

**SHIFANG**

**SHIFANG HOLDING LIMITED**  
**十方控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*Stock Code: 1831*



*Sole Global Coordinator*



**GLOBAL OFFERING**

*Joint Bookrunners and Joint Lead Managers*



*Joint Sponsors*



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## IMPORTANT

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



### SHIFANG HOLDING LIMITED

十方控股有限公司

(incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

Number of Offer Shares offered under the Global Offering	:	183,042,000 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	18,306,000 Offer Shares (subject to adjustment)
Number of International Offer Shares	:	164,736,000 Offer Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	not more than HK\$4.61 per Offer Share (payable in full on application in Hong Kong dollars and subject to refund), plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%
Nominal Value	:	HK\$0.10 each
Stock Code	:	1831

#### Sole Global Coordinator



#### Joint Bookrunners and Joint Lead Managers



#### Joint Sponsors



Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited and Hong Kong Securities and 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 section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about November 25, 2010 and, in any event, not later than November 29, 2010. The Offer Price will be not more than HK\$4.61 and is currently expected to be not less than HK\$3.03. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$4.61 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$4.61.

The Sole Global Coordinator (on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which is HK\$3.03 to HK\$4.61) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or 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 last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the indicative offer price range is so reduced, such applications cannot be subsequently withdrawn.

If, for whatever reason, the Sole Global Coordinator (on behalf of the Underwriters) and our Company are unable to agree on the Offer Price by November 29, 2010, the Global Offering will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this prospectus, including but not limited to the risk factors set forth in the section headed "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States. Accordingly, we are offering the Offer Shares only outside the United States in accordance with Regulation S.

November 22, 2010

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Application lists of the Hong Kong Public Offering open<sup>(2)</sup> .....11:45 a.m. on Thursday,  
November 25, 2010

Latest time to complete electronic applications  
under **HK eIPO White Form** service through  
the designated website [www.hkeipo.hk](http://www.hkeipo.hk) <sup>(3)</sup> .....11:30 a.m. on Thursday,  
November 25, 2010

Latest time to lodge **WHITE** and **YELLOW** Application Forms .....12:00 noon on Thursday,  
November 25, 2010

Latest time to give **electronic application**  
**instructions** to HKSCC<sup>(4)</sup> .....12:00 noon on Thursday,  
November 25, 2010

Latest time to complete payment of  
**HK eIPO White Form** applications  
by effecting internet banking transfer(s)  
or PPS payment transfer(s) .....12:00 noon on Thursday,  
November 25, 2010

Application lists of the Hong Kong Public Offering close .....12:00 noon on Thursday,  
November 25, 2010

Expected Price Determination Date ..... Thursday,  
November 25, 2010

Announcement of

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment of the Hong Kong Offer Shares

expected to be published in the South China Morning Post  
(in English), the Hong Kong Economic Times (in Chinese),  
on the website of our Company at [www.shifangholding.com](http://www.shifangholding.com)  
and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)  
on or before ..... Thursday,  
December 2, 2010

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where applicable) to be available through a variety of channels including the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and the website of our Company at <a href="http://www.shifangholding.com">www.shifangholding.com</a> , as described in the paragraphs headed "Publication of Results" and "Dispatch/Collection of Share Certificates and Refund Monies" in the section headed "How to Apply for Hong Kong Offer Shares" . . . . .	Thursday, December 2, 2010
Results of allocations in the Hong Kong Public Offering will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a "search by ID" function . . . . .	Thursday, December 2, 2010
Share certificates in respect of wholly or partially successful applications will be dispatched or deposited into CCASS on or before <sup>(5) to (10)</sup> . . . . .	Thursday, December 2, 2010
Refund cheques (if applicable) will be dispatched on or before <sup>(6) to (10)</sup> . . . . .	Thursday, December 2, 2010
White Form e-Auto Refund payment instructions or refund cheques (if applicable) will be dispatched on or before <sup>(6)</sup> . . . . .	Thursday, December 2, 2010
Dealings in Shares on the Stock Exchange expected to commence on . . . . .	Friday, December 3, 2010

*Notes:*

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.
- (2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 25, 2010, the application lists will not open on that day. Further information is set out in the paragraph headed "Effect of bad weather on the opening of the application lists" in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.
- (3) You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) Applicants who apply for Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "Applying by giving electronic application instructions to HKSCC" in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (5) Share certificates will only become valid certificates of title if the Global Offering has become unconditional in all aspects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors shall have to bear all the risks of dealing in Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title.
- (6) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application. Part of your Hong Kong identity card number or passport number or, if you are joint applicants, part of the Hong Kong identity card or passport number of the first-named applicant, provided by you may be printed on your refund cheques, if any. This data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to a delay in encashment of or may invalidate your refund cheque.
- (7) Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms their wish to collect Share certificates and refund cheques (as applicable) in person from our Hong Kong Branch Share Registrar may collect (where applicable) share certificates and (where applicable) refund cheques in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 2, 2010. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
- (8) Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms their wish to collect refund cheques (where relevant) in person may do so 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 applicants who apply on **YELLOW** Application Forms for Shares is the same as that for **WHITE** Application Form applicants.
- (9) Applicants who apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and whose applications are wholly or partially successful, may collect Share certificate(s) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 2, 2010, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/ e-Auto Refund payment instructions/refund cheques.
- For applicants who apply for less than 1,000,000 Hong Kong Offer Shares, Share certificate(s) will be sent to the address specified in the applicant's application instructions to the designated HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) on Thursday, December 2, 2010 by ordinary post and at the applicant's own risk. Applicants who paid the application monies from a single bank account may have e-Auto Refund payment instructions (if any) dispatched to the application payment bank account on Thursday, December 2, 2010. Applicants who used multiple bank accounts to pay the application monies may have refund cheques (if any) dispatched to the applicants on Thursday, December 2, 2010.
- (10) Uncollected Share certificates and refund cheques will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the paragraph headed "Dispatch/Collection of Share Certificates and Refund Monies" in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

**You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure and conditions of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the dispatch of refund cheques and share certificates.**

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*This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Hong Kong Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Hong Kong Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Hong Kong Offer Shares.*

### OVERVIEW

We provide a wide range of integrated print media and digital media services to advertisers from a diversified spectrum of industries through a network of newspaper partners that spans more than 16 second-tier and third-tier cities across eight provinces in the PRC. We believe our multi-city business model, pursuant to which we enter with our newspaper partners into cooperation contracts that provide us with exclusive rights to sell advertising spaces in these newspapers, is distinctive in China. In connection with sales of advertising spaces, we offer value-added advertising services such as design, layout, content planning and event organizing to form one-stop solution packages for our advertising customers. In addition, our exclusive contracts with our newspaper partners around the PRC allow us to provide our advertising customers with a single point of contact to create and place advertisement across any or all of the markets covered by our newspaper partners. We believe that our business model allows us to develop and offer a well-integrated array of services designed to satisfy the needs of our advertising customers, and helps us to distinguish ourselves from most PRC-based providers of advertising and advertising-related services.

Our strong relationships with our newspaper partners are a key component of our business model. As of the Latest Practicable Date, we had eleven exclusive newspaper partners, substantially all of which were metropolitan newspapers and among the largest local newspapers in terms of circulation in their respective markets. The following table sets forth basic information relating to our eleven newspaper partners:

<u>Newspaper</u>	<u>Geographical Coverage (Cities)</u>	<u>Total Population Coverage <sup>(1)</sup></u>
• <b>Southeast Express</b> <sup>(2)</sup>	Fuzhou and Xiamen, Fujian Province	9.3 million
• <b>Lifestyle Express</b> <sup>(2)</sup>	Kunming, Yunnan Province	6.2 million
• <b>Shenyang Evening News</b> <sup>(2)</sup>	Shenyang, Liaoning Province	7.8 million
• <b>Modern Life Daily</b> <sup>(2)</sup>	Nanning, Beihai, Qinzhou and Guilin, Guangxi Zhuang Autonomous Region	16.7 million
• <b>Central Guizhou Morning Post</b> <sup>(2)</sup>	Anshun, Guiyang, Central Guizhou Economic Zone, Guizhou Province	6.5 million
• <b>Yan Zhao Metropolitan Newspaper Jidong Edition</b> <sup>(2)</sup>	Tangshan and Qinhuangdao, Hebei Province	10.2 million



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## SUMMARY

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<u>Newspaper</u>	<u>Geographical Coverage (Cities)</u>	<u>Total Population Coverage <sup>(1)</sup></u>
• <b>Southeast Business</b> <sup>(2)</sup>	Ningbo, Zhejiang Province	5.7 million
• <b>Jinhua Daily</b> <sup>(3)</sup> • <b>Jinhua Evening News</b> <sup>(2)</sup>	Jinhua, Zhejiang Province	4.6 million
• <b>Dalian Daily</b> <sup>(3)</sup>	Dalian, Liaoning Province	6.1 million
• <b>Changjiang Business</b> <sup>(2)</sup>	Wuhan, Hubei Province	8.6 million

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*Note:*

- (1) Total population coverage connotes the population of the main geographical distribution area of the respective newspaper; such information is derived from statistics published by the relevant city branch of the National Bureau of Statistics.
- (2) Type: Metropolitan daily newspaper
- (3) Type: CPC daily newspaper

During the Track Record Period, our newspaper advertising revenue accounted for approximately 73.8%, 86.9%, 80.3% and 75.3% of our total revenue, respectively. Our revenue from sales of advertising spaces in Southeast Express, Lifestyle Express and Shenyang Evening News, three of our newspaper partners, represented more than 70% of our newspaper advertising revenue and was the most predominant factor in our revenue growth during 2008 and 2009. In particular, revenue from sales of advertising spaces in the publication of our largest newspaper partner accounted for 19.0%, 26.4%, 21.9% and 21.7% of our total revenue during the Track Record Period, respectively.

Our cooperation contracts provide for different degrees of cooperation and we broadly divide them into two categories: comprehensive cooperation contracts and partial cooperation contracts. For comprehensive cooperation contracts, we obtain exclusive rights to operate all aspects of the newspaper's advertising business. For partial cooperation contracts, we have the right to sell newspaper's advertising spaces only in certain industries or for specific types of advertising. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our revenue from comprehensive cooperation contracts was RMB26.4 million, RMB280.8 million, RMB336.3 million and RMB163.3 million, respectively, accounting for 17.5%, 77.6%, 72.7% and 67.9% of our total revenue, while our revenue from partial cooperation contracts was RMB106.9 million, RMB62.6 million, RMB34.6 million and RMB22.3 million, respectively, accounting for 70.7%, 17.3%, 7.5% and 9.3% of our total revenue. The increases and decreases in revenue from our comprehensive cooperation contracts and partial cooperation contracts, respectively, were in line with our strategy to develop more comprehensive cooperation relationships with newspapers, which in certain cases resulted from the conversion of our partial cooperation contracts with certain newspaper partners into comprehensive cooperation arrangements.

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## SUMMARY

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The following table sets out a summary of these two types of cooperation arrangements:

### Comprehensive cooperation

Newspaper partners	Services
<ul style="list-style-type: none"><li>• Southeast Express</li><li>• Lifestyle Express</li><li>• Shenyang Evening News</li><li>• Modern Life Daily</li><li>• Central Guizhou Morning Post</li></ul>	<p>Exclusive right to operate all aspects of the advertising component of the newspaper's business, including selling all advertising spaces in its publication, providing selected content for inclusion in industry-specific weekly reviews and special editions to help attract advertisers, and organizing events</p> <p><i>Southeast Express and Lifestyle Express only</i></p> <ul style="list-style-type: none"><li>• Distribution consultation and management services</li><li>• Printing services</li><li>• Paid electronic dissemination of their publications</li></ul>

### Partial cooperation

Newspaper partners	Services
<ul style="list-style-type: none"><li>• Yan Zhao Metropolitan Newspaper Jidong Edition</li><li>• Southeast Business</li><li>• Jinhua Daily</li><li>• Jinhua Evening News</li><li>• Dalian Daily</li><li>• Changjiang Business</li></ul>	<p>Exclusive right to sell newspaper's advertising spaces to customers in certain industries or for specific types of advertisements</p>

Our advertising services are sold through direct sales to advertising customers across a wide spectrum of industries. We gradually adjusted our advertising rates upward over the Track Record Period in view of the increased standard publication prices set by our newspaper partners for advertisements placed with them. To better serve the individual needs and requirements of our customers, we have established local operations, and sales and service teams in each city in which we operate. Our local teams are managed through our centralized management system. We have also classified our customers by industry and set up dedicated sales and marketing teams to be responsible for specific industries. They are staffed by qualified personnel with experience in almost all aspects of our business including sales and marketing, customer service, advertisement design, and content planning and provision, which we believe helps us deliver high-quality customized service solutions.

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## SUMMARY

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During the Track Record Period, we experienced rapid growth in revenue and profit. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our revenue was RMB151.2 million, RMB361.7 million, RMB463.0 million and RMB240.7 million, respectively, and our profit was RMB32.2 million, RMB79.2 million, RMB140.8 million and RMB71.6 million, respectively, representing a CAGR of 75.0% and 109.1% between 2007 and 2009, respectively.

### OUR COMPETITIVE STRENGTHS

We believe our historical success and future prospects are underpinned by a combination of competitive strengths, including:

- Distinctive business model as a provider of integrated print media services through our exclusive partnerships with newspapers
- Cross-province print media network and proprietary data management and control system
- First mover advantage in developing our cross-province operations
- Significant cost advantages from partnership with newspapers and maintenance of full-scale operations, sales and service teams with localized expertise
- Diversified customer base that generates repeat business
- Experienced senior management team

### OUR STRATEGIES

Our business objective is to continue to be a rapidly growing and profitable integrated print media services company, and expand successfully into new media. To this end, we plan to carry out or are in the process of carrying out the following strategies:

- Enhance our market position as an integrated print media service provider
- Expand into new markets in the PRC, and develop relationships with new newspaper partners, to implement our proven business model
- Explore diversification into advertising services focusing on television or other media
- Increase revenue from our digital media services
- Retain existing employees and recruit additional talented personnel
- Grow through making acquisitions of existing operations and forming joint ventures with new strategic partners

## SUMMARY

### SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables set forth summary consolidated financial information of our Group. We have extracted the audited consolidated financial information for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 from the Accountant's Report in Appendix I to this prospectus. The summary consolidated financial information should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements set forth in the Accountant's Report in Appendix I to this prospectus, including the related notes.

#### Consolidated Statements of Comprehensive Income

	Year ended December 31,			Six months ended	
	2007	2008	2009	June 30, 2009	2010
	(Unaudited)				
	(RMB in millions)				
Revenue . . . . .	151.2	361.7	463.0	198.3	240.7
Cost of sales . . . . .	(92.1)	(231.5)	(243.1)	(100.3)	(118.9)
<b>Gross profit</b> . . . . .	<b>59.1</b>	<b>130.2</b>	<b>219.9</b>	<b>98.0</b>	<b>121.8</b>
Selling and marketing expenses . . . . .	(7.6)	(16.7)	(22.6)	(9.6)	(12.0)
General and administrative expenses . . . . .	(16.6)	(32.0)	(34.8)	(16.2)	(26.2)
Other income . . . . .	5.8	12.4	6.1	2.3	5.2
<b>Operating profit</b> . . . . .	<b>40.7</b>	<b>93.9</b>	<b>168.6</b>	<b>74.5</b>	<b>88.8</b>
Finance income . . . . .	0.4	0.2	0.1	0.0	0.1
Finance costs . . . . .	(3.9)	(3.0)	(3.3)	(1.7)	(1.1)
Finance costs - net . . . . .	(3.5)	(2.8)	(3.2)	(1.7)	(1.0)
<b>Profit before income tax</b> . . . . .	<b>37.2</b>	<b>91.1</b>	<b>165.4</b>	<b>72.8</b>	<b>87.8</b>
Income tax expenses . . . . .	(5.0)	(11.9)	(24.6)	(10.1)	(16.2)
<b>Profit for the year</b> . . . . .	<b>32.2</b>	<b>79.2</b>	<b>140.8</b>	<b>62.7</b>	<b>71.6</b>
Other comprehensive income . . . . .	—	—	—	—	—
<b>Total comprehensive income for the year</b> . .	<b>32.2</b>	<b>79.2</b>	<b>140.8</b>	<b>62.7</b>	<b>71.6</b>
<b>Profit/(loss) attributable to:</b>					
- Equity holders of the Company . . . . .	31.6	79.7	140.8	62.7	71.6
- Non-controlling interests . . . . .	0.6	(0.5)	(0.0)	(0.0)	(0.0)
	<b>32.2</b>	<b>79.2</b>	<b>140.8</b>	<b>62.7</b>	<b>71.6</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
- Equity holders of the Company . . . . .	31.6	79.7	140.8	62.7	71.6
- Non-controlling interests . . . . .	0.6	(0.5)	(0.0)	(0.0)	(0.0)
	<b>32.2</b>	<b>79.2</b>	<b>140.8</b>	<b>62.7</b>	<b>71.6</b>
Dividends . . . . .	17.2	—	—	—	—

## SUMMARY

### Consolidated Balance Sheets

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	39.3	37.9	34.5	42.6
Intangible assets . . . . .	0.1	4.3	3.8	3.5
Deposits to newspaper publishers . . . . .	60.0	60.0	60.0	60.0
	<u>99.4</u>	<u>102.2</u>	<u>98.3</u>	<u>106.1</u>
<b>Current assets</b>				
Inventories . . . . .	11.9	2.0	4.0	4.3
Assets held for sale . . . . .	5.8	18.5	22.9	31.5
Trade and bill receivables . . . . .	52.5	114.6	154.3	212.2
Prepayments, deposits and other receivables . . . . .	66.6	93.7	145.8	182.0
Amounts due from immediate holding company . . . . .	—	3.6	12.9	15.1
Amounts due from related parties . . . . .	0.6	19.3	20.8	18.4
Restricted cash . . . . .	3.2	—	—	—
Cash and cash equivalents . . . . .	5.7	10.7	40.6	190.1
	<u>146.3</u>	<u>262.4</u>	<u>401.3</u>	<u>653.6</u>
<b>Total assets</b> . . . . .	<u>245.7</u>	<u>364.6</u>	<u>499.6</u>	<u>759.7</u>
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the Company</b>				
Share capital . . . . .	—	—	—	48.3
Share premium . . . . .	—	—	—	190.9
Capital reserves . . . . .	58.1	62.1	62.1	60.4
Share option reserves . . . . .	—	—	—	2.1
Statutory reserves . . . . .	2.9	9.3	19.0	22.7
Retained earnings . . . . .	15.7	89.1	220.2	288.2
	<u>76.7</u>	<u>160.5</u>	<u>301.3</u>	<u>612.6</u>
Non-controlling interests . . . . .	1.1	0.5	0.5	0.5
<b>Total equity</b> . . . . .	<u>77.8</u>	<u>161.0</u>	<u>301.8</u>	<u>613.1</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables . . . . .	26.6	26.3	3.7	5.6
Other payables and accrued expenses . . . . .	27.7	40.2	56.4	52.5
Current income tax liabilities . . . . .	4.7	11.4	28.1	34.1
Borrowings . . . . .	65.9	49.6	47.3	35.0
Amounts due to directors . . . . .	4.5	6.7	1.4	1.1
Amounts due to related parties . . . . .	38.5	69.4	60.9	18.4
	<u>167.9</u>	<u>203.6</u>	<u>197.8</u>	<u>146.6</u>
<b>Total liabilities</b> . . . . .	<u>167.9</u>	<u>203.6</u>	<u>197.8</u>	<u>146.6</u>
<b>Total equity and liabilities</b> . . . . .	<u>245.7</u>	<u>364.6</u>	<u>499.6</u>	<u>759.7</u>
<b>Net current (liabilities)/assets</b> . . . . .	<u>(21.6)</u>	<u>58.8</u>	<u>203.5</u>	<u>507.0</u>
<b>Total assets less current liabilities</b> . . . . .	<u>77.8</u>	<u>161.0</u>	<u>301.8</u>	<u>613.1</u>

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## SUMMARY

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### DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. Subject to the Cayman Companies Law and Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends may exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium. The Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient. All of the Shareholders have equal rights to dividends and distributions in the form of stock, cash or otherwise. The Board will review our dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial conditions;
- our shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors the Board may deem relevant.

Our Company was incorporated on December 9, 2009 and no dividend has been declared or paid by our Company as of the Latest Practicable Date.

As a holding company, our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiaries in China. In particular, our PRC subsidiaries may pay dividends only out of their accumulated distributable profits, if any, determined in accordance with their articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, our PRC subsidiaries are required to set aside a certain amount of their accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. There can be no assurance that dividends of any amount will be declared or distributed in any year. Please refer to the section headed "Financial Information — Dividend Policy" in this prospectus for more details.

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## SUMMARY

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### PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2010

Barring unforeseen circumstances, and based on the bases set out in Appendix III to this prospectus, the Directors estimate that the consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010 is estimated to be not less than RMB159.7 million.

All statistics in the following table are based on the assumption that the Over-allotment Option is not exercised.

Forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010 <sup>(1)</sup> . . . . .	not less than RMB159.7 million (HK\$186.1 million)
Unaudited pro forma forecast earnings per Share for the year ending December 31, 2010 <sup>(2),(3)</sup> . . . . .	not less than RMB0.219 (HK\$0.255)

*Notes:*

- (1) The forecast consolidated profit attributable to our equity holders for the year ending December 31, 2010 is extracted from the section headed “Financial Information — Profit Forecast For The Year Ending December 31, 2010” in this prospectus. The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are summarized in Appendix III to this prospectus. Our Directors have prepared the forecast consolidated profit attributable to our equity holders for the year ending December 31, 2010 based on our audited consolidated results for the six months ended June 30, 2010, the unaudited consolidated results based on management accounts for the three months ended September 30, 2010, and a forecast of our consolidated results for the remaining three months ending December 31, 2010. The profit forecast has been prepared on a basis consistent in all material respects with our accounting policies presently adopted as set out in Note 2 of Section II of the accountant’s report of our Company, the text of which is set out in Appendix I to this prospectus.
- (2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to equity holders for the year ending December 31, 2010, on the basis that 732,165,121 Shares were in issue assuming that the Global Offering has been completed on January 1, 2010 but takes no account of any shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (3) Forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010 and unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.1656.

### OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	<u>Based on</u> <u>Offer Price of HK\$3.03</u>	<u>Base on</u> <u>Offer Price of HK\$4.61</u>
Market capitalization of our Shares <sup>(1)</sup> . . . . .	HK\$2,218 million	HK\$3,375 million
Prospective price earnings multiples calculated based on:		
— Unaudited pro forma earnings per Share <sup>(2)</sup> . . . . .	11.88 times	18.08 times
Unaudited pro forma adjusted consolidated net tangible asset value per Share <sup>(3)</sup> . . . . .	RMB1.360 (HK\$1.585)	RMB1.680 (HK\$1.958)



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## SUMMARY

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*Notes:*

- (1) The calculation of market capitalization is based on 732,165,121 Shares expected to be in issue following the Global Offering but takes no account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme.
- (2) The calculation of the prospective price-earning multiple is based on unaudited pro forma earnings per Share for the year ending December 31, 2010 of RMB0.219 (HK\$0.255) per Share as set out in the section headed “Unaudited pro forma forecast earnings per Share” in Appendix II to this prospectus at Offer Prices of HK\$3.03 and HK\$4.61 per Offer Share, respectively.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments as set out in note 2 to the section headed “Unaudited pro forma adjusted net tangible assets” in Appendix II to this prospectus and on the basis that 732,165,121 Shares were in issue assuming the Global Offering had been completed on June 30, 2010, but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the options granted under our 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme. The unaudited pro forma adjusted consolidated net tangible asset per Share is converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.1656.

### FUTURE PLANS

Our business objective is to continue to be a rapidly growing and profitable integrated print media services company, and expand successfully into new media. Our specific future plans are as follows:

- **Enhance our market position as an integrated print media service provider.** We intend to enhance our market position by (i) increasing our advertising customer base by enhancing the breadth and depth of our design and content planning teams, increasing the quality and range of the value-added services that we can offer to these customers and to implement MAITS in all cities in which we operate; and (ii) expanding the relationships we have with newspaper partners by expanding our operations with the six newspaper partners that we have partial cooperation by providing content relevant to each newspaper’s editorial focus, and conducting more research to understand each newspaper’s circulation characteristics and targets.
- **Expand into new markets in the PRC, and develop relationships with new newspaper partners.** We plan to expand into cities in the PRC’s Bohai Bay and Beibu Bay areas, the Northeast and Central regions, as well as the Southeast coastal region where consumer spending, demographics or other metrics indicate that our business model is likely to be successful. We also expect to develop relationships by entering into long term cooperation contracts with potential newspaper partners that we believe can enhance our current market position in the PRC while providing an attractive return on investment.
- **Explore diversification into advertising services focusing on television or other media.** We intend to explore opportunities to become an integrated media services provider by diversifying our advertising services business away from newsprint paper into other media, including television.

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## SUMMARY

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- **Increase revenue from our digital media services.** We are expanding the content, functions and features available on our website *www.duk.cn*, including hosting content from a variety of new sources, and aiming to make the website attractive to a younger demographic segment that are used to getting their news and other information online rather than through newspapers. Further, we intend to replicate the exclusive partnerships we have with our newspaper partners for the newspapers, magazines and other publications hosted on our website, so that we are able to offer to advertisers a suite of digital media advertising services similar to our print media services.

We plan to introduce upgraded versions of our online publication software to newspapers, publishing houses, advertisers and other customers interested in commissioning us to create electronic versions of their publications such as coffee table books and newsletters. We also intend to develop mobile applications for our website *www.duk.cn* and the newspapers, magazines, novels and advertisements we host electronically.

- **Recruit additional talented personnel.** We plan to focus on recruiting additional employees for our creative and service teams. We intend to improve our incentive schemes and to provide successful employees with better advancement opportunities. We intend to invest in educational and training programs. In addition to offering market competitive packages to potential employees, we seek to further enhance our corporate culture and growth as we believe this is key to our continued success in attracting new talent.
- **Grow through making acquisitions of existing operations and forming joint ventures with new strategic partners.** In addition to seeking organic growth, we intend to grow our business by evaluating selective acquisition opportunities and opportunities to enter into joint ventures with strategic partners. We plan to selectively acquire niche players whose businesses, products and sales networks are complementary to ours, thereby expanding the portfolio and geographic scope of services we offer to our customers. In particular, we expect to target local print media companies with quality service teams and strong customer resources for acquisitions.

Please refer to the section headed “Business — Our Strategies” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$3.82 per Share (which is the mid-point of the indicative Offer Price range), we estimate that we will receive net proceeds of approximately HK\$587.3 million from the Global Offering after deducting the underwriting commissions and other estimated expenses payable by us, if the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds to us from the offering of these additional Shares will be approximately HK\$99.1 million, after deducting the underwriting commissions and other estimated expenses payable by us, assuming an Offer Price of HK\$3.82 per Share.

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## SUMMARY

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In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 30%, or HK\$176.2 million, to be used in relation to entering into long-term cooperation agreements with new newspaper partners primarily located in second-tier cities in the Bohai Bay and Beibu Bay areas, Northeast region, Central region and Southeast coastal region of the PRC. We estimate that approximately 50% or HK\$88.1 million of such funds will be used to pay deposits upon entering into agreements with these new partners, 45% or HK\$79.3 million will be used to cover print media fees for our purchase of advertising spaces in their publications and 5% or HK\$8.8 million will be used as general working capital to cover additional office and operating expenses arising from these new relationships. Please refer to the section headed “Business — Our Strategies” for more details;
- approximately 30%, or HK\$176.2 million, to be used to expand into other media complementary with our current print media services business by entering into new cooperation contracts with television stations, radio stations or other media service providers, such as internet website operators, mobile phone service providers or outdoor advertisement providers, that are similar to our current cooperation with Nanning Television Station and Dalian Television Station. We estimate that approximately 40% or HK\$70.4 million of such funds will be used for our new cooperation with television stations, 30% or HK\$52.9 million for radio stations and 30% or HK\$52.9 million for other media service providers. Similar to the arrangements with our new newspaper partners, we estimate that approximately 50% or HK\$88.1 million of the funds will be used to pay deposits upon entering into agreements with these new partners. Please refer to “Explore diversification into advertising services focusing on television or other media” under the section headed “Business — Our Strategies” for more details;
- approximately 20%, or HK\$117.5 million, to be used to undertake selective acquisitions and joint ventures. Please refer to “Grow through making acquisitions of existing operations and forming joint ventures with new strategic partners” under the section headed “Business — Our Strategies” for more details;
- approximately 10%, or HK\$58.7 million, to be used to enhance our print media services business through increasing the quality of our services and deepening our relationships with our media partners. Please refer to the section headed “Business — Our Strategies” for more details; and
- approximately 10%, HK\$58.7 million, to be used for our working capital requirements.

The allocation of the net proceeds used for the above purposes will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range. Assuming the Over-allotment Option is not exercised, if the Offer Price is fixed at HK\$4.61 per Share, being the high end of the Offer Price range, the net proceeds will be increased by approximately HK\$136.6 million. In such circumstances, we presently intend to use such additional proceeds to increase the net proceeds applied to the same purposes above (other than as general working capital) on a pro rata basis. If the Offer Price is fixed at HK\$3.03 per Share, being the low end of the Offer Price range, the net proceeds will be decreased by approximately HK\$136.6 million. In such circumstances, we presently intend to reduce the net proceeds applied to our general working capital.

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## SUMMARY

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In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$99.1 million (assuming the Offer Price is determined at the mid-point of the Offer Price range), approximately HK\$119.6 million (assuming the Offer Price is determined at the high end of the stated Offer Price range) or approximately HK\$78.6 million (assuming the Offer Price is determined at the low end of the stated Offer Price range) will be applied by our Company for the same above purposes (other than as general working capital) on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, our Directors currently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong or the PRC.

### RISK FACTORS

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering.

In particular, we rely on our exclusive cooperation contracts with newspaper partners for a substantial majority of our revenue. As a provider of integrated media services, our main source of income is the fees generated from our provision of advertising spaces and services to customers through our arrangements with our newspaper partners. As such, we face risks relating to potential adverse changes in our business relationships with these newspapers, including their termination of or refusal to renew our exclusive cooperation contracts. We may not be able to find a substitute newspaper or other media partner with the same strategic importance to our operations, or, where we are able to find such a substitute, enter into a similar contractual arrangement with such replacement partner on commercially acceptable terms, in a timely manner, or at all.

