 2005 — 31 December 2055
4.	電子商務FTB2B訂單系統v1.0 (Electronic Commerce FTB2B Ordering System v1.0)	2008SR31541	1 August 2007	1 August 2007 — 31 December 2057
5.	電子商務FTB2B數據統計系統v1.0 (Electronic Commerce FTB2B Data Statistical System v1.0)	2008SR31542	1 November 2007	1 November 2007 — 31 December 2057
6.	ERP系統報表軟件v1.0 (ERP System Spreadsheet Software v1.0)	2008SR31543	1 December 2006	1 December 2006 — 31 December 2056

(c) **Domain Names**

As at the Latest Practicable Date, the Group had registered the following domain names:

No.	Domain name	Registration date	Expiry date
1.	futong.com.cn	16 July 1999	16 July 2019
2.	futong.com.hk	24 December 2002	28 December 2011

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

10. Directors**(a) *Disclosure of interests of the Directors***

- (i) Each of Mr. Chen Jian, Ms. Zhang Yun and Mr. Guan Tao is interested in the Reorganization and the transactions as contemplated under the material contracts as set out in the paragraph 8 to this appendix.
- (ii) Save as disclosed in this prospectus, none of the Directors or their associates were engaged in any dealings with the Group during the two years preceding the date of this prospectus.

(b) *Particulars of Directors' service contracts**Executive Directors*

Each of Mr. Chen Jian, Ms. Zhang Yun and Mr. Guan Tao, being all the executive Directors, has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for an initial fixed term of three years with effect from 11 November 2009, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term. The appointment of each of the executive Directors may be terminated by either party by giving three months' written notice to the other expiring at the end of the initial term of the executive Directors' appointment or at anytime thereafter.

With effect from the Listing Date, each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after 28 February 2011 at the discretion of the Directors of not more than 10% of the annual salary immediately prior to such increase).

In addition, each of the executive Directors is also entitled to a discretionary management bonus provided the aggregate amount of bonuses payable to all the executive Directors for any financial year of the Company shall not exceed 10% of the audited consolidated or combined net profit attributable to the shareholders of the Group (after taxation and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of management bonus payable to him/her.

The current basic annual salaries of the executive Directors payable under their respective service contracts are as follows:

Name	Annual salary (RMB)
Mr. Chen Jian	1,500,000
Ms. Zhang Yun	1,500,000
Mr. Guan Tao	1,500,000

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of one year commencing from 11 November 2009. The appointment of each of the independent non-executive Directors may be terminated by either party giving three months' written notice to the other expiring at the end of the initial term or at any time thereafter. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. With effect from the Listing Date, each of the independent non-executive Directors is entitled to a director's fee of HK\$180,000 per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Directors' remuneration*

- (i) The aggregate emoluments paid and benefits in kind granted by the Group to the Directors in respect of the financial year ended 31 December 2008 were approximately HK\$3.1 million.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by the Group to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2009 are expected to be approximately HK\$3.6 million.
- (iii) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2008 and the six months ended 30 June 2009.

(d) *Interests and short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have 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 in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities <i>(note 1)</i>	Approximate percentage of shareholding
Mr. Chen Jian	the Company	Interest of controlled corporation	225,000,000 Shares (L) <i>(notes 2, 3 and 4)</i>	75%
	China Group Associates	Beneficial owner	100 ordinary shares of US\$1 each (L)	100%
Ms. Zhang Yun	the Company	Interest of controlled corporation	42,631,650 Shares (L) <i>(note 3)</i>	14.21%

Notes:

- 1. The letter "L" denotes the Directors' long position in the shares of the Company or the relevant associated corporation.*
- 2. 153,947,250 of these Shares are held by China Group Associates, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the Shares held by China Group Associates.*
- 3. 42,631,650 of these Shares are held by Rich China, the entire issued share capital of which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. By virtue of the SFO, both Mr. Chen Jian and Ms. Zhang Yun are deemed to be interested in the Shares held by Rich China.*
- 4. 28,421,100 of these Shares are held by Rich World, the entire issued share capital of which is owned as to approximately 81.67% by Mr. Chen Jian, approximately 13.33% by Mr. Guan Tao, approximately 3.33% by Mr. Xie Hui and approximately 1.67% by Mr. Jie Wen. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the entire 28,421,100 Shares held by Rich World.*

11. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Share Offer and the Capitalization Issue (but without taking account of any Shares which may be taken up or acquired under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), other than a Director or chief executive of the Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations” above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Company/Name of Group member	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
China Group Associates (Note 2)	the Company	Beneficial owner	153,947,250 Shares (L)	51.32%
Rich China (Note 3)	the Company	Beneficial owner	42,631,650 Shares (L)	14.21%
Rich World (Note 4)	the Company	Beneficial owner	28,421,100 Shares (L)	9.47%
Ms. Zhang Xin (Note 5)	the Company	Interest of spouse	225,000,000 Shares (L)	75%
Mr. Meng Huiqiang (Note 6)	the Company	Interest of spouse	42,631,650 Shares (L)	14.21%
Ms. Qu Weiwei	Futong Unica	Beneficial owner	RMB450,000 (RMB225,000 of which has been paid up)(Note 7)	45% (Note 7)

Notes:

1. The letter “L” denotes the person’s long position in the shares of the Company or the relevant Group member.
2. China Group Associates is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of China Group Associates.
3. Rich China is a company incorporated in the BVI with limited liability which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. Ms. Zhang Yun is the sole director of Rich China.
4. Rich World is a company incorporated in the BVI with limited liability which is owned as to approximately 81.67% by Mr. Chen Jian, approximately 13.33% by Mr. Guan Tao, approximately 3.33% by Mr. Xie Hui and approximately 1.67% by Mr. Jie Wen. Mr. Guan Tao is the sole director of Rich World.

5. *Ms. Zhang Xin is the spouse of Mr. Chen Jian. Under the SFO, Ms. Zhang Xin is taken to be interested in the same number of Shares in which Mr. Chen Jian is interested.*
6. *Mr. Meng Huiqiang is the spouse of Ms. Zhang Yun. Under the SFO, Mr. Meng Huiqiang is taken to be interested in the same number of Shares in which Ms. Zhang Yun is interested.*
7. *As at the Latest Practicable Date, the total registered capital of Futong Unica was RMB1 million of which RMB500,000 has been paid up. Ms. Qu Weiwei, an Independent Third Party, holds 45% of the equity interest in Futong Unica.*

12. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of the Company) who immediately following the completion of the Share Offer and the Capitalization Issue will have an interest or a short position in the Shares and underlying Shares 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 will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, which will have 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 any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of the Directors nor any of the parties listed in the paragraph 21 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company, or are proposed to be acquired or disposed of by or leased to the Company or any other member of the Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors nor any of the parties listed in the paragraph 21 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of the Group; and

- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 20 below:
 - (i) is interested legally or beneficially in any securities of any member of the Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

OTHER INFORMATION

13. Share Option Scheme

(a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the then Shareholders on 11 November 2009:

(i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) *Who may join*

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (“**Invested Entity**”) in which any member of the Group holds an equity interest (“**Eligible Employee**”);
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;

- (ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; or
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(iii) *The maximum number of Shares*

- (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30,000,000 Shares, representing 10% of the Shares in issue on the Listing Date (“**General Scheme Limit**”).
- (cc) Subject to (aa) above but without prejudice to (dd) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously

granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

- (dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to the Directors, chief executive or substantial shareholders of the Company or their respective associates*

- (aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).
- (bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and

- (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for the Shares and consideration for the option*

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of the Company as the holder thereof.

(bb) Unless the context otherwise requires, references to “**Shares**” in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) Period of the Share Option Scheme

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

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was actually at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Group or any Invested Entity on the other part; or (2) the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalization of profits or reserves, rights issue, subdivision or consolidation of Shares or reduction of the share capital of the Company whilst an option remains exercisable or the Share Option Scheme remains in effect, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares and/or the subscription price of the option concerned and/or the number of Shares comprised in an option or which remains comprised in an option, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he would have been entitled to subscribe had he exercised all the options held by him immediately prior to such alteration; (ii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iv) any adjustment must be made in compliance with the Listing Rules and such rules, codes, guidance notes and/or interpretation of the Listing Rules promulgated by the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

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

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which the Directors exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted to any grantee who is a substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of the Company in general meeting.