We are also subject to credit risk in respect of our accounts receivable. We generally grant to our advertising customers a credit period ranging from one month to one year after the publication of the relevant advertisements. The length of the credit period we grant to our customers varies by industry and is determined with reference to the credit periods granted by our competitors. Longer credit periods are generally extended to our long-term customers, large customers with national brand names as well as online services customers. As our distribution consultation and management and printing services are provided only to Southeast Express and Lifestyle Express pursuant to our 30-year cooperation contracts with them, they are granted our maximum credit period of one year. In addition, we have extended longer credit periods to advertising customers who were affected by the global financial crisis that began in 2008 and experienced financial difficulties, causing delays in payments to us, which exposes us to credit risk in connection with trade and other receivables due from such customers. Combined with increases in sales to large customers, online services customers and long term customers with whom we have established relationships, our trade receivables past due for more than 90 days have increased over the Track Record Period. Should such customers or any of our other customers fail to settle relevant receivables in full or there is a change in their payment policies resulting in a longer settlement period for the amount due, our business, financial condition, results of operations and profitability could be materially and adversely affected. Please refer to the paragraph headed “We are subject to credit risk in respect of our accounts receivable” under the section “Risk Factors” in this prospectus for more details.

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## SUMMARY

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Further, we face risks relating to our contractual arrangements with certain real estate advertising customers under which we accept rights to sell certain units in their properties as consideration for the advertising services we provide to them and take the proceeds as compensation. In these circumstances, we recognize revenue from the sale of advertising services upon our obtaining the contractual rights to sell the relevant properties. We recognized such revenue from the relevant real estate customers in the amount of RMB6.6 million, RMB23.1 million, RMB13.0 million and RMB3.9 million for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively, which accounted for 4.4%, 6.4%, 2.8% and 1.6% of our total revenue during those periods, respectively. We had assets held for sale of RMB5.8 million, RMB18.5 million, RMB22.9 million and RMB31.5 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. We do not obtain legal title to the properties under these contractual arrangements. As our rights to sell the relevant properties are merely contractual and the titles to the properties remain with the property developers, we rely on the cooperation of the property developers in selling these properties. In the event the property developer refuses to cooperate or there are fluctuations in housing prices due to volatility in the property market, we may not be able to sell the properties or achieve our desired prices. This may have a material and adverse effect on our results of operations and financial condition.

### **Risks relating to our business**

- We may not be able to sustain the business growth or the profit margins that we experienced during the Track Record Period.
- We rely on exclusive contracts with our newspaper partners for our provision of integrated print media services to advertisers, including the sale of advertising spaces to them, from which we derive a substantial majority of our revenue.
- The exclusive contracts we enter into with our newspaper partners require substantial initial capital commitments and may not generate the intended revenue or profits.
- We rely on contractual arrangements with Beijing HongXinTu and its shareholders for our media operations.
- We may face the risk of penalties and sanctions for our lack of an Internet publication license.
- Our results of operations may be affected by advertising trends and increasing competition in the media advertising industry in the PRC.
- We have a limited operating history in the newly developed components of our business model.
- We rely on our senior management and our sales and marketing teams.
- Our results of operations may be adversely affected if we fail to retain and hire qualified personnel at acceptable cost.

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## SUMMARY

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- We are subject to fluctuations in the demand for our customers' products and services, and their advertising budgets.
- We are dependent on external financing for the expansion of our business and other corporate needs.
- If we fail to manage our liquidity situation carefully, our results of operations and financial condition may be materially and adversely affected.
- We are subject to credit risk in respect of our accounts receivable.
- We rely on intellectual property rights protection.
- We may infringe on the intellectual property rights of third parties.
- We may be involved in litigation, which could be expensive and divert the attention and resources of our management.
- Our insurance coverage may not be sufficient to address actual losses arising from the risks associated with our business operations.
- Our leased properties in the PRC may be subject to legal irregularities.
- We do not have legal titles to any of the properties given to us by certain of our real estate industry advertising customers in payment of our advertising fees and rely on our contracts with them for the rights to sell such properties, the prices of which are subject to the volatility of the property market, and to obtain relevant proceeds.
- We may be subject to fines imposed by relevant PRC authorities for placement of inappropriate advertisements in the advertising spaces which we have obtained from our newspaper partners.

### **Risks associated with our industry**

- We are subject to PRC media industry regulations and policies.
- The PRC advertising industry is still at an early stage of development, and further development of the different forms of media in the PRC advertising market may pose threats to our business.
- The digital media industry is a relatively new market and our newly established Internet media platform may not be profitable in the future.

### **Risks associated with the PRC**

- Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes in which we may become involved.

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## SUMMARY

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- Our results of operations and financial condition are highly susceptible to changes in the PRC's political, economic and social conditions.
- A slowdown in the Chinese economy may have a material and an adverse effect on our results of operations and financial condition.
- The treatment of our companies for PRC enterprise income tax purposes is unclear.
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax law.
- The outbreak of any communicable disease in the PRC, if uncontrolled, could affect our financial performance and prospects.
- Restrictions imposed by the PRC Government on currency conversion and exchange rate fluctuation may limit our ability to remit dividends and affect our business.
- Enforcement in the PRC of judgments obtained from non-PRC courts may be difficult.
- PRC regulation of direct investments and loans by offshore holding companies to PRC entities may delay or limit our ability to use the proceeds of the Global Offering to make additional capital contributions or loans to our PRC operating businesses.
- The PRC Labor Contract Law may cause our labor costs to increase and we may be liable for fines and penalties for any material breach of this law.

### **Risks relating to the Global Offering**

- There has been no prior public market for our Shares.
- The market price of our Shares may be volatile.
- You will experience immediate dilution and may experience further dilution if we allot and issue additional Shares in the future.
- Future sales or transfers by our Directors, officers or current Shareholders of a substantial number of our Shares could materially and adversely affect the market price of our Shares.
- There can be no assurance regarding the accuracy of the statistics and industry information that are derived from various sources.
- There are risks associated with forward-looking statements contained in this prospectus.
- We are incorporated under Cayman Islands law and Cayman Islands law may not offer the same protections to minority shareholders as the laws of other jurisdictions.



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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below:*

“2010 Share Option Scheme” . . . .	The share option scheme we adopted pursuant to a resolution passed by our Shareholders on February 26, 2010 as described in the section headed “Statutory and General Information — Other Information — 2010 Share Option Scheme” in Appendix VI to this prospectus
“affiliates” . . . . .	With respect to any person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person
“Acquisition” . . . . .	The acquisition of Olympia Media by China TopReach pursuant to the Olympia Sale and Purchase Agreement
“Adoration Management” . . . . .	Adoration Management Limited, a company incorporated under the laws of the BVI on January 2, 2008 which is wholly-owned by Mr. Chen Zi Quan, one of the members of our management
“Aotian Holdings” . . . . .	Aotian Holdings Ltd., a company incorporated under the laws of the BVI on January 2, 2008, which is owned as to 50.0% by Ms. Lv Ying and 50.0% by Ms. Shi Chan Juan
“Application Form(s)” . . . . .	WHITE, YELLOW and GREEN application form(s), or where the context so requires, any of them
“Articles of Association” or “Articles” . . . . .	The articles of association of our Company, conditionally adopted on November 8, 2010 and as amended from time to time
“associate(s)” . . . . .	Has the meaning ascribed thereto under the Listing Rules
“Beijing BaiChuanDuKe” . . . . .	北京百傳讀客科技有限公司 (Beijing BaiChuanDuKe Science and Technology Co., Ltd.*), a company incorporated in the PRC on November 14, 2006 with limited liability whose entire registered capital is held by Beijing HongXinTu and an indirect wholly-owned subsidiary of our Company
“Beijing HanDing” . . . . .	北京漢鼎廣告有限公司 (Beijing HanDing Advertisement Co., Ltd.*), a joint venture enterprise with the territory of Taiwan, Hong Kong and Macao established in the PRC on August 8, 2007 with limited liability, whose registered capital is owned as to 70.0% by Gloria Fair and 30.0% by Beijing HongXinTu and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Beijing HongXinTu” . . . . .	北京鴻馨圖文化傳播有限公司 (Beijing HongXinTu Culture Communication Co., Ltd.*), a company incorporated in the PRC on July 2, 2004 with limited liability, whose registered capital is owned as to 45.0% by Mr. Qiang Yi Bin, 27.0% by Ms. Lin Yu Lin, 18.0% by Mr. Zhang Jin Gui and 10.0% by Mr. Chen
“Beijing HongXinTu Group” . . . .	Beijing HongXinTu and its subsidiaries
“Beijing LianDiHengXing” . . . . .	北京聯迪恒星科技有限公司 (Beijing LianDiHengXing Science and Technology Co., Ltd.*), a company incorporated in the PRC with limited liability on April 30, 2005, which is an indirect wholly-owned subsidiary of Sun Japan Corporation
“Beijing XinMin” . . . . .	北京新民投資有限公司 (Beijing XinMin Investment Co. Ltd*), a company incorporated in the PRC with limited liability on May 21, 2002, which is owned by Zhang Tian Guo and 北京碧城工程技術開發有限公司 (Beijing Bicheng Engineering and Technology Development Co., Ltd.*) as to 80% and 20%, respectively
“Beijing YuanTai” . . . . .	北京遠泰投資有限公司 (Beijing YuanTai Investment Co. Ltd*), a company incorporated in the PRC with limited liability on September 12, 2001, which is owned by Luo Da Qing, Han Fu Long, Xiong Lei Huan, Yang Guo You and Bao Zhen Xiang as to 22.5%, 22.5%, 22.5%, 22.5% and 10%, respectively
“Best Eagle” . . . . .	Best Eagle Holdings Limited, a company incorporated in the BVI, which is owned as to 57% and 43% by two individuals who are Independent Third Parties
“Blazing Sun” . . . . .	Blazing Sun Holdings Ltd., a company incorporated under the laws of the BVI on January 2, 2008, which is wholly-owned by Mr. Hong
“Board” . . . . .	The board of Directors
“Bond Subscription Agreement” . .	The agreement dated January 6, 2010 entered into between (i) Mr. Chen; (ii) Mr. Hong; (iii) TopBig International; (iv) Blazing Sun; (v) Keep Profit; (vi) China TopReach; (vii) our Company; (viii) Olympia Media; (ix) Sinochem Europe Capital; (x) CCBI Asset Management; and (xi) Topson Investments, in relation to the subscription of the convertible bonds of an aggregate principal amount of US\$25,000,000, which has been terminated pursuant to a termination deed entered into under the Share Subscription Agreement

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## DEFINITIONS

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“Business Day” . . . . .	Any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are open generally for normal banking business
“BVI” . . . . .	British Virgin Islands
“Cayman Companies Law” . . . . .	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCBI” . . . . .	CCB International Capital Limited, which is licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO
“CCBI Asset Management” . . . . .	CCB International Asset Management Limited, a company incorporated under the laws of Hong Kong
“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
“CCASS Investor Participant” . . . . .	A person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant” . . . . .	A CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China Science” . . . . .	China Science & Kingwin (HK) Investment Management Limited, a company incorporated under the laws of Hong Kong with limited liability with Mr. Wang Ping, our non-executive Director, as one of its directors; China Science is wholly-owned by Shenzhen China Science & Kingwin Venture Capital Co., Ltd, a company that is in turn owned by a group of individuals including, among others, Mr. Wang Ping as to 63.0%.
“China TopReach” . . . . .	China TopReach Inc., a company incorporated under the laws of the Cayman Islands on May 3, 2006, which is formerly known as ChinaGrowth South Acquisition Corporation and is a Controlling Shareholder
“China TopReach Group” . . . . .	China TopReach and its subsidiaries

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## DEFINITIONS

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“China TopReach Shares” . . . . .	Ordinary shares of US\$0.001 each in China TopReach
“Chongqing ShiFang” . . . . .	重慶十方文化傳播有限公司 (Chongqing ShiFang Culture Communication Co., Ltd.*), a company incorporated in the PRC on January 19, 2006 with limited liability and a wholly-owned subsidiary of our Company
“CMS” . . . . .	China Merchants Securities (HK) Co., Limited, which is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Companies Ordinance” . . . . .	The Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “we” or “us” . . . . .	ShiFang Holding Limited (十方控股有限公司), a company incorporated in the Cayman Islands on December 9, 2009 with limited liability
“Concerted Party Agreement” . . . . .	The concerted party agreement dated December 1, 2007 entered into between Mr. Zhang Jin Gui, Ms. Lv Ying, Ms. Shi Chan Juan, Mr. Chen Zi Quan, Ms. Qiang Pei Ying, Mr. Lin Yu Tong, Mr. Chen, Mr. Yu Shi Quan, Mr. Li Gang, Mr. Xu Kai Ning and Index Asia, pursuant to which they agreed to use Olympia Media as the holding company of the major PRC subsidiaries (including Fujian ShiFang and Beijing HongXinTu) of our Group
“Connected Person(s)” . . . . .	Has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)” . . . . .	Has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means China TopReach, TopBig International, Blazing Sun, Luck Smart, Adoration Management, Keep Profit, Aotian Holdings, Ms. Lv Ying, Ms. Shi Chan Juan, Mr. Chen Zi Quan, Mr. Hong, Mr. Lin Yu Tong, Mr. Chen, Mr. Yu Shi Quan, Mr. Li Gang, Mr. Xu Kai Ning, Ms. Zheng Shou Ling (the spouse of Mr. Chen) and Ms. Zu Yue Yu (the spouse of Mr. Yu Shi Quan)
“CPC” . . . . .	The Communist Party of China
“Dalian ShiFang” . . . . .	大連十方傳媒有限公司 (Dalian ShiFang Media Co., Ltd.*), a company incorporated in the PRC on February 8, 2007 with limited liability and a wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Director(s)” . . . . .	The director(s) of our Company
“DongKuai (Fuzhou)” . . . . .	東快(福州)投資諮詢服務有限公司 (Dongkuai (Fuzhou) Investment Consultancy Services Co., Ltd.*), a company incorporated in the PRC on July 13, 2007 with limited liability and a wholly-owned subsidiary of our Company
“EIT Law” . . . . .	《中華人民共和國企業所得稅法》(The Enterprise Income Tax Law of the PRC), as amended, supplemented or otherwise modified from time to time
“Equity Pledge Agreement” . . . . .	The equity pledge agreement dated July 1, 2008 entered into between Fujian ShiFang, Beijing HongXinTu, Mr. Zhang Jin Gui, Mr. Chen, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, being all of Beijing HongXinTu’s equity holders, pursuant to which each of the equity holders of Beijing HongXinTu has pledged all of its equity interests in Beijing HongXinTu to Fujian ShiFang to guarantee the repayment of the loan under the Loan Agreement and the payment of the service fees under the Services Agreement
“Exclusive Purchase Option Agreement” . . . . .	The exclusive purchase option agreement dated July 1, 2008, entered into between Fujian ShiFang, Beijing HongXinTu, Mr. Zhang Jin Gui, Mr. Chen, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, pursuant to which each of the equity holders of Beijing HongXinTu has irrevocably and unconditionally granted Fujian ShiFang or its designee(s) an exclusive option to purchase, at any time if and when permitted under PRC laws, all or any portion of the equity interests in Beijing HongXinTu at the lowest price permissible under PRC laws
“Fujian ShiFang” . . . . .	福建十方文化傳播有限公司 (Fujian ShiFang Culture Communication Co., Ltd.*), a company established in the PRC on November 1, 2000 with limited liability and a wholly-owned subsidiary of our Company
“Fujian ShiFang Group”. . . . .	Fujian ShiFang and its subsidiaries
“Fujian ShiFang Investment” . . . . .	福建十方投資有限公司 (Fujian ShiFang Investment Co. Ltd.*), a company incorporated in the PRC on October 18, 1997 with limited liability, which is owned by Ms. Zheng Shou Ling, Ms. Gao Xiao Chen and Mr. Lin Zhong as to 34%, 33% and 33%, respectively
“Fujian ZhiYuan”. . . . .	福建之緣傳媒有限公司 (Fujian ZhiYuan Media Co., Ltd.*), a company incorporated in the PRC on September 3, 2002 with limited liability and a wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Fuzhou AoHai” . . . . .	福州奧海廣告有限公司 (Fuzhou AoHai Advertisement Co., Ltd.*), a company incorporated in the PRC on February 19, 2008 with limited liability and a wholly-owned subsidiary of our Company
“Fuzhou DongKuai” . . . . .	福州東快傳媒有限公司 (Fuzhou DongKuai Media Co., Ltd.*), a company incorporated in the PRC on June 9, 2005 with limited liability and a wholly-owned subsidiary of our Company
“Fuzhou HanDing” . . . . .	福州漢鼎網絡科技有限公司 (Fuzhou HanDing Network Science & Technology Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC on April 30, 2008 with limited liability and a wholly-owned subsidiary of our Company
“Fuzhou HongXinTu” . . . . .	福州鴻馨圖印務有限公司 (Fuzhou HongXinTu Printing Co., Ltd.*), a company incorporated in the PRC on September 21, 2006 with limited liability, whose registered capital is owned as to 51.0% by Beijing HongXinTu and 49.0% by Hung Hing To (BVI) and an indirect wholly-owned subsidiary of our Company
“Fuzhou KaiFaQu” . . . . .	福州開發區十方科技發展有限公司 (Fuzhou KaiFaQu ShiFang Technology Development Co., Ltd.*), a company incorporated in the PRC on August 27, 2001 with limited liability, whose registered capital is owned by an Independent Third Party
“GAPP” . . . . .	General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署), the administrative agency responsible for regulating the distribution of news, print and internet publications in China
“General Mandate” . . . . .	The general unconditional mandate granted to the Directors to allot, issue and deal with the Shares, as described in the section headed “Share Capital — General Mandate to Issue New Shares” in this prospectus
“Global Offering” . . . . .	The Hong Kong Public Offering and the International Offering
“Gloria Fair” . . . . .	Gloria Fair Limited (漢鼎有限公司), a company incorporated under the laws of Hong Kong on November 2, 2001 with limited liability and a wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Green Application Form(s)” . . .	The Application Form(s) to be completed by the HK eIPO White Form Service Provider
“Group” . . . . .	Our Company and our subsidiaries or, where the context refers to any time prior to its establishment, the businesses which our Company’s predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by our Company pursuant to the Reorganization in contemplation of the Global Offering
“Guizhou ShiFang” . . . . .	貴州十方漢鼎傳媒有限公司 (Guizhou ShiFang Handing Media Co., Ltd.*), a company incorporated in the PRC on October 20, 2010 with limited liability and a wholly-owned subsidiary of our Company
“HK eIPO White Form” . . . . .	The application form for the Hong Kong Offer Shares to be allotted and issued in the applicant’s own name by submitting applications online through the designated website at <b><u>www.hkeipo.hk</u></b>
“HK eIPO White Form Service Provider” . . . . .	The Bank of East Asia Limited
“HKSCC” . . . . .	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees” . . . . .	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” . . . . .	The Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” . . . . .	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares” . . . . .	The Offer Shares offered in the Hong Kong Public Offering
“Hong Kong Public Offering” . . .	The offer for subscription of Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Branch Share Registrar” . . . . .	Tricor Investor Services Limited



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## DEFINITIONS

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“Hong Kong Underwriters” . . . . .	The underwriters listed in the section headed “Underwriting - Hong Kong Underwriters” in this prospectus being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement” . . . . .	The underwriting agreement relating to the Hong Kong Public Offering entered into among us, the Controlling Shareholders, the Sole Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners and the Hong Kong Underwriters on November 19, 2010
“Hung Hing To (BVI)” . . . . .	Hung Hing To Publishing Limited (鴻馨圖總發行有限公司), a company incorporated under the laws of the BVI on December 13, 2005 and a wholly-owned subsidiary of our Company
“IFRS” . . . . .	International Financial Reporting Standards
“Independent Third Parties” . . . . .	Individuals or companies who/which are independent of and not connected with any of our Company’s Connected Persons
“Index Asia” . . . . .	Index Asia Pacific Limited, a company incorporated under the laws of Hong Kong on February 25, 2005
“International Offer Shares” . . . . .	The Offer Shares offered pursuant to the International Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) and the Over-allotment Option
“International Offering” . . . . .	The offer of International Offer Shares to professional, institutional and other investors, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters” . . . . .	The group of underwriters, led by the Sole Global Coordinator, which is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement” . . . . .	The underwriting agreement relating to the International Offering entered into among us, the Controlling Shareholders, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners and the Joint Sponsors and the International Underwriters on or around November 25, 2010

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## DEFINITIONS

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“Internet publication license” . . . .	Internet publication license, which is required to be obtained by companies engaged in the business of Internet publication and dissemination in the PRC pursuant to the Interim Provisions for the Administration of Internet Publication (互聯網出版管理暫行規定), the Regulations on the Administration of Publication (出版管理條例) and the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法)
“Investors Rights Agreement” . . . .	The agreement dated February 12, 2010 entered into between (i) Mr. Chen; (ii) Mr. Hong; (iii) TopBig International; (iv) Blazing Sun; (v) Keep Profit; (vi) China TopReach; (vii) our Company; (viii) Olympia Media; (ix) Sinochem Europe Capital; (x) CCBI Asset Management; (xi) Topson Investments; and (x) Templeton, to regulate the management and control of our Group as well as the rights and interests of, among other things, Sinochem Europe Capital, CCBI Asset Management, Topson Investments and Templeton
“Jiangyuan Purchase Agreement” . . . .	The sale and purchase agreement entered into between Keep Profit and Jiangyuan International Development Limited pursuant to which Jiangyuan International Development Limited has agreed to purchase an approximately 2.5% shareholding interest in Olympia Media from Keep Profit for consideration of RMB10.0 million
“Joint Bookrunners” . . . . .	CCBI and CMS
“Joint Lead Managers” . . . . .	CCBI and CMS
“Joint Sponsors” . . . . .	CCBI and Macquarie
“Keep Profit” . . . . .	Keep Profit International Capital Limited, a company incorporated under the laws of BVI on March 5, 2008 , which is owned as to 30.0%, 30.0% and 40.0% by Mr. Yu Shi Quan, Mr. Li Gang and Mr. Xu Kai Ning, respectively
“Kunming AoHai” . . . . .	昆明奧海廣告有限公司 (Kunming AoHai Advertising Co., Ltd.*), a company incorporated in the PRC on March 3, 2008 and a wholly-owned subsidiary of our Company
“Kunming HongLianXin” . . . . .	昆明弘聯欣印務有限公司 (Kunmin HongLianXin Printing Co., Ltd.*), a company incorporated in the PRC on July 22, 2005 with limited liability, whose entire registered capital is held by Beijing HongXinTu and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Latest Practicable Date” . . . . .	November 15, 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Liaoning AoHai” . . . . .	遼寧奧海天一傳媒廣告有限公司 (Liaoning AoHai TianYi Media Advertisement Co., Ltd.*), a company incorporated in the PRC on March 17, 2008 with limited liability, whose registered capital is owned as to approximately 70% by Shifang YaQi and 30% by Fujian ShiFang and a wholly-owned subsidiary of our Company
“Listing” . . . . .	The listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee” . . . . .	The Listing Committee of the Stock Exchange
“Listing Date” . . . . .	The date expected to be on or about December 3, 2010, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules” . . . . .	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, (as amended, supplemented or otherwise modified from time to time)
“Loan Agreement” . . . . .	The loan agreement dated July 1, 2008 entered into between Fujian ShiFang, Mr. Zhang Jin Gui, Mr. Chen, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, pursuant to which Fujian ShiFang loaned RMB5.4 million to Mr. Zhang Jin Gui, RMB3.0 million to Mr. Chen, RMB13.5 million to Mr. Qiang Yi Bin and RMB8.1 million to Ms. Lin Yu Lin, to fund their payment, as Beijing HongXinTu’s equity holders, of the acquisition price for the entire equity interest in Beijing HongXinTu
“Lockup Undertaking” . . . . .	The lockup undertaking dated November 15, 2010 given by each of the Controlling Shareholders, Mr. Zhang Jin Gui and Wing Keen to the Company and the Joint Sponsors, the particulars of which are described in the section headed “Relationship with the Controlling Shareholders — Lockup Undertaking” in this prospectus
“Luck Smart” . . . . .	Luck Smart Limited, a company incorporated under the laws of the BVI on May 23, 2008, which is wholly-owned by Mr. Lin Yu Tong

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## DEFINITIONS

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“Macquarie” . . . . .	Macquarie Capital Securities Limited, a licensed corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Memorandum” or “Memorandum of Association” . . . . .	The memorandum of association of our Company, adopted conditionally on November 8, 2010 and as amended from time to time
“Ministry of Finance” . . . . .	The Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM” . . . . .	The Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chen” . . . . .	Mr. Chen Zhi, our executive Director
“Mr. Hong” . . . . .	Mr. Hong Pei Feng, our executive Director
“NDRC” . . . . .	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Non-Competition Deed” . . . . .	The non-competition deed dated November 15, 2010 entered into between our Company, the Controlling Shareholders and the Joint Sponsors, the particulars of which are described in the section headed “Relationship with the Controlling Shareholders — Non-Competition Deed” in this prospectus
“NPC” . . . . .	The National People’s Congress of the PRC (中華人民共和國全國人民代表大會), the national legislative body of the PRC
“Offer Price” . . . . .	The final price per Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for, allotted and issued, or purchased and sold pursuant to the Global Offering, to be determined as further described in the section headed “Structure of the Global Offering — Pricing of the Global Offering” in this prospectus
“Offer Shares” . . . . .	The Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Share, allotted and issued pursuant to the Over-allotment Option
“Olympia Media” . . . . .	Olympia Media Holdings Limited (奧海傳媒集團有限公司), a company incorporated under the laws of the BVI on December 13, 2005 and a wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Olympia Media Concert Parties” .....	Mr. Chen, Mr. Hong, Ms. Lv Ying, Ms. Shi Chan Juan, Mr. Chen Zi Quan, Mr. Lin Yu Tong, Mr. Yu Shi Quan, Mr. Li Gang, Mr. Xu Kai Ning, Ms. Zheng Shou Ling (the spouse of Mr. Chen) and Ms. Zu Yue Yu (the spouse of Mr. Yu Shi Quan), who (either personally or through the Olympia Media Shareholders) together own an aggregate of approximately 51.5% shareholding interest in China TopReach and approximately 14.6% shareholding interest in our Company immediately prior to the Global Offering, and are collectively a Controlling Shareholder
“Olympia Media Shareholders” ..	TopBig International, Blazing Sun, Luck Smart, Adoration Management, Keep Profit and Aotian Holdings
“Olympia Sale and Purchase Agreement” .....	The sale and purchase agreement dated December 16, 2008 (and as amended on January 13, 2009 and further amended on June 23, 2010) entered into between, among others, China TopReach as purchaser, on the one hand, and Aotian Holdings, Blazing Sun, Luck Smart, Index Asia, TopBig International, Adoration Management, Wing Keen and Keep Profit as sellers, on the other hand, pursuant to which Olympia Media was acquired by China TopReach at a consideration consisting of (i) US\$6.0 million in cash, subject to China TopReach having sufficient cash for the payment; (ii) 6,259,000 China TopReach Shares (including 2,000,000 China TopReach Shares (“Escrowed China TopReach Shares”) to be held in escrow which would be released to the original shareholders of Olympia Media upon China TopReach achieving certain financial performance targets for each of the financial years ended December 31, 2008 and 2009; (iii) the original management of China TopReach forfeiting and canceling an aggregate of 200,000 China TopReach Shares; and (iv) an aggregate of 9,500,000 China TopReach Shares (“Earned-out China TopReach Shares”) to be allotted and issued to the sellers in the Olympia Sale and Purchase Agreement from 2010 to 2013 upon China TopReach achieving certain financial performance targets for each of the financial years ended December 31, 2009, 2010, 2011 and 2012

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“Over-allotment Option” . . . . .	The option granted by us to the Sole Global Coordinator on behalf of the International Underwriters exercisable by the Sole Global Coordinator pursuant to the International Underwriting Agreement, to be exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 27,456,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the same price per Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any
“PBOC” . . . . .	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China” . . . . .	The People’s Republic of China, but for the purposes of this prospectus only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law” . . . . .	《中華人民共和國公司法》, the Company Law of the PRC, as enacted by the Standing Committee of the Tenth NPC on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
“PRC Government” . . . . .	The central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“Pre-IPO Investors” . . . . .	Best Eagle, CCBI Asset Management, Templeton and Topson Investments
“Price Determination Date” . . . . .	The date on which the Offer Price is to be fixed by the Sole Global Coordinator (on behalf of the Underwriters) and us, expected to be on November 25, 2010, and in any event not later than November 29, 2010
“Pride Sky” . . . . .	Pride Sky Holdings Limited, a company incorporated in Hong Kong and wholly-owned by CCBI Asset Management
“Regulation S” . . . . .	Regulation S under the U.S. Securities Act

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## DEFINITIONS

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“Reorganization” . . . . .	The reorganization arrangements we have undergone in preparation for listing of the Shares on the Stock Exchange which are more particularly described in the section headed “History and Corporate Structure” in this prospectus and “Statutory and General Information — Corporate Reorganization” in Appendix VI to this prospectus
“Repurchase Mandate” . . . . .	The general mandate granted to the Directors to repurchase Shares, as described in the section headed “Share Capital — Repurchase Mandate” in this prospectus
“RMB” or “Renminbi” . . . . .	Renminbi, the lawful currency of the PRC
“SAFE” . . . . .	The State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SAIC” . . . . .	The State Administration for Industry and Commerce of the PRC (中國國家工商行政管理局)
“SASAC” . . . . .	The State-owned Assets Supervision and Administrative Commission of the State Council (國務院國有資產監督管理委員會)
“Service Agreement” . . . . .	The service agreement dated July 1, 2008 entered into between Fujian ShiFang and Beijing HongXinTu, pursuant to which Fujian ShiFang would provide consulting services to Beijing HongXinTu exclusively in relation to its business operations in exchange for service fees
“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
“Shares” . . . . .	Ordinary shares in the capital of our Company with a nominal value of HK\$0.1 each
“Share Option Scheme” . . . . .	The share option scheme we conditionally adopted pursuant to a resolution passed by our Shareholders on November 8, 2010 as described in the section headed “Statutory and General Information — Other Information — Share Option Scheme” in Appendix VI to this prospectus
“Share Subscription” . . . . .	the subscription for our Shares by the Pre-IPO Investors pursuant to the Share Subscription Agreement



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“Share Subscription Agreement” . . . . .	The agreement dated February 5, 2010 entered into between (i) Mr. Chen; (ii) Mr. Hong; (iii) TopBig International; (iv) Blazing Sun; (v) Keep Profit; (vi) China TopReach; (vii) our Company; (viii) Olympia Media; (ix) Sinochem Europe Capital; (x) CCBI Asset Management; (xi) Topson Investments; and (x) Templeton, in relation to the subscription of the Subscription Shares for an aggregate subscription price of US\$35,000,000
“Shareholder(s)” . . . . .	Holder(s) of our Shares
“Shenyang ShiFang” . . . . .	瀋陽祝秦十方傳媒發展有限公司 (Shenyang ZhuQin ShiFang Media Development Co., Ltd.*), a company incorporated in the PRC on September 10, 2007 with limited liability and whose registered capital is owned as to 51% by ShiFang YaQi, 24.5% by Mr. Qin Guo Jun (an Independent Third Party) and 24.5% by Zhu Sheng Nan (an Independent Third Party), respectively, and is a non-wholly-owned subsidiary of our Company
“Shenzhen TianXun” . . . . .	深圳天訊信息技術有限公司 (Shenzhen TianXun Information Technology Co., Ltd.*), a company incorporated in the PRC on February 18, 2004 with limited liability and an indirectly held, wholly-owned subsidiary of Index Asia
“ShiFang YaQi” . . . . .	十方亞祺文化傳播(廈門)有限公司 (ShiFang YaQi Culture Communication (Xiamen) Co., Ltd.*), a company incorporated in the PRC on December 27, 2004 with limited liability and our wholly-owned subsidiary
“Sinochem Europe Capital” . . . . .	Sinochem Europe Capital Corporation Ltd., a company incorporated under the laws of BVI
“Sole Global Coordinator” . . . . .	CCBI
“SPAC” . . . . .	Special purpose acquisition corporation
“sq.m.” . . . . .	Square meter
“Stabilizing Manager” . . . . .	CCBI
“State Council” . . . . .	The State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement” . . . . .	The stock borrowing agreement to be entered into between the Sole Global Coordinator and TopBig International on or around the Price Determination Date pursuant to which the Sole Global Coordinator may borrow up to 27,456,000 Shares from TopBig International to cover over-allocation under the International Offering

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“Stock Exchange” . . . . .	The Stock Exchange of Hong Kong Limited
“Structure Contracts” . . . . .	The Service Agreement, Loan Agreement, Equity Pledge Agreement, Voting Rights Proxy Agreement and Exclusive Purchase Option Agreement as more particularly described in the section headed “History and Corporate Structure — Our Group — Structure Contracts” in this prospectus
“Substantial Shareholder(s)” . . . . .	Has the meaning ascribed thereto under the Listing Rules
“Subscription Shares” . . . . .	Shares allotted and issued to the Pre-IPO Investors pursuant to the Share Subscription Agreement
“Takeovers Code” . . . . .	Hong Kong Code on Takeovers and Mergers
“Templeton” . . . . .	Templeton Strategic Emerging Markets Fund III, LDC, a company incorporated under the laws of the Cayman Islands
“Tianjin ShiFang” . . . . .	天津十方廣告傳媒有限公司 (Tianjin ShiFang Advertisement Media Co., Ltd.*), a company incorporated in the PRC on February 13, 2007 with limited liability, whose registered capital is owned as to 90.0% by Fujian ShiFang and as to 10.0% by Chongqing ShiFang and a wholly-owned subsidiary of our Company
“TopBig International” . . . . .	TopBig International Development Limited, a company incorporated under the laws of the BVI on July 3, 2007, which is wholly-owned by Mr. Chen
“Topson Investments” . . . . .	Topson Investments Limited, a company incorporated under the laws of the BVI and a wholly-owned subsidiary of New World Strategic Investment Limited
“Track Record Period” . . . . .	The period comprising the financial years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010
“Underwriters” . . . . .	Collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements” . . . . .	The Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.” . . . . .	The United States of America, including its territories and possessions
“U.S. dollars” or “US\$” or “USD” . . . . .	United States dollars, the lawful currency of the United States

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## DEFINITIONS

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“U.S. Securities Act” . . . . .	United States Securities Act of 1933, as amended
“Voting Rights Proxy Agreement” . . . . .	The voting rights proxy agreement dated July 1, 2008 entered into between Fujian ShiFang, Beijing HongXinTu, Mr. Zhang Jin Gui, Mr. Chen, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, pursuant to which, each of the equity holders of Beijing HongXinTu has granted to Fujian ShiFang and the designee(s) of Fujian ShiFang, the power to exercise all voting rights of such equity holders, including but not limited to the power to determine the sale or transfer of all or part of such equity holder’s equity interests in Beijing HongXinTu, and to appoint and elect the directors and senior officers of Beijing HongXinTu.
“Wing Keen” . . . . .	Wing Keen Management Limited, a company incorporated under the laws of the BVI on January 2, 2008, which is wholly-owned by Mr. Zhang Jin Gui
“Xiamen DuKe” . . . . .	廈門讀客信息科技有限公司 (Xiamen DuKe Information Science & Technology Co., Ltd.*), a company incorporated in the PRC on February 24, 2006 with limited liability, whose entire registered capital is wholly-owned by Beijing BaiChuanDuKe
“Xiamen ZhiYuan” . . . . .	之緣(廈門)文化傳播有限公司 (ZhiYuan (Xiamen) Culture Communication Co., Ltd.*), a company incorporated in the PRC on January 12, 2005 with limited liability and a wholly-owned subsidiary of our Company
“ZhiYuan (Fuzhou)” . . . . .	之緣(福州)文化傳播有限公司 (ZhiYuan (Fuzhou) Culture Communication Co., Ltd.*), a company incorporated in the PRC on November 2, 2006 with limited liability and a wholly-owned subsidiary of our Company
“%” . . . . .	per cent

\* English translation of Chinese name provided for identification purposes only

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.*

*Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.*

*In this prospectus, if there is any inconsistency between the Chinese names of the entities, authorities, organizations, institutions or enterprises established in China or the awards, certificates given in China and their English translations, the Chinese language version shall prevail.*

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## GLOSSARY

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*This glossary contains explanations and definitions of certain terms used in this prospectus in connection with us and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

“3C” .....	Computer, Communication and Consumer Products
“4A” .....	The American Association of Advertising Agencies
“CAGR” .....	An acronym for compound annual growth rate
“Circulation” .....	The circulation of a newspaper is generally calculated by dividing the total number of copies disseminated to readers for a year (whether by sale or on a complimentary basis) by the total number of issues published for the same year.
“GDP” .....	Gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth)
“gross revenue” .....	Turnover of our Group during the Track Record Period before the deduction of sales taxes and other surcharges of the respective periods
“ICP” .....	Internet content provider
“MAITS” .....	Media Advertising Information Tracking System
“new media” .....	A catch-all term for all forms of electronic communication that have appeared or will appear since the original mainly text-and-static picture forms of online communication. New media encompasses multimedia and usually includes special audiovisual effects of any kind, larger than 17-inch displays, streaming video and streaming audio, 3-D and virtual reality environments and effects, highly interactive user interfaces, mobile presentation and computing capabilities, telephone and digital data integration, online communities, micro-devices with embedded systems programming, live Internet broadcasting, person-to-person visual communication and one-to-many visual communication.

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “intend”, “estimate”, “project”, “anticipate”, “may”, “will”, “would” and “could”, or similar words or statements, in particular, in the sections headed “Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- future developments in the print media and advertising industries in China and internationally;
- the industry regulatory environment as well as the industry outlook generally;
- the amount and nature of, and potential for, future development of our business;
- our business strategy and plan of operation;
- our dividend policy; and
- information regarding our embedded value.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this prospectus. Any such intentions may potentially change in light of future developments.

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

*We may not be able to sustain the business growth or the profit margins that we experienced during the Track Record Period.*

Our business expanded during the Track Record Period and in order to sustain such growth in our revenue and profit and to maintain our profit margins, we will need to implement our business plans effectively, retain experienced marketing and service personnel, manage our costs effectively and maintain adequate control and reporting systems in a timely manner.

However, there can be no assurance that we will continue to maintain our growth in the future or be able to sustain such profit margins. The successful implementation of the strategies and plans we have developed to grow our business depend on a number of factors including, among other things, the performance of the PRC economy, general market trends, changes in the PRC media and advertising markets, the availability of funds, competition, government policies and our ability to continue to recruit and retain qualified employees with relevant industry knowledge and expertise. Many of these factors are beyond our control and so, by their nature, all of these factors are subject to uncertainty. There can be no assurance that our strategies and future plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on our growth, profitability and prospects. Accordingly, investors should not place undue reliance on our past performance.

*We rely on exclusive contracts with our newspaper partners for our provision of integrated print media services to advertisers, including the sale of advertising spaces to them, from which we derive a substantial majority of our revenue.*

We are a provider of integrated media services. Our main source of income is the fees generated from the provision of advertising services to corporate customers through our arrangements with our newspaper partners. We also generate income from the ancillary services we provide to our newspaper partners such as printing and distribution management consulting. During the Track Record Period, our sale of advertising spaces obtained from our newspaper partners was the core of our business and, accordingly, we rely on our PRC newspaper partners for a substantial majority of our revenue. To ensure an adequate supply of advertising spaces for our operations and to help us in our future expansion, we have entered into certain exclusive contracts with our existing newspaper partners for us to conduct our business operations in the PRC. The terms of these exclusive contracts vary, ranging from our one-year cooperation with Jinhua Daily and Jinhua Evening News to our 30-year cooperation

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## RISK FACTORS

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with Southeast Express and Lifestyle Express. However, the volume and costs of advertising spaces and the services to be provided by our newspaper partners and us, respectively, are subject to negotiation and agreement on an annual or periodic basis. Following their expiration, these exclusive contracts can be renewed by mutual agreement.

During the Track Record Period, our newspaper advertising revenue accounted for approximately 73.8%, 86.9%, 80.3% and 75.3% of our total revenue, respectively. Our revenue from sales of advertising spaces in Southeast Express, Lifestyle Express and Shenyang Evening News, three of our newspaper partners, represented more than 70% of our newspaper advertising revenue and was the most predominant factor in our revenue growth during 2008 and 2009. In particular, revenue from sales of advertising spaces in the publication of our largest newspaper partner accounted for 19.0%, 26.4%, 21.9%, and 21.7% of our total revenue during the Track Record Period, respectively. Further, as revenue from our comprehensive cooperation contracts accounts for a substantial majority of our total revenue, revenue from each comprehensive newspaper partner is critical to us and the loss of any comprehensive partner could have a material adverse effect on our results of operations. Our newspaper partners may prematurely terminate or refuse to renew their cooperation contracts with us due to various reasons, including if we commit a breach of our contractual obligations or commence cooperation with their competitors. Similarly, we may choose to prematurely terminate or refuse to renew the cooperation contracts. If any of our newspaper partners or we prematurely terminate or refuse to renew, any of the relevant exclusive cooperation contracts, we may not be able to find a substitute newspaper, publisher or other media with the same strategic importance to our operations, or, where we are able to find such a substitute, enter into a similar strategic agreement with such replacement partner on commercially acceptable terms and in a timely manner, or at all. The continued expansion of our business operations is also dependent on our success in finding new newspaper partners, exclusive or otherwise, that are willing to enter into contracts with us for the sale of advertising spaces. If we are unable to maintain our business relationships with our newspaper partners and advertisers, or develop business relationships with new newspaper partners and advertisers, our business, financial condition and results of operations could be materially and adversely affected.

***The exclusive contracts we enter into with our newspaper partners require substantial initial capital commitments and may not generate the intended revenue or profits.***

Upon signing an exclusive cooperation contract with a newspaper partner, we are generally required to place a deposit, which is refundable upon termination of the contract or at the end of each year depending on the contractual term with the newspaper partner in a negotiated amount. In addition to paying such deposits, we typically prepay a portion of the print media fees that will be due under each of our contracts. The print media fees and the portion to be prepaid are pre-negotiated on an annual or periodic basis with each newspaper partner based on the revenue that we expect to generate from the sale of advertising spaces acquired under the respective contract. There can be no assurance that we will be able to recover all or any portion of any such initial capital commitment. Any such recovery is subject to market conditions, difficulties in our cooperation with our newspaper partners and other factors beyond our control, and may only be achieved after several years of operations, or not at all. Further, when signing the exclusive cooperation contracts with our newspaper partners, we commit to placing a certain volume of advertisements in their publications during the relevant period. Our deposits and prepaid print media fees may be forfeited in the event we are unable to fulfill our

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## RISK FACTORS

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contractual obligations. During the Track Record Period, there were no incidences of our not meeting our commitments, and as of the Latest Practicable Date, we have not experienced any forfeiture of our deposits or prepaid print media fees due to our non-fulfillment of our contractual obligations. If we are unable to recover our initial capital commitments under existing or future contracts with our newspaper partners, our business, financial condition and results of operations in the PRC could be materially and adversely affected.

*We rely on contractual arrangements with Beijing HongXinTu and its shareholders for our media operations.*

PRC laws place significant restrictions on foreign investment in ownership of domestic media companies which are engaged in the publishing, general distribution and importation of books, newspapers, periodicals and electronic publications. Our Company is considered a foreign-invested enterprise, and is required to comply with the PRC laws and regulations applicable to foreign-invested enterprises in the media industry. Due to such restrictions, we do not and are not permitted to have direct ownership of any interest in Beijing HongXinTu Group, which holds the licenses for the general distribution of books, newspapers and periodicals under which our printing and online services businesses are operated. Instead, we conduct our media operations in China principally through contractual arrangements among our subsidiary Fujian ShiFang, on the one hand, and Beijing HongXinTu and its shareholders, on the other. These contractual arrangements permit the financial results of Beijing HongXinTu to be consolidated with and effectively all of the economic benefits of its business to be transferred to Fujian ShiFang. Please refer to the section headed “History and Corporate Structure” in this prospectus for a description of such arrangements. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, revenue generated from our printing and online services businesses through Beijing HongXinTu was RMB26.5 million, RMB36.5 million, RMB51.9 million and RMB30.3 million, respectively, which accounted for 17.5%, 10.1%, 11.2% and 12.6%, respectively, of our total revenue.

We have relied on and expect to continue to rely on, contractual arrangements with Beijing HongXinTu and its shareholders to operate our printing and online services business components in China. As of the Latest Practicable Date, our PRC legal advisor has advised us that the contractual arrangements are in compliance with and enforceable under the relevant PRC laws. However, there exist uncertainties regarding the interpretation and application of PRC laws and regulations regarding the performance and enforcement of such contractual arrangements. As such, there can be no assurance that the relevant PRC regulatory authorities will not in the future determine that the contractual arrangements are in breach of applicable PRC laws. If the contractual arrangements are found to be in breach of any existing or future PRC laws, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including revoking the business and operating licenses Beijing HongXinTu Group holds, restricting or prohibiting any transactions between us and Beijing HongXinTu, imposing penalties or other requirements with which we may not be able to comply, or requiring us to restructure the relevant ownership, control or operating structure of our Company or our business. The imposition of any of these penalties or requirements could result in a material and adverse effect on our business, and could even result in us being required to cease our printing and online services businesses completely.



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## RISK FACTORS

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In addition to the possibility of administrative penalties or other requirements being imposed upon us due to our relationships with Beijing HongXinTu and its shareholders, we may not be able to effectively enforce such contractual relationships in a cost-effective manner or at all. Under the current contractual arrangements, if Beijing HongXinTu or any of its shareholders fails to perform their respective obligations under these contractual arrangements, or are required to incur substantial costs to do so, we may be forced to incur substantial costs and resources to enforce such arrangements or to rely on PRC law to obtain remedies, including specific performance or damages, and we may not be successful in obtaining such remedies or our obtaining such remedies might be cost prohibitive. In the event we are unable to enforce these contractual arrangements, our business, financial condition and results of operations may be materially and adversely affected.

*We may face the risk of penalties and sanctions for our lack of an Internet publication license.*

According to the *Interim Provisions for the Administration of Internet Publication* (“**Interim Provisions**”), which was jointly promulgated by the Ministry of Industry and Information Technology and GAPP on June 27, 2002, a company may not engage in the business of “Internet publication” without obtaining an Internet publication license. We did not initially apply for the license when we commenced providing electronic dissemination services in 2008 because Xiamen DuKe, our subsidiary that operates our website *www.duk.cn*, had been primarily focused on the research and development of its business platform prior to that time rather than providing electronic dissemination services. Further, we were advised at that time by our PRC legal advisor that what constituted Internet publication requiring approval from GAPP was unclear under PRC law, making it uncertain whether our provision of electronic dissemination services constituted engaging in the business of Internet publication. Additionally, we received no indication from the local Administration of Press and Publication that we were required to obtain the license. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, revenue from our electronic dissemination services was nil, RMB4.2 million, RMB4.0 million and RMB2.0 million, respectively.

Following the expansion of our online services business in 2010, our PRC legal advisor advised us that we should obtain an Internet publication license in relation to our provision of electronic dissemination services to newspapers, magazines and other publishers through our website *www.duk.cn*. As such, we applied for the license in April 2010 pursuant to the Interim Provisions. According to the Interim Provisions, GAPP is the competent authority for granting approvals to issue Internet publication licenses, although standard administrative practice in Xiamen requires applicants to first submit their applications to the local city-level Press and Publication Bureau for preliminary approval and to the provincial level Press and Publication Bureau for further examination. We therefore submitted our application to and received approval from the Press and Publication Bureau of Xiamen. The Administration of Press and Publication (Copyright Bureau) of Fujian Province has also confirmed that it has approved our application and that it has forwarded it on to GAPP for final review and approval. Our PRC legal advisor has advised that no breach of any requirements stipulated by the Interim Provisions in respect of our application for the license has been identified, and subject to GAPP’s review and approval, there is no material legal impediment to our obtaining the Internet publication license. However, prior to our obtaining the license, we may face the risk of penalties and

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## RISK FACTORS

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sanctions, including confiscation of publication equipment and any profits we earned in violation of the Interim Provisions, being ordered to cease operations and fines of an amount up to ten times of the income we earned in violation of the Interim Provisions, which may have a material and adverse effect on our business, results of operations and financial condition. As of the Latest Practicable Date, we have ceased provision of electronic dissemination services through our website *www.duk.cn* since we have not obtained the necessary Internet publication license. There is no assurance as to if or when we may be able to obtain a license that will enable us to resume our Internet publication business.

***Our results of operations may be affected by advertising trends and increasing competition in the media advertising industry in the PRC.***

Substantially all of our revenue is derived from our advertising operations, which are conducted in the PRC and are highly dependent on our newspaper partners, our advertising customers and the advertising expenditures made in the PRC newspaper sector generally. We expect to face increasing competition in the advertising market from the sale of advertisements in newspapers, other conventional types of media such as magazines, television and radio, and new media such as the Internet. Spending on advertising in new media has grown rapidly in the past decade, particularly for online advertising. The increasing popularity of new media may increase competition for advertising revenue, and force us to change our business model in ways that we cannot now predict in order to remain competitive. In view of the growing trend towards new media advertising, we entered into the internet advertising industry in 2008 through our acquisition in the PRC of the website *www.duk.cn*, which was established in 2006.

Increasing competition in the advertising and media industry may, among other things, create downward pressure on our pricing for our services and could therefore significantly and adversely affect our results of operations and financial condition. Some of the companies with whom we compete may be more experienced or have greater financial resources than we have. New entrants in the market may reduce the price for their advertising services to compete for business with more established companies and if they are successful in increasing their market share, such actions may result in a loss of our market share, and/or a decrease in our profit margins and adversely affect our results of operations.

There can be no assurance that we will be able to continue to compete as effectively as we have during the Track Record Period or that we will be able to continue to expand our business at the same pace as we have during that period, or at all. There also can be no assurance that we will be able to compete in the new media industry in the future. If we are unable to compete effectively against our competitors by maintaining our competitive advantages or to timely respond to a changing business environment and readers' preferences, or if there are any reductions in or reallocations of our customers' advertising expenditures or budgets to print media competitors, or to advertising in other types of media, we may lose customers and our financial condition and results of operations may be adversely affected. In addition, any increase in competition may adversely affect our market share. Any of these events could have a material adverse effect on our financial condition, results of operations and future prospects.

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## RISK FACTORS

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***We have a limited operating history in the newly developed components of our business model.***

Compared with our experience in our core advertising operations, our operating history in the other components of our business, including (i) distribution consultation and management; (ii) newspaper printing, (iii) online services, and (iv) television advertising, is relatively short. We began our operations in respect of these business components in 2008, 2005, 2008 and 2010, respectively, so as to supplement our core business and increase revenue for our Group. As of the Latest Practicable Date, we had invested RMB43.0 million in the development of these businesses and their aggregate contribution to our Group's total revenue for the six months ended June 30, 2010 was 22.3%. However, due to our limited operating history in business components other than our core advertising sales operations, we may not be able to anticipate long-term trends in, or successfully maintain or develop, our other business components. Any failure to maintain or fully develop our core business or any of these additional business components as new sources of profit growth for our Group may have a material and adverse effect on our business, financial condition, results of operations and prospects.

***We rely on our senior management and our sales and marketing teams.***

Our success is, to a significant extent, attributable to the expertise and experience of our senior management and our sales and marketing teams in the PRC media and advertising industries. Mr. Chen, our founder and chairman, and our other executive Directors play a significant role in our day-to-day management and operations. For more details on our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus. Our continued success significantly depends on their vision, industry expertise, experience with our business operations and management skills. Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing on the Listing Date. However, there can be no assurance as to the extent to which these agreements will be enforced if disputes arise between us and the executive Directors. Should there be any material change in the composition of our senior management or sales and marketing teams, our business, results of operations and prospects may be adversely affected.

In addition, we rely on our sales and marketing teams whose market knowledge, experience and established relations with our existing customers are essential to our success and future growth. We are vulnerable to the adverse consequences that may result from the loss of key employees and from the intense competition among providers of advertising services for talented and skilled personnel.

***Our results of operations may be adversely affected if we fail to retain and hire qualified personnel at acceptable cost.***

As a service provider, our success depends on our capacity to maintain high-quality personnel. We rely on the continued service of our current skilled staff and our ability to recruit additional skilled staff in the future. As of the Latest Practicable Date, we had 911 employees. If we fail to retain our existing employees or continue to recruit and retain high-quality personnel, we may experience difficulties in ensuring that our customers' needs are fulfilled, improving our service offerings, or maintaining our service quality, which may in turn materially and adversely impact our business and our reputation. Due to the high level of technical expertise required in our media operations, it

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## RISK FACTORS

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normally takes three months to train a new employee to acquire necessary skills, and some skilled staff are not easily and quickly replaceable. As a result, if a significant portion of our staff terminate employment with us in a short period of time, we may encounter interruption of our operations, which could have a substantial negative impact on our business.

***We are subject to fluctuations in the demand for our customers' products and services, and their advertising budgets.***

Our advertising revenue is subject to fluctuations in the demand for our customers' products and services and, correspondingly, their advertising budgets. The demand for our customers' products and services is affected by a number of factors beyond our control, including economic conditions in the PRC, industry and market trends, shifts in consumer purchasing patterns and changes in the retail environment. Advertising expenditures in the PRC have historically demonstrated mild seasonal fluctuations, with demand generally higher for advertisements in the second half of the year, mainly due to advertising customers tending to expand their advertising campaigns in the second half of the year in preparation for the year-end holidays as well as the upcoming major Chinese New Year holiday in January or February of the following year and as part of year-end efforts to boost their sales performance in order to meet annual sales targets. As a result of the seasonality of advertising, we generally record higher revenue in the second half of the year as compared to the first half. As our customer base of advertisers spans a wide spectrum of industries, we may not be able to anticipate accurately and timely any future changes in the foregoing factors. If there are any adverse changes in trends in seasonal shopping or spending patterns or other factors which result in a decrease in demand for our advertising customers' products and services and consequently the tightening of our customers' advertising budgets, demand for our advertising services may decrease and our prospects, results of operations and financial condition may be materially and adversely affected.

***We are dependent on external financing for the expansion of our business and other corporate needs.***

We may seek additional financing from various sources, including bank borrowings, to provide the capital needed to expand our business if cash flow from our operations is insufficient. In particular, we are required to make substantial capital commitments when expanding into new regions and markets and upon signing cooperation contracts with new newspaper partners. Additionally, as it is our usual practice to grant our customers a credit period of one month to one year but we are required to settle the payment of print media fees with our newspaper partners on a monthly basis, we may experience difficulties in meeting our cash flow needs and have to rely on bank borrowings and loans from our shareholders during the periods between our payment of the print media fees and our receipt of related payments from our customers.

We cannot predict with certainty the timing or amount of our future needs for external financing. Our ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including the performance of our business, the condition of financial markets and occurrence of events such as the global economic crisis in 2008. If such financing is not available on a timely basis or on satisfactory terms, or at all, our business, results of operations and financial condition may be materially and adversely affected.

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## RISK FACTORS

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*If we fail to manage our liquidity situation carefully, our results of operations and financial condition may be materially and adversely affected.*

As of December 31, 2007, we had net current liabilities of RMB21.6 million principally due to borrowings from related parties to finance our capital commitments. A net current liability position exposes us to liquidity risk and may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. Further, we had net operating cash outflows of RMB31.1 million, RMB24.4 million and RMB6.2 million for the years ended December 31, 2007 and 2008 and for the six months ended June 30, 2010, respectively, primarily due to increases in our trade receivables as a result of increases in our advertising revenue during each of the year as well as increases in our prepayments, deposits and other receivables because of increases in print media fees and deposits prepaid to our newspaper partners.

There can be no assurance that we will not record net current liabilities in the future or that our business will generate sufficient cash flow from operations to finance our capital commitments, in which case we may seek additional financing, dispose of certain assets or seek to refinance some or all of our future debt. In the event that we are unable to generate enough cash from our operations to finance our future development and we are unable to secure sufficient external funds when required, our business, prospects, results of operations and financial condition may be materially and adversely affected.

*We are subject to credit risk in respect of our accounts receivable.*

Our trade receivables primarily relate to receivables from our advertising customers and our newspaper partners, Southeast Express and Lifestyle Express. As of December 31, 2007, 2008 and 2009 and June 30, 2010, our trade receivables amounted to RMB52.5 million, RMB114.6 million, RMB154.3 million and RMB212.2 million, respectively. Our trade receivables from Southeast Express and Lifestyle Express amounted to RMB28.4 million, RMB45.7 million, RMB38.9 million and RMB50.3 million as of the same dates, and accounted for 54%, 40%, 25% and 24% of our total trade receivables as of such dates, respectively. We generally grant to our advertising customers with favorable credit ratings a credit period ranging from one month to one year after the publication of the relevant advertisements. The length of the credit period we grant to our customers varies by industry and is determined with reference to the credit periods granted by our competitors. We grant customers from industries such as the real estate, automotive and telecommunications, as well as those with national brand names and our long-term customers with large orders, longer credit periods. For short-term customers with small orders, out-of-province customers that do not have well-known brand names, classified advertising customers and secondary advertising agents (excluding 4A companies), we usually request that fees be paid in full prior to publication.

As our distribution consultation and management and printing services are provided only to Southeast Express and Lifestyle Express pursuant to our 30-year cooperation contracts with them, they are granted our maximum credit period of one year. For our online services customers, we also usually grant a longer credit period of six months to one year, which is in line with industry practice. In addition, we have extended longer credit periods to advertising customers who were affected by the global financial crisis that began in 2008 and experienced financial difficulties, causing delays in payments to us, which exposes us to credit risk in connection with trade and other receivables due

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## RISK FACTORS

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from such customers. Combined with increases in sales to large customers, online services customers and long term customers with whom we have established relationships, our trade receivables past due for more than 90 days have increased over the Track Record Period. Please refer to the section headed “Financial Information — Trade and Other Receivables Analysis” in this prospectus for more details. Our trade receivables turnover days were 70.7 days, 84.3 days, 106.0 days and 137.0 days during the Track Record Period, respectively. Should such customers or any of our other customers fail to settle relevant receivables in full or there is a change in their payment policies resulting in a longer settlement period for the amount due, our business, financial condition, results of operations and profitability could be materially and adversely affected.

There can be no assurance that our credit control policies and measures implemented will be adequate to protect us against material credit risks and enable us to avoid losses. We make allowances for doubtful debts based on certain assumptions, estimates and assessments about the recoverability of our trade and other receivables, including the creditworthiness and past collection history of our customers. However, such collectability estimates may prove to be inaccurate or there may be a change in the underlying basis of such assumptions, estimates and assessments. In the event we are required to make future adjustments or our actual losses exceed our allowances, this could have a material and adverse effect on our results of operations and financial condition.

***We rely on intellectual property rights protection.***

In the course of conducting our business, we rely on the protection of our intellectual property rights as well as those of our newspaper partners. We and our newspaper partners may not be able to protect our respective intellectual property rights.

We have developed trademarks, copyright, software, know-how, processes, technologies and other intellectual property rights that are of significant value to us. There can be no assurance that any of our intellectual property rights will not be challenged, misappropriated or circumvented by third parties. In addition, the legal regime governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC may be weaker than that of other jurisdictions. We also rely on contractual agreements with our employees to protect our intellectual property rights. As such, it may be possible for third parties to infringe upon our intellectual property rights by copying or otherwise obtaining and using our intellectual property, including text, typographies, photographs and design layouts. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, our business, results of operations and reputation could be materially and adversely affected.

In addition, our advertising business relies on cooperation with and therefore the success of our newspaper partners, who rely on the protection of their respective intellectual property rights. There can be no assurance that our newspaper partners will or will be able to protect or assert any of their intellectual property rights. Any misappropriation or infringement of their intellectual property rights or difficulty in enforcing such rights may have a material and adverse impact on their respective businesses, which may in turn materially and adversely affect our business and results of operations.



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## RISK FACTORS

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***We may infringe on the intellectual property rights of third parties.***

There can be no assurance that we or our newspaper partners will not be found liable for having infringed upon the rights of third parties, including their intellectual property rights. In the event that we or our newspaper partners are found liable for having infringed upon the rights of third parties, including their intellectual property rights, we or our newspaper partners may be subject to liabilities which might include substantial monetary damages or sanctions. Possible sanctions could include the loss of our rights or the rights of our newspaper partners to all or some of the content that we provide, or the loss of our rights or the rights of our newspaper partners to engage in all or some part of our respective businesses on a temporary or a permanent basis. Given our reliance upon our newspaper partners, any such liabilities or sanctions levied against them could have a material and adverse effect on the revenue we derive from our cooperation with them and, therefore, the business and results of operations of our Group.

As of the Latest Practicable Date, we were not aware of any infringement of the rights of any third party by any member of our Group or by any of our newspaper partners. In addition, so far as we were aware, at the Latest Practicable Date, neither our Group nor any of our newspaper partners was involved in any proceedings in respect of, or had received any written notice of any claims, threatened or pending, of infringement of any of the intellectual property rights of any third parties by any member of our Group or any of our newspaper partners.

***We may be involved in litigation, which could be expensive and divert the attention and resources of our management.***

We are exposed to the risk of becoming involved in litigation which could have a material adverse impact on our business. Civil claims may potentially be filed against us for misrepresentation, defamation, negligence, copyright or trademark infringement or for claims relating to the nature and content of the information or articles contained in our customers' advertisements. There can be no assurance that claims and actions will not be initiated against us or arise out of our business in the future. Litigation expenses, potential losses from lawsuits and delays in proceedings in respect of outstanding and possible future claims may have a material adverse effect on our results of operations or our financial condition in the future. In addition, as our success largely depends on the leadership and day-to-day management of our Directors and senior management, any involvement in litigation could divert the time and attention of our Directors and senior management away from the running of our business, which could materially and adversely affect our results of operations and financial condition.