(b) *Present status of the Share Option Scheme*

(i) *Approval of the Listing Committee required*

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) *Application for approval*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

14. Estate duty, tax and other indemnity

The Controlling Shareholders (the “**Indemnifiers**”) have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (c) referred to in paragraph 8 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of the Group at any time on or before the Listing whether alone or in conjunction with any other circumstances whenever occurring and whether or not the tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and

- (b) tax liabilities (including all reasonable fines, penalties, costs, charges, expenses and interest relation to taxation) which might be payable by any member of the Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of the Group for any accounting period up to 30 June 2009;
- (b) to the extent that such taxation or liability falling on any of the members of the Group in respect of any accounting period commencing on or after 1 July 2009 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 July 2009; and
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2009 or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation or taxation claim after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group up to 30 June 2009 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

In addition, each of the Indemnifiers has also jointly and severally undertaken to indemnify and keep each member of the Group fully indemnified against all losses, claims, actions, demands, liabilities, damages, costs, expenses, fines and of whatever nature suffered or incurred by any of the members of the Group directly or indirectly as a result of or in connection with the failure to obtain consent from the owner and the owner's mortgagee in relation to the tenancy of a portion of Flats A, B and C on Ground Floor of How Ming Factory Building, No. 99 How Ming Street, Kwun Tong, Kowloon, Hong Kong or the non-conformance of the permitted user under the occupation permit of such premises.

15. Litigation

Save as disclosed in the paragraph headed "Litigation" in the section headed "Business" in this prospectus, as at the Latest Practicable Date, no member of the Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on the results of operations or financial condition of the Group.

16. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$3,800 (equivalent to approximately HK\$29,640) and are payable by the Company.

17. Promoter

- (a) The promoter of the Company is Mr. Chen Jian.
- (b) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter named in sub-paragraph (a) above in connection with the Share Offer or the related transactions described in this prospectus.

18. Agency fees or commissions received

Except as disclosed in the section headed "Underwriting" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of the Group within the two years immediately preceding the date of this prospectus.

19. Application for listing of Shares

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the

Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

20. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
Taifook Capital	Licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO
KPMG	Certified public accountants
Chiu & Partners	Hong Kong lawyers
Conyers Dill & Pearman	Cayman Islands barristers and attorneys
King & Wood	Qualified PRC lawyers
Jones Lang LaSalle Sallmanns Limited	Professional property surveyors and valuers

21. Consents of experts

Each of Taifook Capital, KPMG, Chiu & Partners, Conyers Dill & Pearman, King & Wood and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

22. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

23. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *The Cayman Islands*

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasized that none of the Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

24. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in the Company or any of its subsidiaries;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(b) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 30 June 2009 (being the date to which the latest audited combined financial statements of the Group were made up).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE** and **YELLOW** Application Forms, the written consents referred to under the paragraph headed “Consents of experts” in Appendix VI to this prospectus, copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus and the statement of adjustments in arriving at the figures in the Accountant’s Report set out in Appendix I to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Chiu & Partners at 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including 8 December 2009:

- (a) the memorandum of association and the Articles of Association of the Company;
- (b) the accountants’ report of the Company prepared by KPMG, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;
- (c) the audited consolidated financial statements of Futong BVI for each of the two financial years ended 31 December 2008;
- (d) the letter from KPMG in relation to the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letters from KPMG and the Sole Sponsor relating to the profit forecast of the Group, the text of which are set out in Appendix III to this prospectus;
- (f) the valuation report relating to the property interests of the Group prepared by Jones Lang LaSalle Sallmanns Limited, the text of which is set out in Appendix IV to this prospectus;
- (g) the Companies Law;
- (h) the letter prepared by Conyers Dill & Pearman summarizing certain aspects of the Companies Law referred to in Appendix V to this prospectus;
- (i) the legal opinions prepared by King & Wood in respect of certain aspects of the Group and the property interests of the Group in the PRC;

- (j) the legal opinion prepared by Chiu & Partners in respect of a leased property of the Group in Hong Kong;
- (k) the material contracts referred to under the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus;
- (l) the written consents referred to under the paragraph headed “Consents of experts” in Appendix VI to this prospectus;
- (m) the rules of the Share Option Scheme; and
- (n) the service contracts referred to in the sub-paragraph headed “Particulars of Directors’ service contracts” under the paragraph headed “Further information about Directors and Shareholders” in Appendix VI to this prospectus.