***Our insurance coverage may not be sufficient to address actual losses arising from risks associated with our business operations.***

Risks associated with our businesses include risk of damage to our offices, equipment and printing facilities, liability for environmental pollution, transportation accidents and risks posed by natural disasters, any or all of which may affect our business or operations. Notwithstanding that we maintain insurance addressing damage and destruction to our facilities and equipment, loss of major customers and suppliers, production delays, employee disputes and intellectual property litigation, we may experience difficulty in receiving compensation from insurance companies, or there may be

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## RISK FACTORS

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delays in receiving such compensation or we may not be able to receive compensation in full or at all. Furthermore, we do not carry any insurance addressing damages arising out of natural disasters or other accidents at our production facilities. If we incur losses which are not covered by our insurance policies, or the amount of compensation we receive from our insurers for our losses is significantly less than our actual losses, our financial condition and results of operations could be materially and adversely affected.

***Our leased properties in the PRC may be subject to legal irregularities.***

As of September 30, 2010, we as tenant leased 17 properties which were used as offices, printing facilities and car parking spaces, the details of which are set out in the appendix headed “Appendix IV — Property Valuation Report” to this prospectus. A number of lessors of these leased properties have not provided us with the relevant title certificates or documents evidencing that they have the requisite titles or rights to lease the properties to us. The validity of our leases in respect of these properties may be subject to legal challenge. Our right as occupier of such properties may be adversely affected as a result of the absence of legal title. We may lose the right to continue to operate on such properties and be evicted if it is found that our lessors do not have valid title or the right to lease these properties, in which case we will need to find alternative properties and relocate our facilities from their current location. Our business operations carried out at the above properties may be disrupted if we were required to relocate to alternative premises and there can be no assurance that we would be able to find alternative premises in a timely manner or at similar rates, or at all. Please refer to the section headed “Business — Properties” in this prospectus for more details. There can be no assurance that third parties will not seek to assert their ownership rights against these lessors or challenge our leases in the future, or that they will not initiate any legal proceedings against us with respect to our use of such properties.

***We do not have legal titles to any of the properties given to us by certain of our real estate industry advertising customers in payment of our advertising fees and rely on our contracts with them for the rights to sell such properties, the prices of which are subject to the volatility of the property market, and to obtain relevant proceeds.***

One of our principal industry focuses for advertising sales is the PRC real estate sector. Many of our real estate industry advertising customers contract with us to purchase advertising spaces in order to promote properties that they are developing. As the development process sometimes extends over several years and our real estate customers do not receive any revenue until the completion of a development, they may not have the cash to pay for our advertising services until the completion and sale of their developments. As a result, we have agreed in certain of our contracts with our real estate industry customers to accept contractual rights to sell certain units in their properties as consideration for the advertising services we provide to them. In these situations, we do not obtain legal title to the properties. As our right to sell the property is merely contractual and the title to the property remains with the property developer, we rely on the cooperation of the property developer in selling these properties. Where a property developer refuses to cooperate in the sale of a unit according to its contractual commitments for whatever reason, we may be forced to commence an action for enforcement in a court in the PRC. It may be costly for us to enforce our rights under these contracts and there is no guarantee that such rights will be enforceable at all. Furthermore, due to the volatility



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of the property market, we may not even be able to sell or at a minimum, lease the properties, or achieve our desired prices. In the event this occurs, our results of operations and financial condition may be adversely affected. Please refer to the section headed “Financial Information — Assets Held for Sale” in this prospectus for more details on our agreements with certain property developers.

*We may be subject to fines imposed by relevant PRC authorities for placement of inappropriate advertisements in the advertising spaces which we obtained from our newspaper partners.*

Our advertising customers are derived from a broad spectrum of industries and, correspondingly, the advertisements placed by them in the advertising spaces which we contracted from our newspaper partners vary widely in terms of type, content and presentation. Under applicable PRC laws and regulations, advertising operators and disseminators are required to verify the contents of the advertisements and ensure compliance with relevant legal restrictions and prohibitions in respect of specific types of advertisements. Any failure to do so may result in the advertisements being determined inappropriate for publication by the relevant PRC authorities and the responsible advertising operator or disseminator may face risk of fines, sanctions and confiscation of revenue.

There can be no assurance that the advertisements placed by us on behalf of our advertising customers in the spaces we contracted from our newspaper partners will not be found to be inappropriate. Our media department examines and approves each advertisement before publication. In addition, our contracts with our advertising customers from industries which are more susceptible to having the contents of their advertisements found to be inappropriate, such as pharmaceuticals and healthcare, and cosmetics and skincare, generally state that any fines or penalties imposed in the event the advertisement is determined to be inappropriate by the relevant PRC authorities will be fully borne by the advertising customers. Our PRC legal advisor has advised that, provided there is no wilful misconduct or gross negligence on our part in designing, producing or publishing the relevant advertisements, such contractual arrangements with our advertising customers are legal and valid under applicable PRC laws. If we conduct or have conducted any activities resulting in us being responsible for the inappropriate advertisements, such as providing design, production or publication services when we are aware of or deemed to be aware of the untrue nature of the contents of the advertisements, we will be liable for any fines or penalties imposed and cannot rely on our contractual arrangements with customers to recover amounts paid by us. In addition, there can be no assurance that the PRC authorities will not make such a determination and impose fines on us after a lengthy period from publication of the advertisements and completion of the order placed by our advertising customers, which may make recovery from our customers difficult. In the event we are required to pay any fines and not able to recover such amounts from our customers, our profitability and results of operations may be adversely affected. Further, our newspaper partners may be subject to fines and sanctions due to their dissemination of the inappropriate advertisements, and we may be required to reimburse them for such amounts. This may also affect our long-term relationships with our newspaper partners, which in turn may have a material and adverse effect on our business and prospects.

As of the Latest Practicable Date, we were not aware of any outstanding fines imposed upon our Group for inappropriate advertisements.

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## RISK FACTORS

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### RISKS ASSOCIATED WITH OUR INDUSTRY

*We are subject to PRC media industry regulations and policies.*

As substantially all of our business operations are conducted in the PRC, we are subject to the PRC's legal regime and a number of regulations and restrictions as set out in the section headed "Regulatory Overview" in this prospectus. There can be no assurance that we have complied with all applicable laws and regulations or will be able to do so in the future. Contravention of any laws or regulations may expose us and/or our Directors to criminal and civil liabilities including penalties, fines, damages and other sanctions. Further, there can be no assurance that any of the PRC legal or regulatory restrictions applicable to us will be lifted soon or at all or that there will not be further restrictions and requirements imposed or that we will be able to obtain special approvals or exemptions from any of such restrictions or requirements. These laws and regulations not only restrict our present operations, but may also restrict our proposed future development plans in the PRC. Accordingly, our business and results of operations could be adversely affected by these limitations.

The PRC Government is reportedly considering revising various regulations relating to the press and publication industry. If such reports are accurate, there may be changes in the policies and regulations governing the press and publication industries. There can be no assurance that our business or our arrangements with our newspaper partners will not be materially and adversely affected by any changes by the PRC Government of the policies and regulations governing the press and publication industry.

*The PRC advertising industry is still at an early stage of development, and further development of the different forms of media in the PRC advertising market may pose threats to our business.*

Our Directors consider the PRC advertising industry to be highly fragmented and at an early stage of development compared to the more mature advertising markets of developed countries. According to GAPP, there were more than 1,900 newspapers publishing over 190 billion pages of print, and more than 9,500 periodicals publishing over three billion copies in China.

For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our newspaper advertising revenue accounted for approximately 73.8%, 86.9%, 80.3% and 75.3% of our total revenue, respectively. As the PRC advertising industry undergoes further integration and development, advertising customers are likely to increasingly differentiate between different forms of media to select those that best meet their particular needs. As advertising customers become more selective, they may increasingly choose forms of media in which we are less established and experienced, which could affect our competitive position and adversely affect our business and results of operations.

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*The digital media industry is a relatively new market and our newly established Internet media platform may not be profitable in the future.*

We commenced the operation of our Internet media platform in 2008 after our acquisition of the website *www.duk.cn*. We have ceased our Internet publication business as of the Latest Practicable Date since we have not obtained the necessary Internet publication license. The Internet has undergone tremendous development over the past decade and continues to evolve. However, we consider the digital media industry, especially in the PRC, to still be in a developmental stage. There exist risks and difficulties in the new and rapidly evolving digital media market including anticipation of new trends, understanding digital media customers' needs and meeting technical requirements, and these problems may recur in future periods. Moreover, given the relatively short operating history of website *www.duk.cn*, there can be no assurance that we will have sufficient experience, expertise or resources to successfully adapt to new trends and developments in the digital media industry or compete successfully as new platforms for internet publication emerge.

### RISKS ASSOCIATED WITH THE PRC

*Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes in which we may become involved.*

The PRC legal system is based on the PRC constitution and is made up of written laws, regulations, circulars and directives. The PRC Government is still in the process of developing its legal system and some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are subject to policy changes. There can be no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof, or delays in obtaining rulings, interpretations or approvals from the relevant authorities will not have an adverse impact on our business or prospects. Further, precedents on the interpretation, implementation and enforcement of PRC laws and regulations are limited, and, unlike in common law jurisdictions such as Hong Kong or the United States, decisions on precedent cases are not binding in the PRC. As such, the outcome of dispute resolutions may not be consistent or predictable as in other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement of the law in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction.

*Our results of operations and financial condition are highly susceptible to changes in the PRC's political, economic and social conditions.*

We conduct all of our business in the PRC. Accordingly, our results of operations and financial condition are highly subject to economic, political, social and legal developments in the PRC. There can be no assurance that developments in the PRC will not materially and adversely affect our performance and profitability. The Chinese economy differs from that of most of the developed countries in many respects, including the degree of government involvement and control of capital investment as well as the overall level of development. Since the introduction of the PRC Government's reform policies, significant progress has been achieved in economic development, and

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enterprises have enjoyed an improved environment for their development. However, many of the reforms are expected to be refined and modified from time to time. Any changes in the PRC's political, economic and social conditions may have a material and adverse effect on our present and future business operations, results of operations and financial condition.

*A slowdown in the Chinese economy may have a material and an adverse effect on our results of operations and financial condition.*

All of our revenue is derived from sales in the PRC. We rely on domestic demand for advertising to achieve growth in our revenue. Domestic demand for advertising is materially affected by urban development, growth of private consumption and overall economic progress in China. The global financial crisis in 2008 caused a slowdown in the growth of the global economy. Although there are signs of recovery in the global and Chinese economies, there can be no assurance that any such recovery is sustainable. In addition, if the financial crisis continues, there can be no certainty as to its impact on the global economy or the Chinese economy. As a result of global economic cycles, there can be no assurance that the Chinese economy will continue to grow at the rates achieved in the past, or at all. Any slowdown or recession in the Chinese economy may have a material and adverse effect on our results of operations and financial condition.

*The treatment of our companies for PRC enterprise income tax purposes is unclear.*

The new EIT Law and its relevant implementing rules became effective on January 1, 2008. Pursuant to the EIT Law, as amended, foreign enterprises with *de facto* management located in the PRC are considered resident enterprises, with their worldwide income normally being subject to enterprise income tax at an applicable tax rate of 25%. In April 2009, the State Administration of Taxation (“SAT”) further specified certain criteria for the determination of “*de facto* management” of foreign enterprises that are controlled by PRC enterprises. These criteria include: (i) the enterprise's day-to-day operations management is primarily exercised in China, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China, (iii) the enterprise's primary assets, accounting books and records, company seals, board and shareholders' meeting minutes are located or maintained in China, and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. If all of these criteria are met, the relevant foreign enterprises that are controlled by PRC enterprises will be deemed to have its “*de facto* management” in China and therefore be deemed a PRC “resident enterprise”. However, there has been no official implementation of rules regarding the determination of the “*de facto* management” for foreign enterprises that are not controlled by PRC enterprises. Therefore, it remains unclear how the PRC tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents. There can be no assurance that we will not be considered a PRC “resident enterprise” by the PRC tax authorities and that we will not be subject to enterprise income tax at a tax rate of 25% on our worldwide income accordingly.

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However, pursuant to the EIT Law and the *Notice on Issues Regarding Tax Credit for Enterprises Foreign Income (Cai Shui [2009] No.25)* (關於企業境外所得稅收抵免有關問題的通知) (財稅[2009]25號), which was jointly issued by the Ministry of Finance and the SAT on December 25, 2009 and was made effective retrospectively to January 1, 2008, part of the enterprise income tax may be relieved if the “resident enterprise” has already paid similar tax offshore. In addition, enterprises entitled to lower tax rates under the old law will be given a five-year grace period before they are required to pay the statutory rate of 25% unless they are granted preferential tax rates. Other tax benefits, such as certain fixed periods of enterprise income tax exemption or reduction, will continue until the expiry of the prescribed period. For the preferential tax treatment which has not commenced due to lack of profit, such preferential treatment was deemed to have commenced on January 1, 2008. In the past, we have received certain tax benefits. For further details, please refer to the section headed “Financial Information — Significant Factors Affecting our Results of Operations — Level of Income Tax and Preferential Tax Treatments” in this prospectus. There can be no assurance that the new EIT Law will not further change and that the PRC Government’s policies on preferential tax treatment will not be changed or cancelled. If such changes and cancellation occur, the resulting increase in our tax liability may have a material and adverse effect on our net profits and cash flow.

***Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax law.***

Our Company was incorporated under the laws of the Cayman Islands. However, we conduct our media operations in China through our PRC subsidiaries and our ability to pay dividends depends substantially on the payment of dividends to us by our PRC subsidiaries. Under the new EIT Law and the implementation regulations issued by the State Council, withholding tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to an investor that is a “non-resident enterprise” that does not have an establishment or place of business in the PRC, or, even if the enterprise has such an establishment, the relevant income is not effectively connected with or derived from the PRC, to the extent such dividends have their source within the PRC, such as dividends paid by a PRC subsidiary to its overseas parent, unless the jurisdiction of such foreign enterprise has a tax treaty with China that provides a different withholding arrangement.

Similarly, unless a preferential rate is provided by a tax treaty or arrangement entered into between the country or region where the enterprise is established and the PRC, any gain realized on the transfer of Shares by such investor is also subject to a 10% withholding tax if such gain is regarded as income derived from sources within the PRC.

As described in the risk factor headed “The treatment of our companies for PRC enterprise income tax purposes is unclear” above, there is uncertainty in determining the “de facto management” and tax residency of our Company and therefore we are uncertain as to whether we will be considered a PRC “resident enterprise”. The dividends we pay in respect of our Shares derived from our dividend income from our PRC subsidiaries, or the gain you may realize from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to PRC tax. Our tax liability may depend, in part, on how the PRC tax authorities interpret, apply or enforce the new EIT Law and

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the implementation regulations. If we are required under the new EIT Law to withhold PRC tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of Shares, the value of your investment in our Shares may be materially and adversely affected.

*The outbreak of any communicable diseases in the PRC, if uncontrolled, could affect our financial performance and prospects.*

The outbreak of any communicable disease in the PRC could have a material and adverse effect on the overall business sentiment and economic environment in the PRC, which in turn may have a material and adverse impact on domestic consumption in, and possibly the overall GDP growth of, the PRC.

As all of our revenue is derived in the PRC, any contraction or slow down in the growth of domestic consumption and possible slowdown in the GDP growth of the PRC will adversely affect our prospects, future growth and overall financial condition. In addition, if any of our employees are affected by any communicable disease outbreaks, we may be required to temporarily shut down the affected offices and quarantine all staff working in those offices to prevent the spread of the disease. This could adversely affect and/or disrupt our business operations and the relevant facilities and impact our results of operations and financial condition.

The outbreak of Influenza A (H1N1), commonly known as the “swine flu”, has caused an alarming number of deaths worldwide. The significant number of Influenza A (H1N1) cases in certain Asian countries and territories such as the PRC could indicate that it is gradually developing into a pandemic disease, which could threaten human lives and hinder local and cross-border business activities and affect the prospects of economic recovery in those areas. It is unclear whether the epidemic will become more aggressive or will wane in the near future. Any prolonged outbreak of Influenza A (H1N1) or other communicable disease in the PRC or elsewhere could have a material adverse effect on our business, prospects, financial condition or results of operations.

*Restrictions imposed by the PRC Government on currency conversion and exchange rate fluctuation may limit our ability to remit dividends and affect our business.*

Currently, the Renminbi is not a freely convertible currency. We receive all of our revenue in Renminbi and will need to convert Renminbi to foreign currency for payment of dividends, if any, to holders of our Shares. Existing restrictions on the conversion of Renminbi into foreign currencies may affect our ability to convert Renminbi into foreign currencies (and thus restrict the subsequent repatriation of those funds). Under existing PRC foreign exchange regulations, payment of current amount items, including profit distributions, can be made in foreign currency without prior approval from SAFE upon compliance with certain procedural requirements. However, individual payments of capital items, for example the conversion of RMB into foreign currency to repay foreign loans, requires prior approval from the appropriate government authority. In addition, any tightening of such restrictions, including but not limited to the future imposition of restrictions on foreign exchange transactions for current-account items such as the payment of dividends, may limit our ability to use resources generated in Renminbi to fund our business activities outside China.



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Further, while the proceeds to be raised from the Global Offering will be denominated in HK dollars, our functional currency is Renminbi. There can be no assurance that HK dollars will be able to be converted into Renminbi at any time, and any restriction on such conversion may restrict our utilization of, or even render us unable to utilize, the proceeds from the Global Offering for implementation of our future plans.

As all of our revenue and operating costs are denominated in Renminbi, our business and operating results may be materially and adversely affected in the event of a severe increase or decrease in the value of Renminbi against other currencies. The value of Renminbi is subject to changes in the PRC's governmental policies and to international economic and political developments. Any significant appreciation of Renminbi would result in an adverse impact on the conversion of the proceeds from the Global Offering for our operations, and any material devaluation of Renminbi against the HK dollar could adversely affect the amount of any cash dividends we declare on our Shares in HK dollar terms.

We may elect to hedge our currency exchange risk if we determine that such action may be required, including entering into forward contracts or option contracts to buy or sell foreign currencies against Renminbi. As a result, we may suffer losses resulting from the fluctuation between the buy forward exchange rate and the sell forward exchange rate, or from the price of the option premium. We may from time to time review our hedging strategy and there can be no assurance that we will not suffer losses in the future as a result of hedging activities.

***Enforcement in the PRC of judgments obtained from non-PRC courts may be difficult.***

Our Company is incorporated in the Cayman Islands. However, substantially all of our assets and operations are located within the PRC. The PRC currently does not have effective treaties or arrangements which provide reciprocal recognition and enforcement of judgments of the courts of the United States, the United Kingdom or other countries, and therefore, it may not be possible for investors to effect service of process upon us or to enforce against us in the PRC any judgments obtained in such jurisdictions. The PRC is a signatory of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") which permits enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries, subject to certain exceptions. Even in cases where enforcement is, in principle, provided for by the New York Convention, practical difficulties are sometimes encountered. Hong Kong and the Supreme People's Court of PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases under Consensual Jurisdiction, pursuant to which a party with a final court judgment rendered by a Hong Kong court in respect of a judgment sum payable under a civil and commercial action may apply for enforcement of such judgment in the PRC, and vice versa. However, it is difficult to enforce a judgment rendered by the Hong Kong court in the PRC if there is no prior agreement as to the choice of court.

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***PRC regulation of direct investments and loans by offshore holding companies to PRC entities may delay or limit our ability to use the proceeds of the Global Offering to make additional capital contributions or loans to our PRC operating businesses.***

Any capital contributions or loans that we, as an offshore company, make to our PRC operating businesses are subject to PRC regulations. For example, any of our loans to our PRC operating businesses cannot exceed the difference between the total amount of investment our PRC operating businesses are approved to make under relevant PRC laws and their respective registered capital, and must be registered with the local branch of the SAFE as a procedural matter. In addition, our capital contributions to our PRC operating businesses are subject to the approval of local PRC administrations for industry and commerce and other relevant local authorities. There can be no assurance that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC operating businesses or to fund their operations may be entirely prohibited or negatively affected, which could adversely affect their liquidity, and their ability to fund their working capital and expansion projects, and meet their obligations and commitments.

Furthermore, the SAFE promulgated a new circular in August 2008 with respect to the administration of conversion of foreign exchange capital contribution of foreign invested enterprises into RMB. Pursuant to this new circular, RMB converted from foreign exchange capital contributions can only be used for the activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investments or acquisitions unless otherwise allowed by PRC laws or regulations. As a result, we may not be able to make additional capital contributions to our operating subsidiaries and subsequently convert such capital contributions into RMB for equity investments or acquisitions in China.

***The PRC Labor Contract Law may cause our labor costs to increase and we may be liable for fines and penalties for any material breach of this law.***

On June 29, 2007, the Standing Committee of the NPC adopted the PRC Labor Contract Law (中華人民共和國勞動合同法) which became effective on January 1, 2008. The PRC Labor Contract Law imposes requirements relating to, among others, minimum wages, severance payments and non-fixed term employment contracts, and establishes time limits for probation periods as well as the circumstances in which an employee can be placed on a fixed-term employment contract. It also provides that social insurance is required to be paid on behalf of employees, and employees are entitled to unilaterally terminate the labor contract if this requirement is not being satisfied.

Pursuant to this new law, our PRC subsidiaries are required to enter into non-fixed term employment contracts with employees who have worked for them for more than 10 years or, unless otherwise provided under the new law, for whom a fixed-term employment contract has been concluded for two consecutive terms since January 1, 2008. Further, we may not be able to efficiently terminate non-fixed term employment contracts under the new law without demonstrating cause. In addition, we are also required to make severance payments to employees under fixed-term contracts upon the expiration of their employment contracts, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The



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amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee was employed by the employer, unless the employee's monthly wage is three times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years.

Compliance with the relevant laws and regulations may substantially increase our operating costs and may have a material adverse effect on our results of operations. In particular, an increase in labor costs in the PRC will increase our service costs and we may not be able to pass these increases on to our customers due to competitive pricing pressures. There can be no assurance that any employment disputes or strikes will not arise in the future. Increases in our labor costs and any future disputes with our employees could materially and adversely affect our business, financial condition or results of operations.

### RISKS RELATING TO THE GLOBAL OFFERING

*There has been no prior public market for our Shares.*

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price range to the public for the Offer Shares will be the result of negotiations among our Company and the Sole Global Coordinator on behalf of the Underwriters. You should not view the Offer Price as any indication of the price that will prevail in any trading market which may develop for our Shares. The market price for our Shares may decline below the Offer Price. We have applied to list and deal in our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active and liquid trading market for our Shares will develop or be sustained following the Global Offering or in the future.

*The market price of our Shares may be volatile.*

The trading price of our Shares could be subject to significant volatility in response to, among other factors:

- investor perceptions of our Group and our future plans;
- variations in our results of operations;
- changes in pricing made by us or our competitors;
- technological innovations and changes in market trends;
- changes to our senior management;
- the depth and liquidity of the market for our Shares; and
- general economic and other factors.

Any material changes in any of the above factors could cause the market price of our Shares to change substantially.

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***You will experience immediate dilution and may experience further dilution if we allot and issue additional Shares in the future.***

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value of HK\$2.0481 per Share, assuming an Offer Price of HK\$3.82, being the mid-point of our indicative Offer Price range, and assuming that the Over-allotment Option is not exercised.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares in the future. We may also allot and issue additional Shares pursuant to the exercise of options to be granted under our Share Option Scheme, or pursuant to the exercise of the Over-allotment Option. Purchasers of our Shares may experience dilution in the net tangible asset value per share of their Shares if we allot and issue additional Shares in the future at a price which is lower than the net tangible asset value per Share.

***Future sales or transfers by our Directors, officers or current Shareholders of a substantial number of our Shares could materially and adversely affect the market price of our Shares.***

Future sales or transfers of a substantial number of our Shares by our Directors, officers or current Shareholders, including Shares allotted and issued upon the exercise of outstanding options, or the possibility of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lockup undertakings for periods up to six months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set forth in section headed “Underwriting” in this prospectus. However, our Controlling Shareholder, China Topreach, has agreed with its shareholders to apply for and effect the listing and quotation of its shares on Nasdaq within six months of the Listing, failing which, it has agreed to distribute all of our Shares that it holds to its shareholders. If China Topreach is unable to list on Nasdaq within that timeframe and distributes its Shares to its shareholders, this would result in a significant change to our ownership structure, which could adversely impact the market price of our Shares.

***There can be no assurance regarding the accuracy of the statistics and industry information that are derived from various sources.***

Certain facts, statistics and data presented under the section headed “Industry Overview” and elsewhere in this prospectus relating to the PRC, the publishing industry, the advertising industry and other related information have been derived, in part, from various publications, including a report we commissioned from CTR Market Research Co., Ltd. (“CTR”), an Independent Third Party. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information, and we 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. However, neither we, our Directors, the Joint Sponsors nor any of the parties involved in the Global Offering have independently verified, or made or make any representation as to, the accuracy and completeness of such information and statistics. There can be no assurance that statistics derived from the report by CTR and such other publications have been or

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## RISK FACTORS

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will be prepared on a comparable basis or that such information and statistics have been or will be stated or prepared at the same standard or level of accuracy as, or in a manner consistent with, those in other publications within or outside the PRC. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

*There are risks associated with forward-looking statements contained in this prospectus.*

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “anticipate”, “estimate”, “continue”, “believe” and other similar words.

Since forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Group’s present and future business strategies and the environment in which our Group will operate in the future. Important factors that could cause our Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of key personnel of our Group, changes relating to our industry and changes in general economic and business conditions. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed above in this section.

*We are incorporated under Cayman Islands law and Cayman Islands law may not offer the same protections to minority shareholders as the laws of other jurisdictions.*

Our corporate affairs are governed by our Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that our minority shareholders may have different remedies and may not be offered the same protections as they would have under the laws of other jurisdictions. A summary of the Cayman Companies Law is set out in Appendix V to this prospectus.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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### CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the Listing, certain transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules upon Listing. We have applied to the Stock Exchange for and have been granted by the Stock Exchange waivers from strict compliance with the requirements in respect of such non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waivers are set out in the section headed “Connected Transactions” in this prospectus.

### MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, upon Listing, we must have a sufficient management presence in Hong Kong and, in normal circumstances, at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since our operations are managed and conducted primarily in Fujian Province, the PRC and no business activity is carried out or managed in Hong Kong, and all the executive Directors ordinarily reside in the PRC, we consider that it would be practically difficult and commercially unnecessary for us to either relocate two executive Directors to Hong Kong, which will require applying for residency in Hong Kong, or to appoint two additional executive Directors who are Hong Kong residents.

If two executive Directors were relocated to Hong Kong, or if two additional executive Directors who are Hong Kong residents were appointed, merely for the purpose of satisfying Rule 8.12 of the Listing Rules, such executive Directors may not be able to efficiently monitor our business operations, and thus may not be able to make informed decisions in time or manner that would be most beneficial to us. This would hinder the overall effectiveness of the decision-making process of the board of our Company. Each of the executive Directors has a vital role in our business in the PRC and it is necessary for them to remain physically close to our operations in the PRC.

Therefore, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules.

In light of the aforesaid, we have applied to the Stock Exchange for and have been granted by the Stock Exchange a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain regular and effective communication with the Stock Exchange, we have put in place the following arrangements:-

- (i) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange, they will have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matter and they will ensure that we will comply with the Listing Rules at all times. The two authorized representatives are Mr. Chen (an executive Director) and Ms. Chan Ching Yi (our company secretary). Ms. Chan Ching Yi ordinarily resides in Hong Kong and has all relevant qualifications and experience required and she has a Hong Kong correspondence address and will have access to the

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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executive board and senior management of our Company at all times. The authorized representatives, in particular, Ms. Chan Ching Yi, and their alternate authorized representative (Mr. Yu Shi Quan, who is a member of our senior management) will be available to meet with the Stock Exchange on reasonable notice as and when required and will be able to contact the Directors promptly at all times by telephone, facsimile and email as and when the Stock Exchange wishes to contact the Directors on any matters;

- (ii) The contact details of the two authorized representatives of our Company have been provided to the Stock Exchange;
- (iii) All Directors will provide their mobile phone numbers and office phone numbers, facsimile numbers and email addresses to the Stock Exchange;
- (iv) Each of the authorized representatives and his/her alternate authorized representative will provide his/her mobile phone number and office phone number, facsimile number and email address to the Stock Exchange and will be readily available by phone, email and fax to promptly address the enquiries of the Stock Exchange;
- (v) Mr. Wong Heung Ming, Henry (an independent non-executive Director) is Hong Kong resident. Moreover, each of the Directors (including the non-executive Directors and the independent non-executive Directors) who is not ordinarily resident in Hong Kong holds or can apply for valid travel documents such that he will be available to travel to Hong Kong to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange. Mr. Wong Heung Ming, Henry will provide his mobile phone number, office phone number, email address and fax number to the Stock Exchange. He will be readily contactable by telephone, facsimile and email, and is authorized to communicate on our behalf with the Stock Exchange;
- (vi) We are to appoint a compliance advisor pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to the authorized representatives and the alternate authorized representative, the Directors and other senior management of our Company, and will act as an additional channel of communication with the Stock Exchange. The compliance advisor will be appointed for a period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules; and
- (vii) Meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the compliance advisor, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in the authorized representatives, alternate authorized representative and/or compliance advisor.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus misleading.

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed among us and the Sole Global Coordinator (on behalf of the Underwriters) the Global Offering will not proceed. For full information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares pursuant to the Global Offering (including the additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued under the 2010 Share Option Scheme and the Share Option Scheme). Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **HONG KONG BRANCH REGISTER AND STAMP DUTY**

All Offer Shares offered pursuant to applications made in the Hong Kong Public Offering will be registered on our Company's branch register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by Maples Finance Limited.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares. None of our Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of Offer Shares.

### OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, CCBI, as stabilizing manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in our Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the sole and absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Stabilizing Manager or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
- (ii) in connection with any action described in paragraph (i) above;
  - (A) (1) over-allocate the Offer Shares; or
  - (2) sell or agree to sell the Offer Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;



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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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- (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Offer Shares in order to close out any position established under paragraph (A) above;
- (C) sell or agree to sell any of the Offer Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
- (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on which trading of the Offer Shares commences on the Stock Exchange and ends on the earlier of the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering or the commencement of trading of the Offer Shares. The stabilization period is expected to expire on December 25, 2010. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 27,456,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 27,456,000 shares from TopBig International, equivalent to the maximum number of Shares to be allotted and issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES**

The procedure for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Chen Zhi	Room 407, Le Dong Apartment Jin'an District, Fuzhou Fujian Province PRC	Chinese
Mr. Hong Pei Feng	Room 501, Flat 7B Dianchi Golf Apartment Kunming, Yunnan Province PRC	Chinese
Mr. Zhang Tie Zhu	Room 1305, 8th Building Jingtongyuan, Chaoyang District Beijing PRC	Chinese
<i>Non-executive Director</i>		
Mr. Wang Ping	Room 4A, Building 12 Cai Hong Zhi An No. 36 Gao Xin South Ring Road, Nan Shan District, Shenzhen Guangdong Province PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Zhou Chang Ren	Room 101, Block 15 No. 84 Hua Lin Road Gulou District, Fuzhou Fujian Province PRC	Chinese
Mr. Wong Heung Ming, Henry	Flat G, 9/F, Block 1 Tierre Verde 33 Tsing King Road Tsing Yi Hong Kong	Chinese
Mr. Zhuo Ze Yuan	Room 608, No. 120 Building Dayoubeili, Haidian District Beijing PRC	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Sole Global Coordinator</b>	CCB International Capital Limited 34/F, Two Pacific Place 88 Queensway Admiralty Hong Kong
<b>Joint Bookrunners and Joint Lead Managers</b>	CCB International Capital Limited 34/F, Two Pacific Place 88 Queensway Admiralty Hong Kong  China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
<b>Joint Sponsors</b>	CCB International Capital Limited 34/F, Two Pacific Place 88 Queensway Admiralty Hong Kong  Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
<b>Legal Advisors to our Company</b>	<i>as to Hong Kong and U.S. law:</i> DLA Piper Hong Kong 17/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong  <i>as to PRC law:</i> Guantao Law Firm 17/F, Tower 2, Yingtai Centre No. 28 Finance Street Xicheng District Beijing 100140 PRC

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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	<i>as to Cayman Islands law:</i> Maples and Calder 53rd Floor, The Center 99 Queen's Road Central Hong Kong
<b>Legal Advisors to the Sole Global Coordinator, the Joint Sponsors and the Underwriters</b>	<i>as to Hong Kong and U.S. law:</i> Paul, Hastings, Janofsky & Walker 21-22/F, Bank of China Tower 1 Garden Road Hong Kong
	<i>as to PRC law:</i> Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing 100022 PRC
<b>Auditor and Reporting Accountant</b>	PricewaterhouseCoopers 22/F, Prince's Building Central Hong Kong
<b>Property Valuer</b>	Jones Lang LaSalle Sallmanns Limited 17/F Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong
<b>Receiving Banker</b>	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road, Kowloon Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands
<b>Headquarters and Principal Place of Business in the PRC</b>	6/F, San Shan Tower 59 Dongjie Street Gulou District Fuzhou, Fujian Province PRC
<b>Place of Business in Hong Kong</b>	18/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
<b>Website Address</b>	<a href="http://www.shifangholding.com*">http://www.shifangholding.com*</a>
<b>Company Secretary</b>	Ms. Chan Ching Yi
<b>Authorized Representatives</b>	Mr. Chen Zhi Room 407, Le Dong Apartment Jin'an District, Fuzhou Fujian Province PRC  Ms. Chan Ching Yi Flat A, 29/F, Block 5 Metro Harbour View 8 Fuk Lee Street Tai Kok Tsui, Kowloon Hong Kong
<b>Audit Committee</b>	Mr. Wong Heung Ming, Henry ( <i>Chairman</i> ) Mr. Zhou Chang Ren Mr. Zhuo Ze Yuan
<b>Remuneration Committee</b>	Mr. Zhou Chang Ren ( <i>Chairman</i> ) Mr. Chen Zhi Mr. Wong Heung Ming, Henry
<b>Nomination Committee</b>	Mr. Zhuo Ze Yuan ( <i>Chairman</i> ) Mr. Chen Zhi Mr. Wong Heung Ming, Henry

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## CORPORATE INFORMATION

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**Principal Share Registrar and  
Transfer Agent**

Maples Finance Limited  
PO Box 1093, Queensgate House  
Grand Cayman  
KY1-1102  
Cayman

**Hong Kong Branch Share Registrar and  
Transfer Office**

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

**Compliance Advisor**

CCB International Capital Limited  
34/F, Two Pacific Place  
88 Queensway  
Admiralty  
Hong Kong

**Principal Bankers**

China Construction Bank Co., Limited  
Fuzhou North City Branch  
18 Guping Road  
Gulou District, Fuzhou City  
PRC

China Merchants Bank Co., Limited  
Fuzhou Nanmen Branch  
Dishui Building, 49 817 Middle Road  
Gulou District, Fuzhou City  
PRC

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*\* Neither information found on this website nor that found on [www.duk.cn](http://www.duk.cn) forms a part of this prospectus.*

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## INDUSTRY OVERVIEW

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*This section contains certain information and statistics relating to the industry in which we operate that are derived from various publications, including a report we commissioned from CTR Market Research Co., Ltd., an Independent Third Party. Unless otherwise referred to, the information contained herein is extracted from CTR's report (the "Print Media Adspend Research Report"). We believe that the sources of the information contained herein are appropriate sources for such information and that reasonable care has been taken in extracting and reproducing such information. We 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. While we have exercised reasonable care in compiling and reproducing such information, it has not been independently verified by us, any of our affiliates or advisors, by the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners or the Underwriters, any of their affiliates or advisors or any party involved in the Global Offering. The information may not be consistent with information available from other sources within or outside the PRC. Neither we, our affiliates or advisors, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners or the Underwriters, their affiliates or advisors, or any party involved in the Global Offering makes any representation as to the accuracy, completeness or fairness of such information from the Print Media Adspend Research Report or from other sources that have been used and, accordingly, you should not unduly rely on such information.*

### PRINT MEDIA IN CHINA

The media in China is a fast-growing industry in the country's continuing economic reform toward a market-oriented economy. During the last two decades, China's print media industry has expanded enormously. Rapid economic development and universal education since China undertook the reform of its economy has helped fuel the development of print media in the PRC. As the Chinese economy has developed and literacy rates have risen, an increase in the number of well-to-do, more discerning, and better educated citizens has created a market for a much greater range of information. These demands are being met by an expanding array of Chinese media organizations. Increasing numbers of newspapers and magazines are addressing a growing list of both broad and narrow public issues. According to GAPP, there were more than 1,900 newspapers publishing over 190 billion pages of print, and more than 9,500 periodicals publishing over 3 billion copies in China as of December 31, 2008. The top five print media markets in 2009 were Beijing, Guangdong Province, Zhejiang Province, Shandong Province and Jiangsu Province, in terms of number of newspaper copies published, based on the statistics published by the National Bureau of Statistics of China ("NBSC").



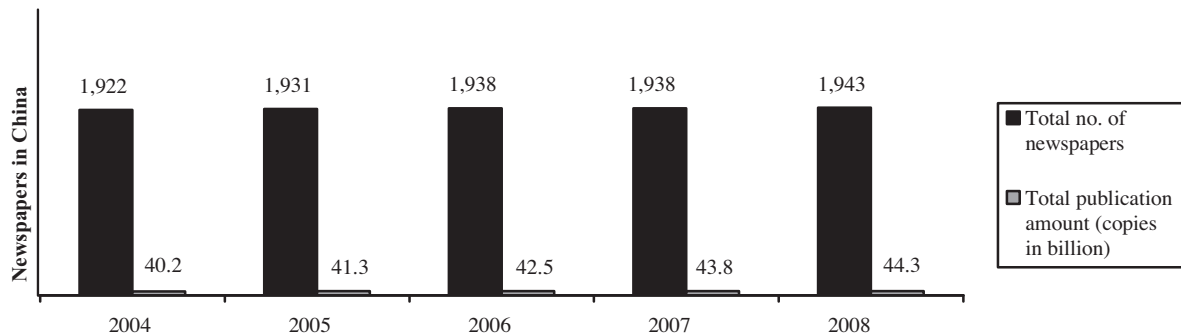
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## INDUSTRY OVERVIEW

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The total number of newspapers in China increased from 1,922 in 2004 to 1,943 in 2008, and the total number of newspapers published increased from 40.24 billion copies in 2004 to 44.29 billion copies in 2008, as shown in the chart below.

**Publication of Newspapers in China**



Source: *Print Media Adspend Research Report by CTR*

### Metropolitan Newspapers

CTR<sup>1</sup> identifies metropolitan newspapers as newspapers targeting local residents, who are attracted by the local news and events and other relevant information. They typically have the largest circulation numbers as well as the highest advertising revenue as compared to other types of newspapers. However, they are generally dependent on the pace of development and economic levels of the individual city in which they are located. According to statistics from CTR, first-tier and second-tier cities experienced a decrease of 8.9% and 2.0% in the readership of metropolitan newspapers between 2003 and 2009, respectively, whereas the readership of metropolitan newspapers in third-tier cities increased by 4.9% during the same period. In terms of number of readers, newspapers in first-tier cities and second-tier cities experienced an increase of 2.4% and 8.8% between 2003 and 2009, respectively, with newspapers in third-tier cities seeing a much more substantial increase of 55.3% for the same period.

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<sup>1</sup> CTR Market Research Co., Ltd. (CTR) is a provider of market research, information and consultancy services in China. CTR was commissioned by our Group to prepare the Print Media Adspend Research Report but neither our Group nor any of the Sole Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners or the Underwriters influenced the contents of the report. CTR is an independent third party of our Company.

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## INDUSTRY OVERVIEW

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The table below illustrates the readership of metropolitan newspapers for first-tier, second-tier and third-tier cities in China from 2005 to 2009.

**Readership of Metropolitan Newspapers in China**



Source: *Print Media Adspend Research Report by CTR*

According to CTR, other than a decrease from 65.6% in 2003 to 61.7% in 2006, the total readership of metropolitan newspapers in China was relatively stable from 2006 to 2009, with an average rate of 62.3%. This was primarily due to the severe impact suffered by metropolitan newspapers from new media during 2003 to 2006. Subsequently, metropolitan newspapers made efforts to change their style in response to the increasing competition from new media, which helped to control the decline in their readership.

### Growth Drivers of the PRC Print Media Industry

We believe that primary factors driving the growth of print media in China include:

**Economic growth** Print media revenue is significantly linked to GDP growth and societal consumption levels. According to the World Economic Outlook Database published by the International Monetary Fund, China is one of the fastest growing economies in the world with its GDP having increased from USD2,675.8 billion in 2006 to USD4,757.7 billion in 2009, with a CAGR of 21.1% between 2006 and 2009. In the Asian Development Outlook 2010 update published by the Asian Development Bank, the PRC economy is forecasted to continue its growth, with 9.6% growth projected in 2010 and 9.1% growth projected in 2011. This is expected to result in rising disposable incomes and drive demand for print media as more of the Chinese population will be able to afford non-necessities, including newspaper and magazine subscriptions.

**Rapid urbanization** Historically, the distribution network of China's print media has been highly concentrated in the urbanized first-tier cities, and the expansion of new media in these cities in recent years has slowed down the growth of print media in such cities. However, there are still substantial

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## INDUSTRY OVERVIEW

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growth opportunities for print media in second-tier and third-tier cities, which are still in early stages of development and growth. The rapid urbanization of these cities is expected to lead to further development of secondary print media markets in China. According to statistics from CTR, China's newspaper's readership in such cities had grown since 2007.

**Increasing literacy rate** China's literacy rate has increased steadily, from 90.9% in 2000 to 93.7% in 2008. According to UNESCO Institute for Statistics, China's literacy rate for adults aged 15 and above was 93.7% as of the end of 2008, well above the world average of 83.4%. Rising literacy rates have produced tens of millions of additional readers in the past decade, many of whom have a need for information and knowledge, effectively creating development and growth opportunities for the print media industry. As print media, in particular, newspapers, continues to be the main source of news and information for the general population in China, further increases in the literacy rate are likely to result in an expanded base of readers.

**Policy support** China has implemented a series of key media policies which has sped up the development of the print media industry including *The Guiding Opinions on Further Advancing the Development of the Press and Publication Industry* (“新聞出版總署關於進一步推動新聞出版產業發展的指導意見”) issued by GAPP on January 1, 2010. These opinions set out publishing reform initiatives that establish timelines for increased privatization of the government-run industry. The PRC Government recognizes non-state-owned press and publishing companies as a boost to China's cultural industries as a whole, and supports their development in various forms in accordance with current regulations. The use of private investment to support the conversion process is encouraged and publishers, in particular cross-regional businesses, that have satisfied all relevant requirements, are strongly urged to raise funds through public listings and explore overseas markets. Investment in print media has consequently increased to exploit the opportunities presented by the opening up of China's media industry.

## ADVERTISING IN CHINA

### Overview

ZenithOptimedia<sup>2</sup> has forecasted that China will be the world's fourth largest advertising market as of the end of 2010, with advertising expenditures reaching USD24.3 billion. This means that China is the largest advertising market in Asia after Japan. Global advertising expenditures started contracting in the third quarter of 2008 as a result of the global financial turmoil, and such contraction accelerated in the fourth quarter of 2008 and the first quarter of 2009. ZenithOptimedia has forecasted that global advertising expenditures will grow by 1.5% in 2010 and by an additional 4.5% in 2011.

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<sup>2</sup> ZenithOptimedia is one the world's largest media services group and produces a wide range of publications and guides, including regular advertising expenditure forecasts, media owner analyses and market facts and projections. Neither our Group nor any of the the Sole Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners or the Underwriters commissioned ZenithOptimedia to prepare any research report and ZenithOptimedia is an independent third party of our Company.

## INDUSTRY OVERVIEW

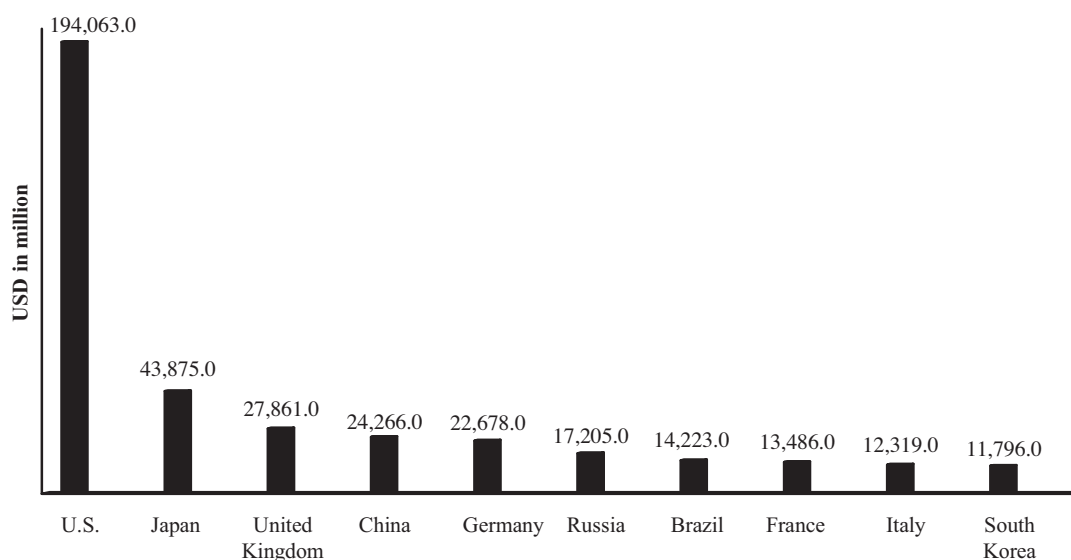
In addition, certain developed and developing countries are also expected to experience increases in advertising expenditures, with China having the second highest growth rate of 61.5% from 2007 to 2010, as shown in the table below.

Country	Increase in Advertising Expenditures between 2007 and 2010	
	USD million	%
Russia . . . . .	8,248.0	92.1
<b>China . . . . .</b>	<b>9,243.0</b>	<b>61.5</b>
Pan Arab . . . . .	1,987.0	54.2
India . . . . .	3,163.0	52.2
Brazil. . . . .	4,520.0	46.6
South Africa . . . . .	2,070.0	45.8
South Korea. . . . .	2,095.0	21.6
United Kingdom. . . . .	4,541.0	19.5
U.S. . . . .	14,812.0	8.3
Japan . . . . .	2,347.0	5.7

Source: ZenithOptimedia

In particular, China's commemoration of its 60th anniversary in 2009 was a significant contribution to the increase in the country's advertising expenditures for the year. Moreover, the Shanghai World Expo and the broadcast of the 2010 FIFA World Cup in South Africa in China stimulated demand for advertising. ZenithOptimedia has forecasted that total advertising expenditures in China will increase to USD24.3 billion by the end of 2010, representing growth of 61.5% from 2007 to 2010, compared to 8.3%, 5.7% and 19.5% for the top three advertising markets, U.S., Japan and the United Kingdom, respectively. The chart below shows the estimated top ten advertising markets in 2010.

**Global Top Ten Advertising Markets in 2010**



Source: ZenithOptimedia

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## INDUSTRY OVERVIEW

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### **Print Media Advertising**

Until the start of China's economic reform, almost every aspect of media operations in China was entirely subsidized by the state. In 2003, the PRC Government stipulated that newspapers and magazines had to earn at least half of their revenue from voluntary subscriptions, which meant newspapers and magazines had to effectively become financially independent.

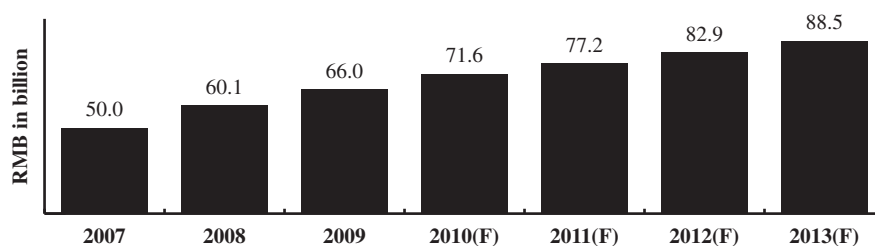
Advertising was the most important form of such commercialization. Many publications adopted a tabloid style to attract readers and advertisers. Commercial sponsorship of specific media content is another form of media commercialization. There are several ways of sponsoring news and information content. In the print media, a commercial sponsor can put its stamp on news, photos, feature articles, and opinion pieces on every page by, for example, promoting some sort of competition, usually paying the paper for organizing the contest and providing the cash awards. Commercial sponsors can also support regular newspaper columns or create special columns on chosen subjects under their own names. As newspapers have become independent and commercialized, and reliant on advertising and subscription revenue, they also have become more free and responsive to what the general population wants to read. Rather than focusing on political topics, many newly established newspapers and broadcast channels are almost exclusively devoted to local news, business and entertainment.

Advertising expenditures in the Chinese print media industry have grown at a CAGR of 10.4% for the past five years, from RMB44.5 billion in 2005 to RMB66.0 billion in 2009. Comparative development analysis of the global media industry has indicated that increases in advertising expenditure are generally linked to GDP growth. Developed economies have a higher ratio of consumer spending to GDP, and this is usually accompanied by a corresponding higher ratio of advertising expenditures to GDP. China's ratio of total advertising expenditures to GDP has gradually increased since 2001 due to, among other things, the continuous industrialization of the PRC economy.

## INDUSTRY OVERVIEW

The PRC Government is actively promoting the reform of China's economic structure to increase consumption levels and CTR has forecasted that the total print media advertising volume will reach RMB88.5 billion in 2013, representing an estimated CAGR of 7.3% between 2010 to 2013, as shown in the chart below.

**Total Print Media Advertising Volume in China**



*Note:*

(1) The figures for 2007, 2008 and 2009 are based on historical data whereas those for 2010 to 2013 are future estimates.

*Source: Print Media Adspend Research Report by CTR*

### Advertising Expenditures by Industry

According to CTR, real estate and construction, commerce and services, and transportation are the top three most-advertised categories and the total combined advertising expenditures for these top three categories made up 61.0%, 61.0%, 63.0% and 63.0% of the total print media advertising expenditures in China in 2006, 2007, 2008 and 2009, respectively. The table below shows the breakdown of the 2007-2009 top ten industries in China based on total advertising expenditures:

Industries	2007	2008	2009
	(RMB in million)	(RMB in million)	(RMB in million)
Commerce and Services . . . . .	10,143.5	14,656.3	17,793.5
Real estate and construction . . . . .	14,247.4	17,097.5	17,008.2
Transportation . . . . .	6,245.4	6,361.5	6,853.5
Telecommunications . . . . .	3,129.5	3,383.3	3,289.2
Entertainment and recreation . . . . .	1,290.8	1,978.6	2,863.8
Food . . . . .	2,087.7	2,229.2	2,376.3
Pharmaceuticals . . . . .	2,628.2	2,217.8	2,283.2
Financial services . . . . .	1,935.5	2,326.2	2,205.5
Personal products . . . . .	982.2	1,566.0	1,955.5
Household products . . . . .	1,243.1	1,688.5	1,950.2

*Source: Print Media Adspend Research Report by CTR*

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## INDUSTRY OVERVIEW

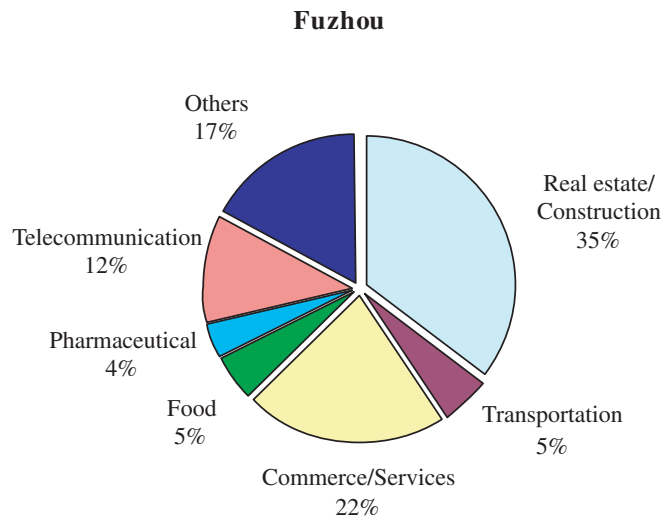
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Our Group's business development strategy is to pursue opportunities in the secondary markets of more economically developed second-tier and third-tier cities in China's Bohai Bay and Beibu Bay areas, the Northeastern and Central regions as well as the Southeastern coastal regions. Currently, our revenue is mainly derived from the five markets described below.

### *Fuzhou, Fujian Province*

According to CTR, the top five newspapers based on total advertising expenditures as of December 31, 2009 were the Strait News, Southeast Express, Fuzhou Evening, Fuzhou Daily and Fujian Daily, with RMB668.3 million, RMB324.6 million, RMB248.1 million, RMB60.1 million and RMB35.6 million<sup>3</sup>, respectively. The circulation of these top five newspapers was 600,000, 500,000, 470,000, 300,000 and 370,000 as of December 31, 2009, respectively. As such, in 2009, our newspaper partner Southeast Express was ranked second in terms of total advertising expenditures and similarly in terms of circulation.

In 2009, the industry with the largest print media advertising expenditures in Fuzhou, Fujian Province was real estate and construction, with RMB471.0 million in such year, followed by commerce and services, with RMB295.8 million. Third-largest was telecommunications, with RMB154.8 million. The total advertising expenditures of the top three industries accounted for 69% of the total print media advertising expenditures. The diagram below shows the composition of the total print media advertising expenditures in Fuzhou, Fujian Province in 2009 by industry.



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Source: *Print Media Adspend Research Report by CTR*

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<sup>3</sup> According to CTR, the figures for advertising expenditures included in its report were calculated based on the respective newspaper's standard advertisement publication rates as set out in their rate cards.



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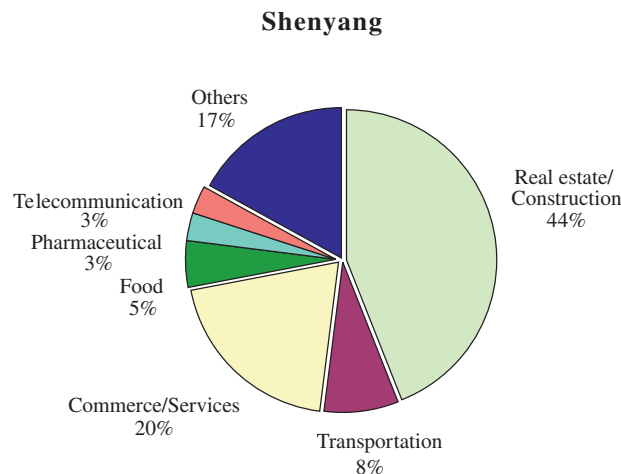
## INDUSTRY OVERVIEW

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### *Shenyang, Liaoning Province*

According to CTR, the top five newspapers based on total advertising expenditures as of December 31, 2009 were the Liaoshen Evening News, Chinese Merchants Morning News, Shenyang Evening News, Shenyang Daily and Business Times, with RMB934.4 million, RMB603.1 million, RMB420.3 million, RMB209.6 million and RMB144.4 million<sup>3</sup>, respectively. The circulation of these top five newspapers was 600,000, 500,000, 450,000, 380,000 and 350,000 as of December 31, 2009, respectively. As such, in 2009, our newspaper partner Shenyang Evening News was ranked third in terms of advertising expenditures and similarly in terms of circulation.

In 2009, the industry with the largest print media advertising expenditures in Shenyang, Liaoning Province was real estate and construction, with RMB1,100.0 million in such year, followed by commerce and services, with RMB491.8 million. Third-largest was transportation, with RMB187.1 million. The total advertising expenditures of the top three industries accounted for 72% of the total print media advertising expenditures. The diagram below shows the composition of the total print media advertising expenditures in Shenyang, Liaoning province in 2009 by industry.



Source: *Print Media Adspend Research Report by CTR*

### *Kunming, Yunnan Province*

According to CTR, the top five newspapers based on total advertising expenditures as of December 31, 2009 were the Spring City Evening, City Times, Lifestyle Express, Yunnan Information Daily and Yunnan Daily, with RMB783.6 million, RMB476.4 million, RMB319.6 million, RMB258.3 million and RMB14.0 million<sup>4</sup>, respectively. The circulation of these top five newspapers was 350,000, 350,000, 100,000, 350,000 and 180,000 as of December 31, 2009, respectively. As such, in 2009, Our newspaper partner Lifestyle Express was ranked third in terms of total advertising expenditures and fifth in terms of circulation.

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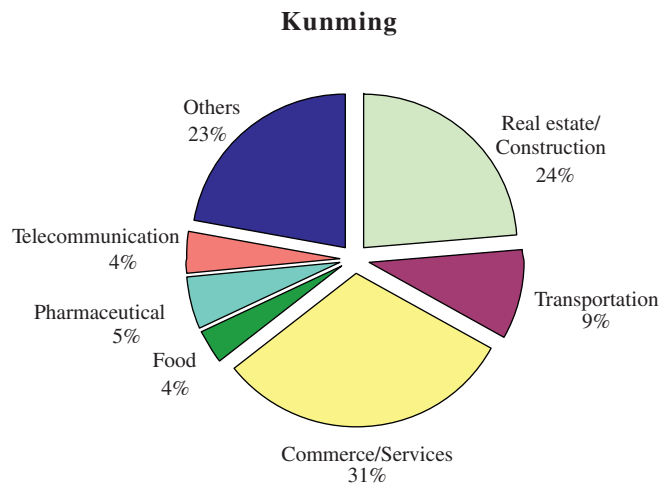
<sup>4</sup> According to CTR, the figures for advertising expenditures included in its report were calculated based on the respective newspaper's standard advertisement publication rates as set out in their rate cards.

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## INDUSTRY OVERVIEW

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In 2009, the industry with the largest print media advertising expenditures in Kunming, Yunnan Province was commerce and services, with RMB579.7 million in such year, followed by real estate and construction, with RMB443.4 million. Third-largest was transportation, with RMB169.8 million. The total advertising expenditures of the top three industries accounted for 64% of the total print media advertising expenditures. The diagram below shows the composition of the total print media advertising expenditures in Kunming, Yunnan Province in 2009 by industry.



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Source: *Print Media Adspend Research Report by CTR*

### ***Nanning, Guangxi Zhuang Autonomous Region***

According to CTR, the top five newspapers based on total advertising expenditures as of December 31, 2009 were the Nan Guo Morning News, Nan Guo Today, Nanning Evening, Modern Life Daily and Guangxi Daily, with RMB303.4 million, RMB101.2 million, RMB87.3 million, RMB70.9 million and RMB10.4 million<sup>5</sup>, respectively. The circulation of these top five newspapers was 450,000, 160,000, 180,000, 120,000 and 200,000 as of December 31, 2009, respectively. As such, in 2009, our newspaper partner Modern Life Daily was ranked fourth in terms of total advertising expenditures and fifth in terms of circulation.

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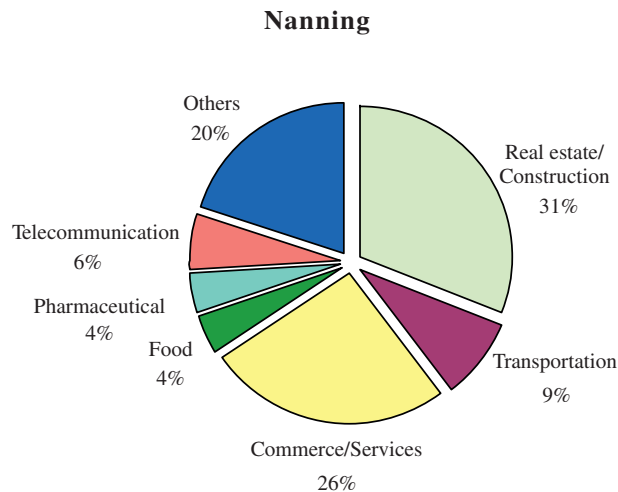
<sup>5</sup> According to CTR, the figures for advertising expenditures included in its report were calculated based on the respective newspaper's standard advertisement publication rates as set out in their rate cards.

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## INDUSTRY OVERVIEW

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In 2009, the industry with the largest print media advertising expenditures in Nanning, Guangxi Zhuang Autonomous Region was real estate and construction, with RMB178.1 million in such year, followed by commerce and services, with RMB148.7 million. Third-largest was transportation, with RMB 50.1 million. The total advertising expenditures of these top three industries accounted for 66% of the total print media advertising expenditure. The diagram below shows the composition of the total print media advertising expenditures in Nanning, Guangxi Zhuang Autonomous Region in 2009 by industry.



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Source: *Print Media Adspend Research Report by CTR*

### ***Dalian, Liaoning Province***

According to CTR, the top five newspapers based on total advertising expenditures as of December 31, 2009 were the Dalian Evening, Peninsula Morning News, New Business, Dalian Daily and Dalian Radio and TV News, with RMB885.4 million, RMB530.1 million, RMB382.1 million, RMB103.6 million and RMB30.4 million<sup>6</sup>, respectively. The circulation of these top five newspapers was 500,000, 400,000, 300,000, 220,000 and 200,000 as of December 31, 2009, respectively. As such, in 2009, our newspaper partner Dalian Daily was ranked fourth in terms of total advertising expenditures and similarly in terms of circulation.

In 2009, the industry with the largest print media advertising expenditures in Dalian, Liaoning Province was real estate and construction, with RMB639.4 million, followed by commerce and services, with RMB632.9 million. Third-largest was the transportation industry with RMB108.8

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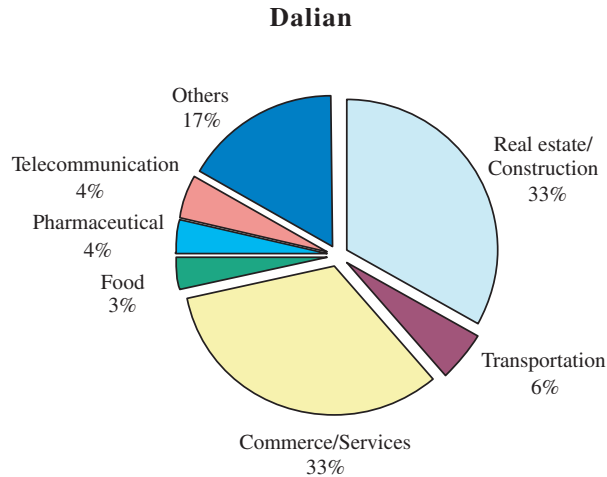
<sup>6</sup> According to CTR, the figures for advertising expenditures included in its report were calculated based on the respective newspaper's standard advertisement publication rates as set out in their rate cards.

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## INDUSTRY OVERVIEW

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million. The total advertising expenditures of these top three industries accounted for 72% of the total print media advertising expenditures. The diagram below shows the composition of the total advertising expenditures in Dalian, Liaoning Province, in 2009 by industry.



Source: *Print Media Adspend Research Report by CTR*

### Main Growth Drivers of the PRC Print Media Advertising Industry

We believe that the following growth drivers will facilitate the development of the PRC print media advertising industry, thereby increasing the demand for our products and services:

**Appropriate readership base** Newspaper readers generally fall within the age categories of 25 to 34 years, and 35 to 44 years. According to CTR, the total number of newspaper readers in China from the 25 to 34 year-old age bracket has remained fairly constant over the last five years, whereas the number of newspaper readers from the 35 to 44 year-old age bracket represented 26.8% of the total number of newspaper readers in 36 select cities of China in 2009, as compared to 23.7% in 2005. These readers form the primary target consumer base of most advertisers as they typically possess higher purchasing power due to higher incomes.

**Increase in income of newspaper readers** According to CTR, the average monthly income per person among newspaper readers in China has increased from RMB1,153 in 2003 to RMB2,436 in 2009, representing an increase of over 111%. This increase also contributes to the growth of the newspaper advertising industry, as these individuals constitute a stronger consumer base with higher disposable income, and are thus more attractive to most advertisers.

**Secondary consumer markets** Advertisers are gradually moving their geographical focus from the first-tier coastal cities, which have intensely competitive markets, to the emerging secondary consumer markets in the Northeast, Central and Western regions of China. The accelerated pace at which print media advertising expenditures have grown in these regions as compared to the first-tier cities clearly demonstrates this trend and is expected to continue driving the growth of the developing print media advertising markets in these regions.

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## INDUSTRY OVERVIEW

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*Readers' loyalty* Newspaper advertising has been the second most popular advertising medium for advertisers to date and its popularity is unlikely to experience any significant change in the next few years, since newspapers generally have high readers' loyalty compared to other forms of media due to long-term subscription. In particular, because of the relatively low prevalence of internet usage in third-tier and fourth-tier cities as compared to first-tier cities, newspapers remain one of the main sources of media in third-tier and fourth-tier cities, and the readership of newspapers in these cities is still experiencing a growth trend.

### SOURCE OF INFORMATION

#### Print Media Adspend Research Report

We commissioned CTR, an Independent Third Party, to prepare the Print Media Adspend Research Report for use in whole or in part in this prospectus. Information extracted from the Print Media Adspend Research Report is contained in the "Summary", "Industry Overview" and "Business" sections of this prospectus. We paid CTR a total of RMB71,000 in fees for preparing and updating the Print Media Adspend Research Report.

CTR, founded in 1995 and headquartered in Beijing, is a provider of market research, information and consultancy services in China. It is a joint venture company between China International TV Corporation and Kantar Group, one of the world's largest market research, insight and consultancy networks. CTR prepared the Print Media Adspend Research Report based on its in-house database, independent third party reports and publicly available data from reputable industry organizations. The information contained in the Print Media Adspend Research Report has been obtained from sources which CTR believes to be reliable; however, there can be no assurance as to the accuracy or completeness of the information presented.

When preparing and updating the Print Media Adspend Research Report, CTR adopted a methodology illustrated below to enhance the credibility and accuracy of the statistics:

- *Market Research* — Data and statistics samples relating to the media industry were collected through the market research conducted via its China National Resident Survey ("CNRS") system on the media industry across 60 cities in the PRC including, among other things, population coverage, consumer trends, products, branding and lifestyle choices.
- *Market data analysis* — Statistics collected from the market research process were analyzed to provide insights on their historical and future impact on market size and market development. Factors that drove and are expected to drive market growth as well as those that restrained and are expected to restrain market growth were identified based on the analysis.
- *Forecast* — The data and information obtained through the steps above were utilized to calculate and estimate the probable development of the market, including market size projections.

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## INDUSTRY OVERVIEW

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- *Quality control* — CTR has obtained the ISO 20252 certification, which is the globally-recognized quality standard for market, opinion and social research and also implements the stringent quality requirements of the ISO9001: 2000 standard throughout its research and analysis process.

Forecasts and assumptions included in the Print Media Adspend Research Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including without limitation, the actions of governments, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, advertising prices, risks inherent in the print media and advertising industries, regulatory risks, financing risks and labor risks.

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## REGULATORY OVERVIEW

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### OVERVIEW

Substantially all of our operations are based in the PRC. Accordingly, our business is subject to the extensive regulations of the PRC Government. These regulations govern a wide range of areas including, among others, advertising, publication, distribution and telecommunications. In addition, our operations are subject to a number of general regulations in the PRC, such as regulations in relation to foreign investments, foreign exchange control and taxation. This section summarises the major aspects of the laws, rules and regulations of the PRC that are relevant to our operations.

### Principal Laws and Regulations Governing the Advertising Business

The Advertising Law of the PRC (中華人民共和國廣告法) was adopted in the 10th meeting of the Standing Committee of the 8th NPC of the PRC on October 27, 1994 and took effect on February 1, 1995. It classifies the participants in the PRC advertising industry as (1) advertiser, which means a legal person, an economic entity or an individual that designs, produces and publishes advertisements, either through own efforts or through an entrustment to others, in order to promote sales of goods or services; (2) advertising operator, which means a legal person, an economic entity or an individual that provides services in designing and producing advertisements or related agency services on a commissioned basis; and (3) disseminator, which means a legal person or an economic entity that publishes advertisements for advertisers or for advertising operators entrusted by advertisers. The advertisers, advertising operators and disseminators are liable for the truthfulness of the content of the advertisements. The advertisers who entrust advertising operators and disseminators to design, produce or publish advertisements must provide true, lawful and effective supporting documentary evidence in connection with the contents of the advertisements. The advertising operators and disseminators must examine the relevant documents to verify the contents of the advertisements. As to advertisements which contain untrue content or lack sufficient supporting documentary evidence, the advertising operators may not provide design, production or agency services and the disseminators may not publish such advertisements.

Pursuant to the Advertising Law of the PRC, advertisements may not contain falsity, misrepresentation or misguidance. An advertisement should present distinct and clear specifications on the product's function, place of origin, uses, quality, price, manufacturer, and expiration date of commodities, or the contents, forms, quality, price or promises of the services offered.

- The contents of advertisements for food, wine and cosmetics must comply with the requirements set by the local health departments and may not contain medical terms or terms that are confusingly similar to medications.
- The contents of advertisements for medications must be based on the instructions approved by the administrative department of public health at the provincial level or under the State Council.
- Advertisements that directly or indirectly introduce medical organizations or medical services must be submitted to the administrative department of public health at the provincial level and/or the administrative department for traditional Chinese medicine at the provincial level for content approval prior to publication. These advertisements are also subject to supervision by the relevant Administration of Industry and Commerce.



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## REGULATORY OVERVIEW

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- Advertisements for tobacco products through forms of media such as radio broadcast, films, television, newspapers or periodicals are prohibited. Advertisements for tobacco products through forms of media other than those prohibited are subject to prior approval by the Administration of Industry and Commerce at the provincial level or the relevant authorized Administration of Industry and Commerce at the municipal level.
- Advertisements for special drugs such as anesthetics, psychotropic drugs, toxic drugs and radioactive drugs are banned.
- All advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals through radio broadcast, films, television, newspapers, magazines, and other forms of media, as well as any other advertisements which are subject to censorship review according to applicable laws and regulations, must obtain content approval from the relevant authorities prior to publication.

In the case of promoting goods or services with untrue advertisements, the relevant advertising regulatory authorities may require an advertiser to stop publishing the advertisements and to make public corrections utilizing the same amount of advertising expenses, and impose a fine of an amount up to five times the advertiser's advertising expenses. The responsible advertising operator and disseminator may be subject to confiscation of their relevant income from providing the advertising services, as well as a fine of an amount up to five times the aforesaid income or an amount not exceeding RMB10,000 if the liable party did not receive income from the misconduct. In cases of severe violations, liable parties may be subject to forced termination of their advertising businesses, revocation of their business licenses or even criminal proceedings if their acts constitute criminal offences.

Further, the advertiser may be subject to civil liabilities for publishing untrue, deceptive or misleading advertisements resulting in infringement upon the rights and interests of consumers who have bought the advertised goods or used the advertised services; and any advertising operator and disseminator who knew or should have known the misconduct but still designed, produced or published the advertisement will be jointly and severally liable for damages. If the advertising operator or disseminator is unable to identify the advertiser and provide an accurate address of such advertiser, they will bear the entire civil liability. We were fined an aggregate amount of RMB15,650 during the Track Record Period by the relevant local Administration of Industry and Commerce for publication of advertisements which were deemed inappropriate. Except for the foregoing, as of the Latest Practicable Date, we have not been subject to any other fines imposed by the relevant authorities for publication of untrue, deceptive or misleading advertisements.

Pursuant to the Regulations on Administration of Advertising (廣告管理條例) promulgated by the State Council on October 26, 1987, advertising companies may only engage in the advertising business if they have obtained from SAIC or its local branches a business license which specifically includes in its business scope the operation of an advertising business. A company conducting advertising activities without such a license may be subject to penalties including fines, confiscation of advertising income and orders to cease advertising operations. Pursuant to the Measures on Administration of Advertising Operation Licenses (廣告經營許可證管理辦法) and the Detailed Rules

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## REGULATORY OVERVIEW

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for the Implementation of the Regulation on the Administration of Advertising (廣告管理條例施行細則), promulgated and revised by SAIC on November 30, 2004, and which took effect on January 1, 2005 (Order of SAIC No. 18), certain entities, including but not limited to radio and television stations and publishing institutions, must also obtain an advertising operating license from a branch of SAIC at the county level or above before they can engage in the advertising business. These licenses will set forth the permitted advertising activities.

In compliance with Detailed Rules for the Implementation of the Regulation on the Administration of Advertising, a foreign-invested enterprise must file an application to engage in the advertising business in the PRC in accordance with the Regulations on the Administration of Foreign-invested Advertising Enterprises (外商投資廣告企業管理規定) and other relevant regulations.

On March 2, 2004, SAIC and MOFCOM issued the Regulations on the Administration of Foreign-invested Advertising Enterprises, pursuant to which, commencing on March 2, 2004, foreign investors are allowed to hold a majority equity interest in advertising companies in the PRC with shareholding interests up to 70%, and since December 10, 2005, foreign investors are allowed to set up wholly foreign-owned enterprises to conduct advertising business in the PRC. On August 22, 2008, SAIC and MOFCOM further revised the Regulations on the Administration of Foreign-invested Advertising Enterprises which took effect on October 1, 2008. The Regulations on the Administration of Foreign-invested Advertising Enterprises have specified the procedures for establishing a foreign-invested advertising enterprise as follows: (1) investors in the advertising operator must apply to SAIC or the Administration for Industry and Commerce at the provincial level authorised by SAIC, and obtain an opinion on the approval of foreign-invested advertising enterprise project (外商投資廣告企業項目審定意見書); (2) after the opinion is granted, the investors must apply to the provincial-level commerce department in the locality in which the enterprise is intended to be set up, and obtain a certificate of approval for establishment of an enterprise with foreign investment (外商投資企業批准證書); and (3) the investors must also apply for enterprise registration at SAIC or the local Administration for Industry and Commerce with the opinion and the certificate and other document required by law and regulations. In addition, the Regulations on the Administration of Foreign-invested advertising Enterprises also stipulate the specific conditions of establishment of Sino-foreign advertising joint ventures and wholly foreign-owned enterprises respectively in addition to the conditions stipulated in relevant laws and regulations.

Under the Advertising Law of the PRC, the exhibition and display of outdoor advertisements may not: (1) utilize traffic safety facilities and traffic signs; (2) impede the use of public facilities, traffic safety facilities and traffic signs; (3) obstruct commercial production and public activities or damage the urban area landscape; (4) be placed in restricted areas near government offices, cultural landmarks or historical or scenic sites; or (5) be placed in areas prohibited by the local governments at the county level or above from having outdoor advertisements.

In addition to the laws and regulations generally applicable to advertisements in the PRC, outdoor advertising is also subject to the Measure for the Administration of Registration of Outdoor Advertisements (戶外廣告登記管理規定), which was promulgated by SAIC on December 8, 1995, amended on December 3, 1998 and May 22, 2006, and became effective on July 1, 2006.

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## REGULATORY OVERVIEW

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Under the Measure for the Administration of Registration of Outdoor Advertisements, all outdoor advertisements must be registered with the local branches of SAIC at or above county level before dissemination. The advertising distributors are required to submit a registration application form and other supporting documents for registration. After review and examination, if an application complies with the requirements, the local branches of SAIC should issue an outdoor advertising registration certificate (戶外廣告登記證) for the advertisement. Outdoor advertisements must be published in accordance with the contents stipulated in the register such as venue, format, specification and time period, which cannot be altered without prior approval. The content of the outdoor advertisement must be submitted for filing with the local branches of SAIC.

### **Principal Regulations Governing the Businesses of Publication, Distribution and Printing**

The Regulations on Administration of Publication (出版管理條例), which was promulgated by the State Council on 25 December 2001 and took effect on February 1, 2002 (Order of the State Council [2001] No. 343) stipulates that, among other things, (1) publishing activities shall include publishing, printing or reproduction, import, and distribution of publications; (2) newspapers, periodicals and books must be published by publishing entities; and (3) to establish a publishing entity, the organising unit must apply to the Administrative Department for Publication at the provincial level at its locality for its review and further submission of the application to the Administrative Department for Publication under the State Council for approval. The organising unit must subsequently complete the procedures for obtaining a publishing licence after receiving the approval decision, and must obtain a business licence from the Administration for Industry and Commerce in accordance with the relevant law.

Pursuant to the Regulations on Administration of publication, publications may not contain the following contents: (1) contents that contravene the basic principles established by the constitution of the PRC; (2) contents that endanger the unification, sovereignty and territorial integrity of the PRC; (3) contents that will be regarded as national secrets of the PRC, contents that may endanger national security or contents that may damage the honour or benefits of the PRC; (4) contents that incite hatred or discrimination, undermine solidarity of the nations, or infringe on national customs and habits; (5) contents that propagate evil cults or superstition; (6) contents that disturb public order or destroy public stability; (7) contents that propagate obscenity, gambling, violence or instigate crimes; (8) contents that insult or slander others, or infringe upon the lawful rights or interests of others; (9) contents that endanger public ethics or the fine national cultural traditions; and (10) contents prohibited by laws, administrative regulations and provisions of the PRC.

Pursuant to the Regulations on Administration of Publication and Provisions for the Administration of the Publications Market (出版物市場管理規定), as amended by GAPP on June 16, 2004 and which took effect on July 1, 2004, (1) the PRC adopts a licensing system for the distribution of publications and without due licence, no entity or individual may engage in the activity of distributing publications; (2) entities which engage in the general distribution of newspapers, periodicals and books must first obtain a publication operation permit (出版物經營許可證) from GAPP and a business licence from the Administration for Industry and Commerce in accordance with

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## REGULATORY OVERVIEW

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the relevant law; (3) publishing entities which engage in the wholesaling of newspapers, periodicals and books must first obtain a publication operation permit from the Administrative Department for Publication at the provincial level and a business licence from the Administration for Industry and Commerce in accordance with the relevant law; and (4) entities and individuals which engage in the retailing of newspapers, periodicals and books must first obtain a publication operation permit from the Administrative Department for Publication at the county level and a business licence from the Administration for Industry and Commerce in accordance with the relevant law. Provisions for the Administration of the Publications Market further provide that (1) “publication distribution” includes general distribution, wholesale, retail, and other activities, such as leasing and sales exhibitions; (2) “general distribution” means exclusive sale of publications by an entity engaging in general distribution of publications; (3) “wholesale” means sale of publications to other publication operators; and (4) “retail” means sale of publications directly to consumers.

Pursuant to the Regulations on the Administration of Printing Industry (印刷業管理條例) promulgated by the State Council on August 2, 2001 and the Interim Measures on the Qualifications of Printing Operators (印刷業經營者資格條件暫行規定) promulgated by GAPP on November 9, 2001, the State has adopted a licensing system for printing operations. Enterprises engaging in the publication printing business must satisfy the following conditions: (1) having its corporate name and articles of association; (2) having a specific business scope; (3) having fixed production and operation places suitable for its business, including workshops with area of not less than 800 square meters; (4) having enough funds for ordinary production and operation, and the registered capital must be no less than RMB2.0 million; (5) having necessary equipment for the publication printing, including at least two sets of automatically bisecting and offset printing equipment which were manufactured in the recent 10 years and have not been listed in the Catalogue of Behindhand Equipments, Crafts and Products Which Shall be Eliminated; (6) having necessary organizations and personnel suitable for the business scope, and the legal representative and major production or operation principals must have the Certificate of Printing Regulations Training granted by the press and publication administrations at the provincial level; (7) having sound operation management and finance control systems such as examination of acceptance of transactions, registration, storage, consignment, destruction and so on, and having sound quality-guarantee systems. Enterprises engaging in the publication printing business must be approved by the press and publication administrations at the provincial level and obtain a printing operation permit (印刷經營許可證). No unit or individual may undertake printing operations without obtaining a printing operation permit (印刷經營許可證) according to these regulations.

Pursuant to the Interim Provisions on the Establishment of Foreign-invested Printing Enterprises (設立外商投資印刷企業暫行規定) promulgated by GAPP and the former Ministry of Foreign Trade and Economic Cooperation on January 29, 2002, the government of the PRC permits establishment of Sino-foreign joint printing enterprises that engage in the printing of publications, printed items for packaging and decorations and other printed items, as well as the establishment of wholly foreign-funded enterprises that engage in the printing of printed items for packaging and decorations. The Sino-foreign joint printing enterprises engaging in the printing of publications must have registered capital of not less than RMB10,000,000, and the Chinese party must have a controlling interest in any Sino-foreign joint printing enterprises.

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Pursuant to the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) jointly promulgated by NDRC and MOFCOM on October 31, 2007 (the “**Catalogue**”) and the Several Opinions on Canvassing Foreign Investment into the Cultural Sector (關於文化領域引進外資的若干意見) jointly promulgated by the Ministry of Culture, State Administration of Radio, Film and Television, GAPP, NDRC (including the former State Development Planning Commission and the former State Planning Commission) and MOFCOM and which took effect on July 6, 2005 (Wen Ban Fa [2005] No.19), (1) foreign investors are prohibited from investing and engaging in the publication, general distribution and importation of books, newspapers and periodicals; (2) printing of publications is restricted for foreign investment, which requires in the Catalogue that “the Chinese party shall have a controlling interest, with the exception of printing of package and decoration”.

On March 25, 2009, GAPP issued the Guiding Opinion on Further Facilitating the Reform of the Press and Publication System (關於進一步推進新聞出版體制改革的指導意見) (Xin Chu Chan Ye [2009] No. 298), which stipulates that the State must provide guidance on the healthy development of non-state-owned publishing houses. It also provides that the state must (1) encourage and support non-state-owned enterprises to enter into sectors permitted by the state policies in various forms, regard non-state-owned publishing houses as an important component of the press and publication industry and include these houses in the coverage of industrial planning and management, and guide and regulate the operation of non-state-owned publishing houses in accordance with Several Decisions of the State Council on the Entry of Non-state-owned Capital into the Cultural Industry (國務院關於非公有資本進入文化產業的若干決定) (Guo Fa [2005] No. 10); (2) proactively explore the channels for non-state-owned publishing houses to participate in the publishing sector, conduct experimental works for joint operations between state-owned and non-state-owned enterprises, and gradually achieve the provision of book planning, compiling contribution, editing and other services for non-state-owned publishing studios on a specific platform of publishing resources allocation; and (3) encourage state-owned publishing enterprises to cooperate through various means, such as capital cooperation and project cooperation, with non-state-owned publishing houses so as to establish a platform for the development of non-state-owned publishing houses, provided that correct direction from state-owned enterprises and the dominating position of state-owned capital are ensured.

On January 1, 2010, GAPP issued the Guiding Opinions on Further Advancing the Development of the Press and Publication Industry (新聞出版總署關於進一步推動新聞出版產業發展的指導意見) (Xin Chu Zheng Fa [2010] No.1), which stipulates that the state must guide and regulate non-state-owned enterprises to enable orderly entry into the press and publication industry, and must liberate and develop emerging cultural productive forces. Based on the spirit of Several Opinions Regarding Deepening Cultural System Reform (關於深化文化體制改革的若干意見) (Zhong Fa [2005] NO. 14) jointly promulgated by the Central Committee of the CPC and the State Council and the Cultural Industry Development Plan (文化產業振興規劃) passed by the State Council, it further provides that the State must encourage, support and guide non-state-owned capital to enter into sectors permitted by the state policies, encourage and support non-state-owned culture enterprises engaging in printing, distribution and other operations related to the press and publication industry, guide and regulate non-state-owned culture enterprises invested by individual and private capital to enable orderly entry into professional book publishing activities in the field of science, finance, education, music art, children’s readings, etc., through different forms such as content provision, project cooperation and operating as a department of state-owned enterprises, etc.



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### Principal Regulations Governing the ICP Business

The Regulations on Telecommunications of the PRC (中華人民共和國電信條例) was promulgated on September 25, 2000 by the State Council. It categorizes all telecommunication services in China as basic telecommunications services and value-added telecommunications services and sets forth extensive guidelines on various aspects of telecommunications operations in China. According to the Regulations on Telecommunications of the PRC, a commercial telecommunication services provider in China must obtain an operating license from the Ministry of Industry and Information Technology, or MIIT, or its provincial-level counterparts.

In addition, Internet information services are regulated by the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) promulgated on September 25, 2000 by the State Council. It defines “Internet information services” as services which provide information to online users through the Internet. Internet information services are divided into commercial services and non-commercial services. Internet information services providers which provide commercial services are required to obtain an operating license from the MIIT or the relevant provincial counterpart. The Administrative Measures on Internet Information Services also provide that anyone who intends to provide Internet information services relating to news, publication, education, medical and health care, pharmaceuticals or medical equipment and certain other matters must first obtain approval from the competent governmental authorities of the relevant industry as required by relevant laws and regulations prior to applying for an operating license or making a filing with the MIIT or the relevant provincial counterpart.

The PRC Government has promulgated measures relating to Internet content through a number of ministries and agencies, including the MIIT, the News Office of the State Council, the Ministry of Culture (“MOC”), and GAPP. In addition to various approval and license requirements, these measures specifically prohibit Internet activities that result in the dissemination of any content which is found to propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, harm state security, divulge state secrets or contain other content prohibited by the PRC laws and regulations.

Pursuant to the Interim Provisions for the Administration of Internet Publication (互聯網出版管理暫行規定), which was promulgated by the former Ministry of Information Industry and GAPP on June 27, 2002 and took effect on August 1, 2002, those who wish to engage in Internet publishing activities must obtain an Internet publication licence from GAPP. A company conducting internet publishing activities without such a license may be subject to penalties and sanctions, including confiscation of publication equipment and any illegal profits earned in violation of the interim provisions, order to cease operations and fines of an amount up to ten times of the illegal profits earned. The term “Internet publishing” is defined as online dissemination through which Internet information providers select, edit and process the works created by themselves or others (including content from books, newspapers, periodicals, audio and video products, electronic publications, and other sources that have already been formally published or works that have been made public in other media, and contents in respect to literature, arts and natural science, social science, engineering technology, etc that have already been edited and processed), and subsequently post these contents on the Internet, or transmit these contents over the Internet for browsing, reading use or downloading by the public.

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According to the Provisions for the Administration of Foreign-invested Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council, which became effective on January 1, 2002 and was amended on September 10, 2008, foreign investors' ultimate equity ownership in a PRC entity providing value-added telecommunication services may not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunication business in the PRC must demonstrate a good track record and experience in providing value-added telecommunication services overseas. Pursuant to the Catalogue of Industries for Guiding Foreign Investment and the Several Opinions on Canvassing Foreign Investment into the Cultural Sector, foreign investors are prohibited from investing and engaging in Internet publishing activities, Internet cultural activities and Internet news information services, except that the Hong Kong service providers and Macao service providers are permitted to invest in joint venture companies engaging in Internet cultural activities, in which the Chinese party has majority ownership.

### **Principal Regulations on Overseas Special Purpose Vehicles Held by PRC Residents**

According to the Notice on Relevant Questions of Domestic Residents Financing by Overseas Special Purpose Vehicles and Making Roundtrip Investment promulgated by SAFE (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) (“SAFE Circular No.75”), which came into effect on November 1, 2005, “Domestic Resident Individuals” must make an “overseas investment foreign exchange registration” with SAFE before the establishment of an overseas special purpose vehicle (“SPV”) which is established by them for financing and round trip investments. SAFE Circular No. 75 further requires that “Domestic Resident Individuals” must update such registration on the occurrence of material change in the capital of the SPV such as (1) capital increase or decrease; (2) transfer or swap of equities; (3) merger or spin-off from another company; (4) investments in long-term equities or creditor's rights; and (5) financial guarantee. Subject to completion of the aforesaid registration, payment of dividends, profits and other payments to such SPV will be permitted.

All Domestic Resident Individual shareholders of our Company have completed the aforesaid registration in accordance with the SAFE Circular No.75.

### **Our Reorganization and the Provisions for the Merger and Acquisition of Domestic Enterprises by Foreign Investors**

Under the Provisions for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) (the “M&A Provisions”), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into an foreign-invested enterprise, or subscribes for new equity via an increase of registered capital thereby converting it into a foreign-invested enterprise (“equity acquisition”); and (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (“assets acquisition”).



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Our PRC legal advisor is of the opinion that our reorganization steps, which are described in the section headed “History and Corporate Structure — Our Reorganization” in this prospectus, did not involve any equity acquisition or asset acquisition under the definition of the M&A Provisions. In particular, our PRC legal advisor has advised us that the acquisition of domestic enterprises by foreign-invested enterprises is governed by the Interim Provisions on Investment in China by Foreign-Invested Enterprises (《關於外商投資企業境內投資的暫行規定》) as well as other provisions concerning domestic investment by foreign-invested enterprises, and only matters not covered therein are addressed by reference to the M&A Provisions. Since both Shenzhen TianXun and Fuzhou HanDing are wholly foreign owned enterprises and the Interim Provisions on Investment in China by Foreign-Invested Enterprises set forth the relevant requirements and procedures in relation to their acquisition of Fujian ShiFang, the M&A Provisions do not apply. As such, our PRC legal advisor has advised us that the M&A Provisions are not applicable to our reorganization steps.

In addition, the execution, delivery and effectiveness of the Structure Contracts do not require any approvals or filings with PRC governmental authorities, except that the Equity Pledge Agreement must be filed with the relevant local administration for industry and commerce to complete the equity pledge registration and we have completed this filing. As advised by our PRC legal advisor, all approvals and permits required under the PRC laws and regulations in connection with each stage of the Reorganization have been obtained. Our PRC legal advisor has further advised us that it is not an administrative function of PRC governmental authorities to issue formal confirmations regarding agreements that do not require examination by and approval of relevant authorities under PRC laws. As such, our Company has not formally filed a request with any authority in the PRC for confirmation on the legality of the Structure Contracts.

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### OUR GROUP

Our Group primarily comprises our Company, the Fujian ShiFang Group and the Beijing HongXinTu Group. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 9, 2009. We are principally engaged in the sale of integrated print media and digital media service packages to advertisers from a wide spectrum of industries. Please refer to the section headed “Business” in this prospectus for more details.

### Our Milestones

- Our business originated from the establishment on November 1, 2000 of our principal operating subsidiary, Fujian ShiFang, which commenced its advertising business in the PRC as an advertising agent for Strait News in 2001 and Fujian Daily in 2003 in Fuzhou, Fujian Province.
- We entered into two comprehensive cooperation contracts of 30 years with Southeast Express and Lifestyle Express in January 2005.
- We began our newspaper printing services in 2005 and 2007 through our printing factories in Kunming and Fuzhou, for Lifestyle Express and Southeast Express respectively, pursuant to our comprehensive cooperation contracts with them.
- We entered into a comprehensive cooperation contract in January 2008 with Shenyang Evening News.
- In July 2008, we acquired Xiamen DuKe and, since that time, we have further developed the website *www.duk.cn* that it operates into an Internet media platform.
- In March 2008, we commenced our advertising cooperation with Southeast Express, Shenyang Evening News and Lifestyle Express, pursuant to our comprehensive cooperation contracts with them.
- In line with our development strategy, we entered into comprehensive cooperation contracts with Modern Life Daily and Central Guizhou Morning Post in January 2009 and August 2010, respectively.
- As of the Latest Practicable Date, we have entered into exclusive contracts with eleven newspapers in the Southeast coastal region, Central region, Northeast region, Bohai Sea region and the Southwest region of the PRC, most of which enjoy strong support from the PRC Government in their development into strong economic markets. Please refer to the section headed “Business — Partnership with Newspapers” in this prospectus for more details.

### Fujian ShiFang

Our chairman, chief executive officer and executive Director, Mr. Chen, has more than seven years of experience in the advertising industry. He oversaw the development of Fujian ShiFang and

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introduced our distinctive business model of entering into exclusive contracts with newspapers across multiple provinces in order to provide integrated print media services to advertisers. Our Group was founded through the establishment of our principal operating subsidiary, Fujian ShiFang, a PRC domestic company with limited liability, which was established on November 1, 2000. At the time of its establishment, the initial registered capital of RMB5.0 million was fully contributed and paid-up by Fujian ShiFang Investment and Mr. Zheng Bo Ling, the brother-in-law of Mr. Chen, who held the equity interest in Fujian ShiFang as to 40.0% and 60.0%, respectively. Fujian ShiFang Investment is a company incorporated in the PRC, which is owned by Ms. Zheng Shou Ling, Ms. Gao Xiao Chen and Mr. Lin Zhong as to 34%, 33% and 33%, respectively. Ms. Zheng Shou Ling is the spouse of Mr. Chen. Ms. Gao Xiao Chen and Mr. Lin Zhong are Independent Third Parties.

Fujian ShiFang is principally engaged in providing advertising services and it commenced its business in the PRC as an advertising agent for Strait News and Fujian Daily in Fuzhou, Fujian Province. Mr. Chen joined our Group in 2003. On June 13, 2003, pursuant to an equity transfer agreement dated May 15, 2003, Fujian ShiFang Investment transferred its equity interest of 40.0% in Fujian ShiFang to Ms. Wang Bao Zhu, mother of Mr. Chen, for consideration of RMB2.0 million, determined by reference to the registered capital of Fujian ShiFang. Upon completion of the equity transfer, Fujian ShiFang was held by Ms. Wang Bao Zhu and Mr. Zheng Bo Ling as to 40.0% and 60.0%, respectively.

On November 3, 2003, pursuant to an equity transfer agreement, Mr. Zheng Bo Ling and Ms. Wang Bao Zhu transferred their respective equity interests of 60.0% and 20.0% in Fujian ShiFang to Mr. Chen for consideration of RMB3.0 million and RMB1.0 million, determined by reference to the registered capital of Fujian ShiFang. Upon completion of the equity transfers, Fujian ShiFang was held by Mr. Chen and Ms. Wang Bao Zhu as to 80.0% and 20.0%, respectively.

On February 23, 2005, the registered capital of Fujian ShiFang was increased from RMB5.0 million to RMB16.0 million after a capital injection of RMB11.0 million from Mr. Chen for the development and expansion of its business. Following the completion of such increase in its registered capital, Fujian ShiFang was held by Mr. Chen and Ms. Wang Bao Zhu as to 93.8% and 6.2%, respectively.

On January 12, 2006, pursuant to an equity transfer agreement dated December 25, 2005, Mr. Chen and Ms. Wang Bao Zhu transferred equity interests of 44.8% and 6.2% in Fujian ShiFang, respectively, to Beijing LianDiHengXing for consideration of RMB7.2 million and RMB1.0 million, determined by reference to the registered capital of Fujian ShiFang. Upon completion of the equity transfers, Fujian ShiFang was held as to 51.0% and 49.0% by Beijing LianDiHengXing and Mr. Chen, respectively. Beijing LianDiHengXing was a PRC entity and a subsidiary of an Independent Third Party, which was an indirect wholly-owned subsidiary of Sun Japan Corporation (later renamed as SJ Holdings Inc. and then as SJI Inc.), a company then listed on the JASDAQ Securities Exchange in Japan, the principal business of which, to the best knowledge of our Directors, is the research and development of information technology software products.

On June 1, 2007, pursuant to an equity transfer agreement dated May 14, 2007, Beijing LianDiHengXing transferred its equity interest of 51.0% in Fujian ShiFang to Shenzhen TianXun for consideration of RMB8.2 million, determined by reference to the registered capital of Fujian ShiFang.

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Upon completion of the equity transfer, Fujian ShiFang was held as to 51.0% and 49.0% by Shenzhen TianXun and Mr. Chen, respectively. Shenzhen TianXun was then an indirectly held, wholly-owned subsidiary of Index Asia, which later became a shareholder of Olympia Media and China TopReach. Index Asia was incorporated in Hong Kong and was, at the time of the equity transfer agreement, wholly-owned by Index Holdings Co., Ltd., a company listed on the JASDAQ Securities Exchange in Japan, which, to the best knowledge of our Directors, is principally focused on the media business. As far as our Directors are aware, Sun Japan Corporation initially invested in Fujian ShiFang through Beijing LianDiHengXing in January 2006 to capitalize on expected development of the PRC media market and to diversify its business portfolio. Subsequently, in June 2007, it decided for financial reasons to focus on its principal business and sold its PRC media business to Index Asia. Therefore, Sun Japan Corporation transferred its equity interest (held through Beijing LianDiHengXing) in Fujian ShiFang to Shenzhen TianXun, a wholly-owned subsidiary of Index Asia.

On May 22, 2008, pursuant to an equity transfer agreement dated May 8, 2008, Shenzhen TianXun and Mr. Chen transferred their respective equity interests of 51.0% and 49.0% in Fujian ShiFang to Fuzhou HanDing whose sole equity holder was Gloria Fair, for consideration of RMB8.2 million and RMB7.8 million, respectively, determined by reference to the registered capital of Fujian ShiFang. Upon completion of the equity transfers, Fujian ShiFang was wholly-owned by Fuzhou HanDing and has remained our wholly-owned subsidiary. Both Gloria Fair and Fuzhou HanDing are our subsidiaries. On September 1, 2008, Fuzhou HanDing, as sole equity holder of Fujian ShiFang, resolved to increase the registered capital of Fujian ShiFang from RMB16.0 million to RMB46.0 million. The increase of RMB30.0 million was fully contributed and paid-up by Fuzhou HanDing as of September 3, 2008.

For details of the composition and changes of ultimate shareholdings of Fujian ShiFang, please refer to the subsection headed “Our Reorganization” below.

### **Beijing HongXinTu**

Beijing HongXinTu was established as a limited company in the PRC on July 2, 2004. At the time of its establishment, Beijing HongXinTu had an initial registered capital of RMB30.0 million, which was held equally by Beijing YuanTai and Beijing XinMin, both of which are Independent Third Parties.

On July 20, 2004, four equity transfer agreements all dated July 20, 2004 were entered into amongst (i) Beijing YuanTai and Mr. Lin Yu Tong; (ii) Beijing YuanTai and Mr. Wang Yu Sheng; (iii) Beijing XinMin and Mr. Wang Yu Sheng; (iv) Beijing XinMin and Mr. Qiang Yi Bin, pursuant to which equity interests of 40.0%, 10.0%, 20.0% and 30.0% in Beijing HongXinTu, respectively, were transferred from (i) Beijing YuanTai to Mr. Lin Yu Tong for consideration of RMB12.0 million; (ii) Beijing YuanTai to Mr. Wang Yu Sheng for consideration of RMB3.0 million; (iii) Beijing XinMin to Mr. Wang Yu Sheng for consideration of RMB6.0 million; and (iv) Beijing XinMin to Mr. Qiang Yi Bin for consideration of RMB9.0 million, all of which were determined by reference to the registered capital of Beijing HongXinTu. Upon completion of the equity transfers, Beijing HongXinTu was held as to 40.0%, 30.0% and 30.0% by Mr. Lin Yu Tong, Mr. Wang Yu Sheng and Mr. Qiang Yi Bin, respectively. Mr. Qiang Yi Bin, Mr. Lin Yu Tong and Mr. Wang Yu Sheng are Mr. Hong’s brother-in-law, cousin and brother-in-law, respectively.

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On June 12, 2007, pursuant to five equity transfer agreements all dated May 18, 2007 entered into amongst (i) Mr. Wang Yu Sheng and Mr. Chen; (ii) Mr. Wang Yu Sheng and Mr. Zhang Jin Gui; (iii) Mr. Wang Yu Sheng and Mr. Qiang Yi Bin; (iv) Mr. Lin Yu Tong and Ms. Lin Yu Lin; and (v) Mr. Lin Yu Tong and Mr. Zhang Jin Gui, equity interests of 10.0%, 5.0%, 15.0%, 27.0% and 13.0% in Beijing HongXinTu, respectively, were transferred from (i) Mr. Wang Yu Sheng to Mr. Chen for consideration of RMB3.0 million; (ii) Mr. Wang Yu Sheng to Mr. Zhang Jin Gui for consideration of RMB1.5 million; (iii) Mr. Wang Yu Sheng to Mr. Qiang Yi Bin for consideration of RMB4.5 million; (iv) Mr. Lin Yu Tong to Ms. Lin Yu Lin for consideration of RMB8.1 million; and (v) Mr. Lin Yu Tong to Mr. Zhang Jin Gui for consideration of RMB3.9 million, all of which were determined by reference to the registered capital of Beijing HongXinTu. Upon completion of the equity transfers, Beijing HongXinTu was held as to 45.0%, 27.0%, 18.0% and 10.0% by Mr. Qiang Yi Bin, Ms. Lin Yu Lin, Mr. Zhang Jin Gui and Mr. Chen, respectively. Ms. Lin Yu Lin is Mr. Lin Yu Tong's sister.

Pursuant to three entrustment agreements all dated May 18, 2007, Mr. Zhang Jin Gui held 6.9%, 6.9% and 2.6% equity interests in Beijing HongXinTu on trust for and on behalf of Ms. Shi Chan Juan, Ms. Lv Ying and Mr. Chen Zi Quan, respectively, while Mr. Zhang Jin Gui was entitled to exercise all rights of an equity holder in respect of those equity interests (except that Ms. Shi Chan Juan, Ms. Lv Ying and Mr. Chen Zi Quan are entitled to receive the dividends or benefits accrued under their respective equity interests) until May 17, 2017. In order to achieve more efficient management of Beijing HongXinTu with respect to convening shareholders' meetings and obtaining shareholders' approvals, Ms. Shi Chan Juan, Ms. Lv Ying and Mr. Chen Zi Quan appointed Mr. Zhang Jin Gui to exercise their respective rights as the equity holders of Beijing HongXinTu through the entrustment arrangements. Pursuant to a termination agreement dated June 10, 2008, the three entrustment agreements were terminated and Ms. Shi Chan Juan, Ms. Lv Ying and Mr. Chen Zi Quan transferred the 6.9%, 6.9% and 2.6% equity interests in Beijing HongXinTu to Mr. Zhang Jin Gui at nil consideration in anticipation of obtaining indirect shareholding interests in our Company. Ms. Shi Chan Juan, Ms. Lv Ying and Mr. Chen Zi Quan, through their investment holding companies, Aotian Holdings and Adoration Management, hold an aggregate of approximately 4.8% shareholding interests in China TopReach, which will hold 43.7% of our issued share capital, upon Listing (without taking into account the Over-allotment Option, options granted under the 2010 Share Option Scheme and any options which may be granted under the Share Option Scheme).

Fujian ShiFang, Beijing HongXinTu and all of its equity holders, entered into a series of Structure Contracts, all dated July 1, 2008. Pursuant to the arrangements under the Structure Contracts, Beijing HongXinTu is deemed to be a subsidiary of Fujian ShiFang and hence our wholly-owned subsidiary. For details of the composition and changes of ultimate shareholdings of Fujian ShiFang, please refer to the subsection headed "Our Reorganization" below.

Through Fuzhou HongXinTu and Kunming HongLianXin, which are owned as to 51.0% and 100.0% by Beijing HongXinTu, respectively, we operate two printing factories in Fuzhou and Kunming, which have been printing Southeast Express and Lifestyle Express since 2005 and 2007, respectively. As with our distribution consultancy and management business component, such printing service is provided pursuant to our comprehensive cooperation contracts with the two newspapers and we charge printing fees based on the actual volume printed.

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In December 2008, Beijing HongXinTu acquired all of the equity interests in Beijing BaiChuanDuKe, which is the 100% holding company of Xiamen DuKe, for consideration of RMB1.0 million, determined by reference to the registered capital of Beijing BaiChuanDuKe. Xiamen DuKe was established in February 2006 and operated the website *www.duk.cn*. As a result of the acquisition, we established an Internet media platform for electronic dissemination of newspapers, magazines and novels, and placement of advertisements.

### The Underlying Shareholders

The underlying Shareholders who had control over both Fujian ShiFang and Beijing HongXinTu and acted in concert for the period from January 2007 to June 2008 include Mr. Chen, Mr. Hong, Mr. Lin Yu Tong, Ms. Lv Ying, Mr. Chen Zhi Quan and Ms. Shi Chan Juan. The interests in Beijing HongXinTu held by Mr. Qiang Yi Bin and Mr. Wang Yu Sheng in 2007 were held on behalf of and beneficially owned by Mr. Hong, and those held by Mr. Zhang Jin Gui were held on behalf of and beneficially owned by Ms. Lv Ying, Mr. Cheng Zhi Quan and Ms. Shi Chan Juan.

### STRUCTURE CONTRACTS

As of the Latest Practicable Date, Beijing HongXinTu was held as to 45.0%, 27.0%, 18.0% and 10.0% by Mr. Qiang Yi Bin, Ms. Lin Yu Lin, Mr. Zhang Jin Gui and Mr. Chen, respectively.

Beijing HongXinTu currently holds a license for the general distribution of books, newspapers and periodicals. Fuzhou HongXinTu and Kunming HongLianXin, two subsidiaries of Beijing HongXinTu, currently hold printing licenses for our printing business. Xiamen DuKe, one of the subsidiaries of Beijing HongXinTu, currently holds the ICP licenses for the operation of our website, *www.duk.cn*. Pursuant to the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) jointly promulgated by NDRC and MOFCOM on October 31, 2007, the publication and general distribution of books, newspapers and periodicals business is classified as an industry in which foreign investors are prohibited from investing, and the printing business and ICP business are both sectors in which foreign investment is restricted. These views have been confirmed by our PRC legal advisor. Please refer to the section headed “Regulatory Overview” in this prospectus for further details.

Beijing HongXinTu is a special purpose entity and deemed as a subsidiary of our Company under the relevant provisions of IFRS. Please refer to the Accountant’s Report as set out in Appendix I to this prospectus for further details. In order to strengthen the effective control over the business of the Beijing HongXinTu Group and to allow our Group to manage and operate the general distribution of books, newspapers and periodicals business, the printing business and ICP business in the PRC, Fujian ShiFang and Beijing HongXinTu and Mr. Zhang Jin Gui, Mr. Chen, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, who are the holders of the entire equity interest of Beijing HongXinTu, entered into a series of agreements that we refer to as the “Structure Contracts” on July 1, 2008. The Structure Contracts were entered into to establish a situation under which Fujian ShiFang obtains effective management of and operational and economic control over Beijing HongXinTu and has an exclusive option to purchase all or part of the equity interest in Beijing HongXinTu when and to the extent permitted by PRC laws.



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The Structure Contracts, taken as a whole, have established a contractual position which allows the economic benefits of Beijing HongXinTu's business to flow to Fujian ShiFang. In addition, under the Structure Contracts, all the directors in Beijing HongXinTu are to be nominated by Fujian ShiFang. Through its control over the directors of Beijing HongXinTu, we believe that Fujian ShiFang is able to monitor, supervise and effectively control the business, operations and financial policies of Beijing HongXinTu and therefore the Beijing HongXinTu Group so as to ensure implementation of the Structure Contracts in accordance with their terms.

The Structure Contracts also enable Fujian ShiFang to exercise control over and to acquire equity interests in Beijing HongXinTu at an agreed sum or, in the event that such agreed price is lower than the lowest price permissible under PRC laws, at such price as is permitted by the relevant PRC laws and regulations. Based on the Structure Contracts, we believe that, notwithstanding the lack of equity ownership between Fujian ShiFang and the Beijing HongXinTu Group, Fujian ShiFang has the right and the ability to control the business of the Beijing HongXinTu Group in substance. On this basis, the arrangements under the Structure Contracts, taken as a whole, allow our Group to manage and operate the general distribution of books, newspapers and periodicals business, the printing business and ICP business in the PRC.

### *Summary of the Structure Contracts*

The following is a summary of the Structure Contracts, all of which were entered into on July 1, 2008:

#### *(1) Service Agreement*

Fujian ShiFang and Beijing HongXinTu entered into the Service Agreement, pursuant to which Fujian ShiFang agreed to provide to Beijing HongXinTu consulting services, including (i) market research; (ii) business development and market consultation; (iii) consulting services in respect of labor matters; (iv) construction and maintenance of information networks and network security; (v) technical support for the software and technology required by Beijing HongXinTu; and (vi) such other services as may be required by Beijing HongXinTu and agreed to be performed by Fujian ShiFang for Beijing HongXinTu exclusively in relation to its business operations in exchange for service fees according to the nature of the service content and time spent based on market price. The term of the Service Agreement is ten years commencing on July 1, 2008 and the agreement automatically renews for successive periods of five years provided Fujian ShiFang does not issue any notice of termination 30 days before the relevant termination date.

#### *(2) Loan Agreement*

Mr. Chen, Mr. Zhang Jin Gui, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, who, together, constitute all the equity holders of Beijing HongXinTu, entered into the Loan Agreement with Fujian ShiFang pursuant to which Fujian ShiFang loaned RMB5.4 million to Mr. Zhang Jin Gui, RMB3.0 million to Mr. Chen, RMB13.5 million to Mr. Qiang Yi Bin and RMB8.1 million to Ms. Lin Yu Lin, on an interest-free basis, to fund their payment, as Beijing HongXinTu's equity holders, of the acquisition

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price for the entire equity interest in Beijing HongXinTu. The term of the Loan Agreement is ten years commencing on July 1, 2008 and the agreement automatically renews for a further five-year period thereafter unless a written notice to the contrary is served by Fujian ShiFang within 30 days prior to the expiration of the initial term of the Loan Agreement.

Each of Mr. Chen, Mr. Zhang Jin Gui, Mr. Qiang Yi Bin and Ms. Lin Yu Lin is not permitted to repay any of the sums borrowed under the Loan Agreement without the prior written consent of Fujian ShiFang.

### (3) *Equity Pledge Agreement*

Mr. Chen, Mr. Zhang Jin Gui, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, who, together, constitute all of the equity holders of Beijing HongXinTu, entered into the Equity Pledge Agreement with Fujian ShiFang and Beijing HongXinTu, pursuant to which each of them pledged all of their equity interests in Beijing HongXinTu to Fujian ShiFang to guarantee the repayment of the loans under the Loan Agreement and the payment of the service fees under the Services Agreement. Pursuant to the Equity Pledge Agreement, Fujian ShiFang is entitled to all of the benefits arising from the pledged equity interests, including dividends.

### (4) *Voting Rights Proxy Agreement*

Mr. Chen, Mr. Zhang Jin Gui, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, who, together, constitute all the equity holders of Beijing HongXinTu, entered into the Voting Rights Proxy Agreement with Fujian ShiFang and Beijing HongXinTu, pursuant to which each of them granted to Fujian ShiFang and its designee(s) the power to exercise all voting rights in Beijing HongXinTu, including but not limited to those relating to:

- (i) the amendment of Beijing HongXinTu's articles of association;
- (ii) the appointment, election or dismissal of the directors, supervisors or senior management of Beijing HongXinTu;
- (iii) the transfer or disposal otherwise of all or part of the equity interest in Beijing HongXinTu;
- (iv) the increase or reduction of the registered capital of Beijing HongXinTu or other amendment of the registered capital, or approval of merger, split-up, restructuring, dissolution or liquidation of Beijing HongXinTu, and exercise of other rights of the equity holders of Beijing HongXinTu as given under its articles of association or under PRC laws; and
- (v) the right to inspect or otherwise review all documents and information relating to Beijing HongXinTu, including but not limited to its business, operation, customers, financial status or the employment of staff.



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Moreover, under the Voting Rights Proxy Agreement, none of the equity holders of Beijing HongXinTu may transfer all or any part of their equity interest in Beijing HongXinTu without the prior written consent of Fujian ShiFang.

The Voting Rights Proxy Agreement took effect upon signing and may be terminated either (i) by written mutual agreement between the parties thereto; or (2) upon the transfer by the equity holders of Beijing HongXinTu of their respective interests in Beijing HongXinTu to Fujian ShiFang or its designated transferee.

### *(5) Exclusive Purchase Option Agreement*

Mr. Chen, Mr. Zhang Jin Gui, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, who, together, constitute all the equity holders of Beijing HongXinTu, entered into the Exclusive Purchase Option Agreement with Fujian ShiFang and Beijing HongXinTu pursuant to which each of them irrevocably granted Fujian ShiFang or its designee(s) an exclusive option to purchase, at any time if and when permitted under PRC laws, all or part of their equity interests in Beijing HongXinTu at the agreed price of RMB30.0 million or, in the event that such agreed price is lower than the lowest price permissible under PRC laws, the lowest price permissible under PRC laws.

The Exclusive Purchase Option Agreement took effect upon signing and may be terminated either (i) by written mutual agreement between the parties thereto; or (2) upon the transfer by the equity holders of Beijing HongXinTu of their respective interests in Beijing HongXinTu to Fujian ShiFang or its designated transferee.

Beijing HongXinTu is deemed as our wholly-owned subsidiary and therefore is not our Connected Person under the Listing Rules. All the transactions (other than the transactions under the Loan Agreement, the Equity Pledge Agreement, the Voting Rights Proxy Agreement and the Exclusive Purchase Option Agreement) and financial assistance between Beijing HongXinTu or members of the Beijing HongXinTu Group and our Group which are continuing as of the Latest Practicable Date or will continue after the Listing do not constitute connected transactions under the Listing Rules and therefore are not set out in the section headed “Connected Transactions” in this prospectus.

Our PRC legal advisor has advised us that:

- each member of the Beijing HongXinTu Group has been duly established and is validly existing under the relevant PRC laws and regulations;
- each of the Structure Contracts has been duly authorised, executed and delivered by the parties to the Structure Contracts and such contracts are legal, valid and binding under relevant PRC laws and regulations, enforceable against the parties to the Structure Contracts in accordance with the terms and conditions thereunder;
- the execution, delivery and performance of the Structure Contracts do not violate or result in a breach of or default under any PRC laws and regulations or the respective articles of association of or any material contracts to which any member of the Beijing HongXinTu Group is a party;

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- none of the terms and conditions in any of the Structure Contracts (taken individually or together as a whole) nor the legal structure of the Beijing HongXinTu Group contravenes any applicable PRC laws and regulations; and
- the execution, delivery and effectiveness of the Structure Contracts do not require any approvals from or filings with PRC governmental authorities except for the Equity Pledge Agreement, which has been properly filed with the local Administration for Industry and Commerce.

Our PRC legal advisor further advised that it is not an administrative function of PRC governmental authorities to issue formal confirmations regarding agreements that do not require examination by and approval of relevant authorities under PRC laws. As such, our Company has not formally filed a request with any authority in the PRC for confirmation on the legality of the Structure Contracts.

We have complied in good faith in all material aspects with relevant PRC laws and regulations and our operation in China was and is legal and valid before and after implementation of the Structure Contracts except as disclosed in this prospectus. However, our PRC legal advisor has advised that there are uncertainties regarding the interpretation and application of PRC laws and regulations, including those governing our business and the performance and the enforcement of these contractual arrangements. As such, there can be no assurance that the relevant PRC authorities will not take views contrary to the above in the future. Please refer to “We rely on contractual arrangements with Beijing HongXinTu and its shareholders for our media operations” under the section headed “Risk Factors” in this prospectus for further information.

### OUR REORGANIZATION

#### **Olympia Media, Gloria Fair and Fuzhou HanDing**

Olympia Media was established on December 13, 2005 in the BVI and was held as to 50.0%, 30.0% and 20.0% at the time of its establishment by Ms. Qiang Pei Ying, Mr. Lin Yu Tong and Mr. Zhang Jin Gui, respectively. Pursuant to an entrustment agreement dated December 11, 2005, the 50.0% shareholding interest in Olympia Media held by Ms. Qiang Pei Ying, who is Mr. Hong’s spouse, was held for and on behalf of Mr. Hong. On November 3, 2006, Ms. Qiang Pei Ying, Mr. Lin Yu Tong and Mr. Zhang Jin Gui, who were then the registered owners of shareholding interests of 50.0%, 30.0% and 20.0% in Gloria Fair, respectively, transferred their shareholding interests in Gloria Fair to Olympia Media for consideration of HK\$5,000.0, HK\$3,000.0 and HK\$2,000.0, respectively. Upon completion of the share transfer, Gloria Fair became a wholly-owned subsidiary of Olympia Media.

On March 31, 2007, Fujian ShiFang sold its entire 97.5% interest in Quanzhou Shifang Advertising Company Ltd. (“**Quanzhou ShiFang**”) to Fujian ShiFang Digital Technology Co., Ltd., a company held as to 98% by Mr. Chen and 2% by Ms. Zheng Shou Ling (the spouse of Mr. Chen), for consideration of RMB1.4 million, as determined by the net asset value of Quanzhou ShiFang at such time. Quanzhou ShiFang had ceased operations in 2006 and Fujian ShiFang disposed of its equity interest in Quanzhou ShiFang to streamline its corporate structure.

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On May 18, 2007, pursuant to a share transfer agreement dated April 1, 2007, in consideration of RMB18.0 million paid and a loan of RMB5.0 million provided by Mr. Chen, Ms. Qiang Pei Ying, Mr. Lin Yu Tong and Mr. Zhang Jin Gui transferred shareholding interests of 5.0%, 3.0% and 2.0% in Olympia Media, respectively, to Mr. Chen. Upon completion of the share transfer, Olympia Media was held as to 45.0%, 27.0%, 18.0% and 10.0% by Ms. Qiang Pei Ying (held on trust for and on behalf of Mr. Hong), Mr. Lin Yu Tong, Mr. Zhang Jin Gui and Mr. Chen, respectively. Pursuant to an entrustment agreement dated April 15, 2007, equity interests of 1.7%, 1.3% and 1.3% in Olympia Media were granted to Mr. Chen to be held for and on behalf of Mr. Li Gang, Mr. Yu Shi Quan and Mr. Xu Kai Ning, respectively. Under that agreement, Mr. Chen is entitled to exercise all rights of an equity holder (except that Mr. Li Gang, Mr. Yu Shi Quan and Mr. Xu Kai Ning are entitled to receive the dividends or benefits accrued under their respective equity interests) until April 14, 2017. In order to achieve more efficient management of Olympia Media with respect to convening shareholders' meetings and obtaining shareholders' approvals, Mr. Li Gang, Mr. Yu Shi Quan and Mr. Xu Kai Ning appointed Mr. Chen to exercise their respective rights as the equity holders of Olympia Media through the entrustment arrangements.

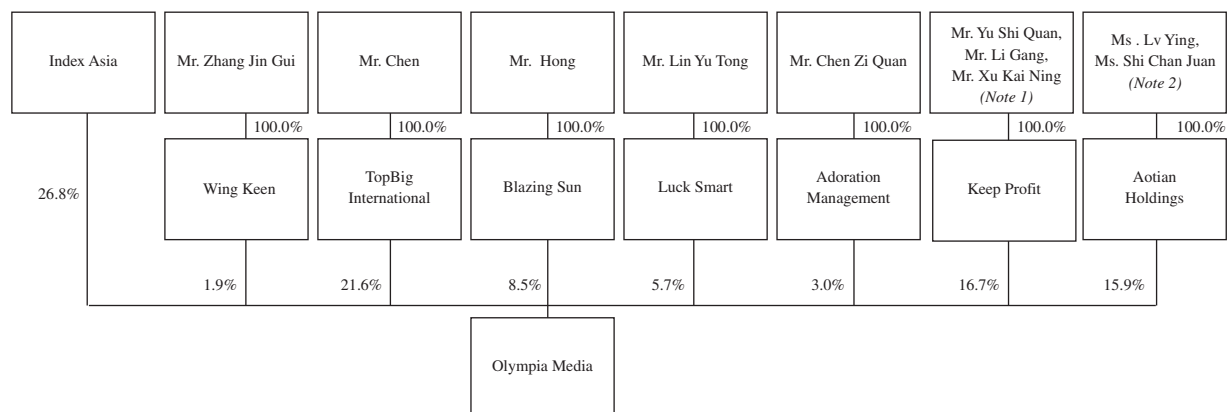
On December 1, 2007, Index Asia, which then owned 51% of the registered capital of Fujian ShiFang through its then indirect wholly-owned subsidiary, Shenzhen TianXun, entered into a share subscription agreement with Olympia Media, pursuant to which Olympia Media agreed to allot and issue its shares to Index Asia such that Index Asia would become interested in 26.8% of the enlarged issued share capital of Olympia Media. The consideration for the share subscription was RMB32.0 million and the allotment and issuance of shares in Olympia Media to Index Asia took place on September 18, 2008. On the same date, Mr. Hong, Mr. Chen, Mr. Zhang Jin Gui, Ms. Lv Ying, Ms. Shi Chan Juan, Mr. Chen Zi Quan, Ms. Qiang Pei Ying, Mr. Lin Yu Tong, Mr. Yu Shi Quan, Mr. Li Gang, Mr. Xu Kai Ning and Index Asia, and who later came to constitute all of the shareholders of Olympia Media (either directly or through their controlled companies), entered into the Concerted Party Agreement pursuant to which they agreed to use Olympia Media as the holding company of our major PRC subsidiaries, including Fujian ShiFang and Beijing HongXinTu.

Fuzhou HanDing was established on April 30, 2008 as a wholly foreign-owned enterprise with an initial registered capital of RMB190.0 million, which was fully contributed and paid-up by Gloria Fair. Pursuant to an equity transfer agreement dated May 8, 2008, Shenzhen TianXun and Mr. Chen transferred equity interests of 51.0% and 49.0% in Fujian ShiFang to Fuzhou HanDing on May 22, 2008 for consideration of RMB8.2 million and RMB7.8 million, respectively, determined by reference to the registered capital of Fujian ShiFang. On July 1, 2008, Beijing HongXinTu and its equity holders entered into the Structure Contracts with Fujian ShiFang, pursuant to which Beijing HongXinTu was deemed as a subsidiary of our Company under the relevant provisions of IFRS. Upon completion of the equity transfers and the implementation of the Structure Contracts, Olympia Media, through its wholly-owned subsidiaries, Gloria Fair and Fuzhou HanDing, became the holding company of the Fujian ShiFang Group and the Beijing HongXinTu Group.

On July 18, 2008, shares of Olympia Media held by its original shareholders Ms. Qiang Pei Ying (held on trust for and on behalf of Mr. Hong), Mr. Lin Yu Tong, Mr. Zhang Jin Gui and Mr. Chen were transferred to Blazing Sun, Aotian Holdings, Luck Smart, Wing Keen and TopBig International, and new shares in Olympia Media were also allotted and issued to Blazing Sun, Aotian Holdings, Luck Smart, Wing Keen, TopBig International, Adoration Management and Keep Profit. On September 18,

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2008, additional shares in Olympia Media, representing 26.8% of the enlarged share capital of Olympia Media, were further allotted and issued to Index Asia. Upon the completion of the share transfers and share allotments, the Olympia Media Shareholders, Wing Keen and Index Asia became the shareholders of Olympia Media. The shareholding structure of Olympia Media on September 18, 2008 was as follows:



*Notes:*

- (1) Keep Profit was then held as to 30.0%, 30.0% and 40.0% by Mr. Yu Shi Quan, Mr. Li Gang and Mr. Xu Kai Ning, respectively. Mr. Yu Shi Quan, Mr. Li Gang and Mr. Xu Kai Ning are members of our management.
- (2) Aotian Holdings was then held as to 50.0% and 50.0% by Ms. Lv Ying and Ms. Shi Chan Juan, respectively. Ms. Lv Ying and Ms. Shi Chan Juan are members of our management.

Subsequently, on December 6, 2008, pursuant to the Jiangyuan Purchase Agreement, Keep Profit agreed to sell and Jiangyuan International Development Limited agreed to purchase a shareholding interest of 2.5% in Olympia Media. However, in anticipation of the entering into of the Olympia Sale and Purchase Agreement, the sale and purchase was not completed in the manner as contemplated under the terms of the Jiangyuan Purchase Agreement. Instead, Jiangyuan International Development Limited received 158,816 China TopReach Shares from Keep Profit in the Acquisition. Please refer to the paragraph below headed “The Acquisition” for further details.

### The Acquisition

On December 16, 2008, pursuant to the Olympia Sale and Purchase Agreement, Olympia Media was acquired by China TopReach, a SPAC with its shares traded on the OTC Bulletin Board in the United States. In consideration of the Acquisition, the shareholders of Olympia Media were to receive consideration consisting of (i) US\$6.0 million in cash, subject to China TopReach having sufficient cash for the payment; (ii) 6,259,000 China TopReach Shares (including 2,000,000 China TopReach Shares (“**Escrowed China TopReach Shares**”)) to be held in escrow which would be released to the original shareholders of Olympia Media upon China TopReach achieving certain financial performance targets for each of the financial years ended December 31, 2008 and 2009; (iii) the original management of China TopReach forfeiting and canceling an aggregate of 200,000 China

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TopReach Shares; and (iv) an aggregate of 9,500,000 China TopReach Shares (“**Earned-out China TopReach Shares**”) to be allotted and issued to the sellers in the Olympia Sale and Purchase Agreement from 2010 to 2013 upon China TopReach achieving certain financial performance targets for each of the financial years ended December 31, 2009, 2010, 2011 and 2012.

On January 27, 2009, China TopReach passed shareholders’ resolutions pursuant to which China TopReach Shares were allotted and issued to the Olympia Media Shareholders, Wing Keen, Jiangyuan International Development Limited and Index Asia. In consideration of the share allotment, the Olympia Media Shareholders, Wing Keen and Index Asia transferred their respective shareholding interests in Olympia Media, comprising the entire issued share capital of Olympia Media, to China TopReach on February 9, 2009. As a result of the Acquisition, China TopReach became the holding company of Olympia Media, and the Olympia Media Concerted Parties (through the Olympia Media Shareholders) acquired a controlling shareholding interest in China TopReach.

### **Subsequent shareholding changes of China TopReach**

Subsequent to the Acquisition in February 2009, China TopReach has undergone shareholding changes as detailed below.

Five share transfer agreements all dated July 3, 2009 were entered into between Keep Profit and each of (i) Luck Smart; (ii) Adoration Management; (iii) Wing Keen; (iv) Kingoal Investments Limited; and (v) TopBig International, pursuant to which 240,000, 120,000, 80,000, 49,000 and 3,000 China TopReach Shares were transferred to Keep Profit for consideration of US\$0.001 per China TopReach Share. On July 6, 2009, pursuant to a share sale and purchase agreement (as supplemented by a subsequent agreement of the same date), China Science agreed to purchase 1,020,000 China TopReach Shares from Keep Profit.

China Science is an investment company incorporated in Hong Kong with Mr. Wang Ping, our non-executive Director, as one of its directors. It is wholly-owned by Shenzhen China Science & Kingwin Venture Capital Co., Ltd, a company that is in turn owned by Mr. Wang Ping as to 41.6% and by 10 other individuals, who are all Independent Third Parties, as to the remaining 58.4%.

Pursuant to four share transfer agreements dated December 29, 2009 entered into amongst (i) Keep Profit and China Science; (ii) Blazing Sun and China Science; (iii) Aotian Holdings and China Science; and (iv) Aotian Holdings and Cypress Capital International Investment Management Ltd., Keep Profit and Blazing Sun transferred 62,321 and 168,318 China TopReach Shares to China Science, respectively, and Aotian Holdings transferred 180,365 and 297,622 China TopReach Shares to China Science and Cypress Capital International Investment Management Ltd., respectively. Cypress Capital International Investment Management Ltd. is an investment company that was incorporated in Hong Kong. Mr. Wang Ping, our non-executive Director, is one of its directors.

On October 10, 2009, China TopReach passed board resolutions to approve the following:

- (i) the release of the 2,000,000 Escrowed China TopReach Shares (pursuant to the Olympia Sale and Purchase Agreement);

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- (ii) the allotment and issuance of 5,500,000 of the 95,000,000 Earned-out China TopReach Shares; and
- (iii) the allotment and issuance of 1,200,000 China TopReach Shares to certain Olympia Media Shareholders to satisfy the loan owed to them in the amount of US\$6.0 million.

China TopReach subsequently allotted and issued the 5,500,000 Earned-out China TopReach Shares to TopBig International, Blazing Sun and Keep Profit.

Considering the impact of the global financial crisis and the fact that certain Olympia Media Shareholders did not participate in the Share Subscription Agreement, the relevant parties agreed to amend the Olympia Sale and Purchase Agreement on June 23, 2010 (the “**Amendment**”). Pursuant to the Amendment, China TopReach agreed to allot and issue an aggregate of 2,000,000 of the remaining 4,000,000 Earned-out China TopReach Shares to the following entities regardless of whether any profit targets in any year had been achieved by China TopReach:

Index Asia .....	1,121,232
Luck Smart .....	255,434
Wing Keen .....	84,908
Adoration Management .....	133,760
Aotian Holdings .....	<u>404,666</u>
<b>Total</b> .....	<b><u>2,000,000</u></b>

Following such issuance and allotment, there will be 2,000,000 Earned-out China TopReach Shares remaining for potential issuance and allotment. Under the Amendment, these Earned-out TopReach Shares will be allotted and issued by China TopReach to the following entities conditional upon the achievement by China TopReach of after-tax profits of RMB278.8 million (approximately US\$41 million) in the 2011 financial year and RMB394.4 million (approximately US\$58 million) in the 2012 financial year, as set forth below:

	<u>2011</u>	<u>2012</u>
Index Asia .....	650,907	650,907
Luck Smart .....	141,908	141,908
Wing Keen .....	47,171	47,171
Adoration Management .....	74,311	74,311
Aotian Holdings .....	<u>85,703</u>	<u>85,703</u>
<b>Total</b> .....	<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>

In addition, the Amendment provides that China TopReach must use its reasonable best efforts to cause its common stock to be traded on the NASDAQ National Market or the NASDAQ Capital Market (together, “**Nasdaq**”) within six months after the Listing, provided that establishing such trading market does not violate any rule, regulation or policy of the Stock Exchange applicable to our Company.

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If China TopReach is not successful in having its common stock traded on Nasdaq within six months after the Listing, it has been agreed that all Shares held by China TopReach (“**Relevant Company Shares**”) will be distributed (the “**Distribution**”) to China TopReach’s shareholders of record at the time of Distribution, subject to compliance with the the Listing Rules, any requests of the Stock Exchange, any undertakings entered into in response to the requests, regulations or policies of the Stock Exchange and all other legal and regulatory requirements applicable to our Company. Our Company and China TopReach agreed to the Distribution in the event China TopReach’s efforts to cause its common stock to be traded on Nasdaq are unsuccessful so that its shareholders, who will in such case not benefit from a liquid trading market in their China TopReach Shares, may better benefit from the Listing. The completion of the Distribution is conditional on the following:

- All of the outstanding China TopReach warrants or options having been surrendered or exercised or having lapsed without exercise;
- The final 2,000,000 Earned-out China TopReach Shares having been dealt with in a manner acceptable to and mutually agreed by the parties to the Amendment; and
- Any lockup periods or similar requirements imposed by the Joint Sponsors and/or the Stock Exchange on any Relevant Company Shares having expired or having been lifted or released.

On June 23, 2010, China TopReach passed a board resolution to approve the allotment and issuance of 300,000 China TopReach Shares to Mr. Zhang Tie Zhu, our executive Director, as a reward for his contribution to the management and operation of China TopReach.

Please refer to the subsection headed “Group Structure” below for the shareholding structure of China TopReach as of the Latest Practicable Date.

### **The Olympia Media Concerted Parties**

The Olympia Media Concerted Parties comprise Mr. Chen, Mr. Hong, Ms. Lv Ying, Ms. Shi Chan Juan, Mr. Chen Zi Quan, Mr. Lin Yu Tong, Mr. Yu Shi Quan, Mr. Li Gang, Mr. Xu Kai Ning, Ms. Zheng Shou Ling and Ms. Zu Yue Yu, who have been and remain our Controlling Shareholders since all of them became the controlling shareholders of Olympia Media on September 18, 2008. The Olympia Media Concerted Parties are considered to be acting as part of a controlling group of shareholders by reason of the nature of their relationship and the way they had associated with one another in the management of our Group. Please refer to the paragraphs below headed “Association between the Olympia Media Concerted Parties” and “Our Management” for further details. During the most recent audited financial year (for the period from January 1, 2009 to December 31, 2009) and thereafter, notwithstanding the above series of restructuring steps resulting in changes to the shareholding of the Olympia Media Concerted Parties in China TopReach, the Olympia Media Concerted Parties collectively owned more than 30% of China TopReach throughout our most recent audited financial year and thereafter.



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### (A) Association between the Olympia Media Concerted Parties

The Olympia Media Concerted Parties has established a long-term amicable relationship and a strong degree of mutual trust among themselves by reason of their many years of knowing one another and work experience with our Group:

- (i) Mr. Chen and Mr. Hong were the core management members who developed the businesses of our principal PRC operating subsidiaries;
- (ii) Mr. Yu Shi Quan, Mr. Chen Zi Quan, Mr. Li Gang, Mr. Xu Kai Ning, Ms. Lv Ying and Ms. Shi Chan Juan are members of our management;
- (iii) Ms. Zheng Shou Ling is the spouse of Mr. Chen and Ms. Zu Yue Yu is the spouse of Mr. Yu Shi Quan; and
- (iv) Almost all members of the Olympia Media Concerted Parties have been with our Group for more than four years.

### (B) Our Management

Our Company has confirmed that the Olympia Media Concerted Parties discuss matters relating to their shareholding interests in our Shares among themselves and have been able to reach consensus on major decisions relating to the management of our Group during the Track Record Period. These major matters include:

- (i) the execution of the Concerted Party Agreement to use Olympia Media as the holding company of our major PRC operating subsidiaries and to act in concert on major decisions relating to the management and operation of our business throughout the relevant period; and
- (ii) the approval of the Acquisition.

### **The Reorganization**

Our Company was incorporated under the laws of the Cayman Islands on December 9, 2009. Prior to the Global Offering, a number of reorganization steps were taken in preparation for the Listing as set out below:

- On December 9, 2009, our Company was incorporated in the Cayman Islands with an authorized share capital of HK\$200.0 million divided into 2,000,000,000 ordinary Shares of HK\$0.10 each, of which one Share was allotted and issued to a subscriber and transferred to China TopReach on the same date. Following the completion of the share transfer, our Company became a wholly-owned subsidiary of China TopReach.



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- On January 18, 2010, China TopReach transferred its entire shareholding interest in Olympia Media to our Company, after which our Company became the holding company of Olympia Media. On the same date, Mr. Chen, the then sole director of our Company passed written resolutions, pursuant to which our Company allotted and issued 319,999,999 Shares, 42,998,170 Shares, 15,859,804 Shares and 21,142,026 Shares to China TopReach, TopBig International, Blazing Sun and Keep Profit, respectively. Upon completion of the said allotment and issuance, our Company was held as to 80.0%, 10.8%, 4.0% and 5.3% by China TopReach, TopBig International, Blazing Sun and Keep Profit, respectively.
- On June 28, 2010, Fujian ShiFang sold its 90% equity interest in Fuzhou KaiFaQu to Dian Lan (Fuzhou) Cosmetics Co. Ltd., an Independent Third Party, for consideration of RMB450.4, determined by the net asset value of Fuzhou KaiFaQu. Fuzhou KaiFaQu ceased operations in 2003 and we disposed of our equity interest in it to streamline our corporate structure. Upon completion of the equity transfer, Fuzhou KaiFaQu ceased to be a member of our Group.

### PRE-IPO INVESTMENTS

On January 6, 2010, (i) Mr. Chen; (ii) Mr. Hong; (iii) TopBig International; (iv) Blazing Sun; (v) Keep Profit; (vi) China TopReach; (vii) our Company; (viii) Olympia Media; (ix) Sinochem Europe Capital; (x) CCBI Asset Management; and (xi) Topson Investments, entered into the Bond Subscription Agreement in relation to the subscription for convertible bonds in an aggregate principal amount of US\$25.0 million, which was terminated pursuant to a termination deed dated February 12, 2010, simultaneously with the closing of the Share Subscription Agreement.

On February 5, 2010, (i) Mr. Chen; (ii) Mr. Hong; (iii) TopBig International; (iv) Blazing Sun; (v) Keep Profit; (vi) China TopReach; (vii) our Company; (viii) Olympia Media; (ix) Sinochem Europe Capital; (x) CCBI Asset Management; (xi) Topson Investments; and (xii) Templeton, entered into the Share Subscription Agreement in relation to the subscription for Subscription Shares for an aggregate subscription price of US\$35.0 million and entered into the Investors Rights Agreement on February 12, 2010. On February 12, 2010, pursuant to the terms of the Share Subscription Agreement, we allotted and issued the Subscription Shares at a price of US\$0.2347 (or HK\$1.8307) per Subscription Share for an aggregate subscription price of US\$35.0 million, which was fully paid in February 2010. The relevant Subscription Shares of CCBI Asset Management were allotted and issued to Pride Sky, its wholly-owned subsidiary. The relevant Subscription Shares of Sinochem Europe Capital were allotted and issued to Best Eagle, which is owned as to 57% and 43% by two individuals who are Independent Third Parties. Best Eagle (and its individual shareholders) was introduced by Sinochem Europe Capital to be one of the Pre-IPO Investors. If the Offer Price range is set between HK\$3.03 and HK\$4.61, the subscription price represents a discount of 39.6% to 60.3%, respectively, from the Offer Price range. All security interests and guarantees entered in relation to the Share Subscription Agreement will be released and/or discharged upon the Listing.

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### Principal Terms and Conditions of the Investors Rights Agreement

The Investors Rights Agreement was entered into between (i) Mr. Chen; (ii) Mr. Hong; (iii) TopBig International; (iv) Blazing Sun; (v) Keep Profit; (vi) China TopReach; (vii) our Company; (viii) Olympia Media; (ix) Sinochem Europe Capital; (x) CCBI Asset Management; (xi) Topson Investments; and (xii) Templeton, on February 12, 2010 to provide certain protective mechanisms for the interests of the minority shareholders. The following is a summary of the principal terms and conditions associated with the Investors Rights Agreement, which save as disclosed herein would be terminated upon the earlier of, among other things, each of the parties to the Investors Rights Agreement agreeing to terminate the agreement in writing, the Pre-IPO Investors ceasing to hold any Subscription Shares or upon the Listing.

#### The Board

The Board will at all times consist of five Directors. China TopReach will have the right to nominate four Directors and the investors under the Share Subscription Agreement will have the right to nominate one Director.

A quorum at a Board meeting will be one Director nominated by China TopReach and one Director nominated by the investors under the Share Subscription Agreement unless the meeting is adjourned pursuant to the terms of the Investors Rights Agreement.

Each of the Board committees, if any, will comprise at least three members. Each of the Board committees will be chaired by a Director nominated by China TopReach and the majority of its members will comprise the Directors nominated by China TopReach with at least one Director or a person nominated by the investors under the Share Subscription Agreement.

#### Management of our Company

The investors under the Share Subscription Agreement will have the right to nominate candidates for the role of chief financial officer (or its functional equivalent) of our Company and each of the investors under the Share Subscription Agreement is entitled to advise or consult with the management of our Company about the management or business matters of our Company or any of the members of our Group from time to time upon reasonable request.

#### Status

The Subscription Shares are the ordinary shares to be allotted and issued in our Company, and will have all the rights as set out in the Articles.

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## HISTORY AND CORPORATE STRUCTURE

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### Lock-up

Each of the investors under the Share Subscription Agreement has undertaken that the Shares held by it as at the Listing Date shall be subject to lock-up arrangements in accordance with the Listing Rules or as may be otherwise agreed with the Underwriters (if any) (“**Investors’ Lock-up**”).

Each of TopBig International, Blazing Sun, Mr. Chen, Mr. Hong, Keep Profit and China TopReach has undertaken that the Shares held by each of them as at the Listing Date shall continue to be subject to lock-up arrangements as set out in the Investors Rights Agreement within 12 months after the expiry of the Investors’ Lock-up (if any) (“**Extended Lock-up Period**”). The aforesaid obligations shall survive after Listing.

Each of TopBig International, Blazing Sun, Mr. Chen, Mr. Hong, Keep Profit and China TopReach has undertaken to (and will procure its respective affiliates to) procure the shares held by TopBig International, Blazing Sun, and their affiliates (if any) in China TopReach at the Listing Date be subject to lock-up for a duration comprising the lock-up period as may be imposed by the Listing Rules or the Underwriters and the Extended Lock-up Period. The aforesaid obligations shall survive after Listing.

### Right of First Offer and Transferability

Each of TopBig International, Blazing Sun, Keep Profit, China TopReach, our Company, Mr. Chen and Mr. Hong has agreed not to sell, transfer or dispose of any or all of the Shares held by it to any unrelated third party without the prior written consent of the investors under the Share Subscription Agreement and the investors under the Share Subscription Agreement will have the right to impose any conditions on its consent to any such transfer.

If consent is given by the investors under the Share Subscription Agreement in respect of a proposed transfer by TopBig International, Blazing Sun, Keep Profit and/or China TopReach of any of its Shares, each of the investors under the Share Subscription Agreement could require TopBig International, Blazing Sun, Keep Profit, China TopReach, our Company, Mr. Chen and Mr. Hong to procure the purchase of the Subscription Shares or their equivalent from the investors under the Share Subscription Agreement by the proposed transferee.

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## HISTORY AND CORPORATE STRUCTURE

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### Anti-dilution

Our Company may not, and each of TopBig International, Blazing Sun, Keep Profit and China TopReach is required to exercise its rights as a Shareholder so as to ensure that our Company does not, allot and issue any Share or its equivalent to any person unless the prior written consent of the investors under the Share Subscription Agreement is obtained and in compliance of any conditions imposed by the investors under the Share Subscription Agreement.

Except with the prior written consent of each of the investors under the Share Subscription Agreement, our Company may not allot or issue any Share or its equivalent to any person (other than the investors under the Share Subscription Agreement) on terms more favorable (in the opinion of the investors under the Share Subscription Agreement) than those set out in the Share Subscription Agreement.

### Governing Law

Hong Kong Law

### Lockup Undertakings of Pre-IPO Investors

The Pre-IPO Investors agree and undertake to our Company, the Joint Sponsors and the Underwriters that, except pursuant to the Stock Borrowing Agreement and the Over-allotment Option, at any time in the period commencing from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending six months after the Listing Date, without obtaining the prior written consent from our Company and each of the Joint Sponsors, they shall not:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (a), (b) or (c) above,

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## HISTORY AND CORPORATE STRUCTURE

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whether any of the foregoing transactions is to be settled by delivery of such capital or such other securities, in cash or otherwise, and in each case, with respect to the interest in our Company beneficially held by them as of the Listing Date.

### Shareholdings of the Pre-IPO Investors

Immediately following the completion of the Global Offering and assuming there is no adjustment to the subscription price for the Share Subscription, the shareholdings of the Pre-IPO Investors will be as set out below:

	Number of Subscription Shares allotted and issued in the Share Subscription	% of issued and outstanding share capital of our Company
Best Eagle <sup>(1)</sup> . . . . .	42,606,606	5.8
CCBI Asset Management <sup>(2)</sup> . . . . .	42,606,606	5.8
Topson Investments <sup>(3)</sup> . . . . .	21,303,303	2.9
Templeton <sup>(4)</sup> . . . . .	42,606,606	5.8

*Notes:*

- <sup>(1)</sup> Best Eagle is a company incorporated in the BVI and owned as to 57.0% and 43.0% by two individuals, who are Independent Third Parties. The two individual shareholders of Best Eagle are private investors in our Company identified and introduced by Sinochem Europe Capital. Best Eagle held part of its shareholding interest in our Company, equivalent to approximately 12,483,736 Shares (or approximately 1.7% of the issued share capital of our Company), on trust for China Science. China Science is an investment company incorporated in Hong Kong with Mr. Wang Ping, our non-executive Director, as one of its directors, and is wholly-owned by Shenzhen China Science & Kingwin Venture Capital Co., Ltd, a company that is in turn owned by Mr. Wang Ping as to 41.6% and by 10 other individuals, who are all Independent Third Parties, as to the remaining 58.4%.
- <sup>(2)</sup> CCBI Asset Management is a wholly-owned subsidiary of the China Construction Bank and is principally engaged in direct investment and asset management. Pride Sky is an investment holding company and wholly-owned by CCBI Asset Management.
- <sup>(3)</sup> Topson Investments is a wholly-owned subsidiary of New World Strategic Investment Limited. New World Strategic Investment Limited is a wholly-owned subsidiary and the direct investment arm of New World Development Company Limited, a company listed on the Stock Exchange (Stock code: 0017).
- <sup>(4)</sup> Templeton is a limited duration company incorporated in the Cayman Islands. It makes strategic investments in emerging markets and is managed by Templeton Asset Management Ltd.

### Transfer of Shares by China TopReach

On August 20, 2010, pursuant to a share sale and purchase agreement of the same date, China TopReach agreed to sell 8,236,847 Shares, representing approximately 1.5% of our total issued Shares as of that date, to China Science, for consideration of US\$2,223,125. On the same date, pursuant to a separate share sale and purchase agreement of the same date, China TopReach agreed to sell 8,236,847 Shares, representing approximately 1.5% of our total issued Shares as of that date, to Keen Thrive Investments Limited (“**Keen Thrive**”), an Independent Third Party, for consideration of US\$2,223,125. The purchase price paid by China Science and Keen Thrive for the Shares they

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## HISTORY AND CORPORATE STRUCTURE

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acquired from China TopReach pursuant to these agreements was US\$0.2699 per Share. The terms of the aforesaid share transfers (the “**Share Transfers**”), including the purchase price, were reached through arm’s-length negotiations in good faith with China Science and Keen Thrive. The purchase price paid in relation to the Share Transfers took into account the illiquidity of the Shares and the uncertainty of the Global Offering at the time it was negotiated, and was paid by China Science and Keen Thrive to China TopReach after the execution of the relevant agreements. The Share Transfers were approved by China TopReach’s board of directors in June 2010. However, as time was required for third party consents to be obtained, the relevant agreements were not signed until August 2010.

In considering our Listing application, the Stock Exchange expressed concerns over the timing of the Share Transfers and the possible perception of a lack of sufficient genuine investment risk assumed by China Science and Keen Thrive in undertaking the Share Transfers. In particular, given that the Share Transfers were entered into after the submission of our Listing application and the fact that the purchase price relating to the Share Transfers is expected to be at a discount to the Offer Price, the Share Transfers could be viewed as being inconsistent with the “fair and orderly” principle and the general principle of equal treatment of shareholders under Rule 2.03 of the Listing Rules. In order to address such concerns and to facilitate the Listing process, we requested that the Share Transfers be unwound. To this end, China TopReach entered into the arrangements as described below.

On October 25, 2010, China TopReach entered into a loan agreement (the “**2010 Loan Agreements**”) with each of China Science and Keen Thrive. Pursuant to the 2010 Loan Agreements, China Science and Keen Thrive agreed to regard the amount paid to China TopReach by each of them under the Share Transfers as a loan to China TopReach. Under the 2010 Loan Agreements, each of China Science and Keen Thrive would have a cause of action against China TopReach in respect of any amounts of principal, interest or other amounts, which become due and payable to each of them under the 2010 Loan Agreements.

The amount repayable by China TopReach under the 2010 Loan Agreements is as follows:

- (a) in the event that the Shares are not listed and publicly traded on the Main Board within two years from the date of the 2010 Loan Agreements, the repayment amount will be equivalent to the amount paid by each of China Science and Keen Thrive under the Share Transfers plus interest on such amount at Hong Kong interbank offered rate (HIBOR) per annum from the date of the 2010 Loan Agreements up to the date when repayment is actually made by China TopReach; or
- (b) in the event that Shares are listed and publicly traded on the Main Board within two years from the date of the 2010 Loan Agreements, no interest will be charged and the repayment amount shall be our market capitalization of 8,236,847 Shares (representing approximately 1.5% of our issued share capital as at the date of the 2010 Loan Agreements) as of the date of repayment.

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## HISTORY AND CORPORATE STRUCTURE

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Pursuant to the 2010 Loan Agreements, the date of repayment shall be within 7 Business Days from the following:

- (a) 12 months after the date when the Shares are listed and publicly traded on the Main Board if it takes place within two years from the date of the 2010 Loan Agreements; or
- (b) two years after the signing of the 2010 Loan Agreements if the Listing does not take place within two years from the date of the 2010 Loan Agreements.

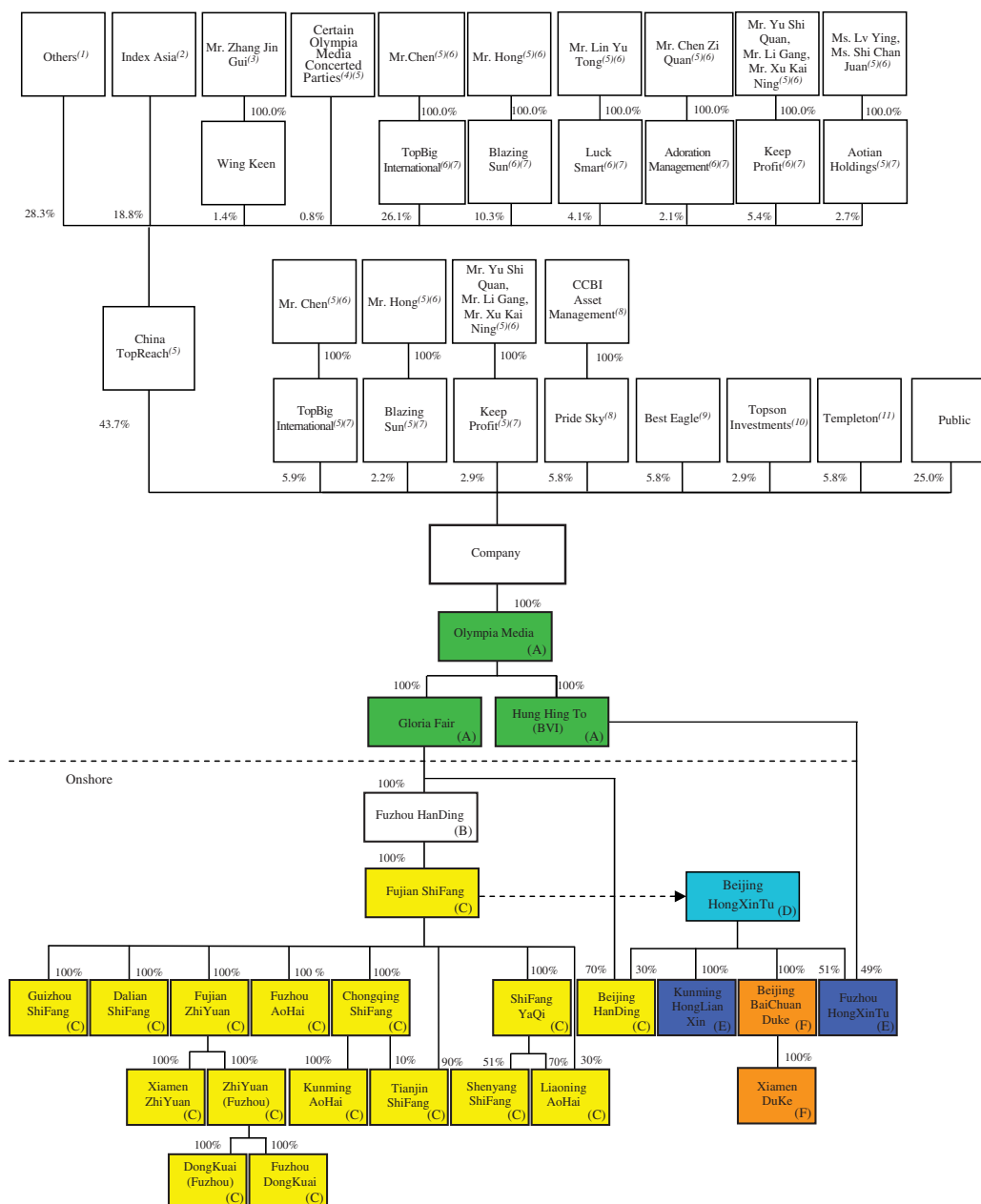
In connection with the 2010 Loan Agreements, China TopReach and our Company entered into a deed of termination and release (the “**Termination Deed**”) with each of China Science and Keen Thrive. Pursuant to the Termination Deed, each of the parties thereto agreed to irrevocably release and discharge the other parties from the observance and performance of all and any of its present and future obligations under the agreements relating to the Share Transfers. Moreover, each of the parties thereto agreed to waive any rights, claims, actions or remedies of any kind whatsoever which it has or which it may have against the other parties thereto under or in connection with the agreements relating to the Share Transfers, and to release and discharge the other parties from any and all liabilities whatsoever in connection with such rights, claims or remedies.

### GROUP STRUCTURE

Immediately following the completion of the Reorganization, the Global Offering and the Share Subscription, our Controlling Shareholders comprising China TopReach, TopBig International, Blazing Sun, Luck Smart, Adoration Management, Keep Profit, Aotian Holdings, Ms. Lv Ying, Ms. Shi Chan Juan, Mr. Chen Zi Quan, Mr. Hong, Mr. Lin Yu Tong, Mr. Chen, Mr. Yu Shi Quan, Mr. Li Gang, Mr. Xu Kai Ning, Ms. Zheng Shou Ling (the spouse of Mr. Chen) and Ms. Zu Yue Yu (the spouse of Mr. Yu Shi Quan) will, collectively, be interested in 54.7% of our issued share capital (if the Over-Allotment Option is not exercised and without taking into account Shares to be allotted and issued pursuant to options granted under the 2010 Share Option Scheme or which may be granted

## HISTORY AND CORPORATE STRUCTURE

under the Share Option Scheme), and the simplified shareholding and corporate structure of our major operating subsidiaries, the companies involved in the Reorganization and the companies referred to in this prospectus will be as follows:



Key Investment holding/No substantial operations

Provision of advertising services

Provision of publishing and advertising services



Provision of printing services

Provision of electronic dissemination and advertising services

Provision of electronic dissemination and advertising services





## HISTORY AND CORPORATE STRUCTURE

Notes:

(1) “Others” refer to the following:

<b>Shareholders of China TopReach</b>	<b>Percentage of Shareholding Interest in China TopReach</b>
China Science	9.6%
China Growth Management Team	4.9%
Cypress Capital International Investment Management Limited	2.0%
Real Sight Consultant Limited	2.0%
Jiangyuan International Development Limited	1.1%
Centurion Credit Funding LLC	1.1%
Mr. Rong Deng	0.8%
Kingool Investments Limited	0.3%
260 employees of our Group	5.4% (in aggregate)
Other public shareholders of China TopReach	1.1% (in aggregate)
<b>Total</b>	<b>28.3%</b>

China Science is an investment company incorporated in Hong Kong with Mr. Wang Ping, our non-executive Director, as one of its directors. It is wholly-owned by Shenzhen China Science & Kingwin Venture Capital Co., Ltd, a company that is in turn owned by Mr. Wang Ping as to 41.6% and by 10 other individuals, namely Xin Shao Hua, Chen Wei Dong, Huang Jian Wei, Cao Ping, Wang Hai Tao, Li Wen Xin, Guo Xiao Dong, Wu Yun Feng, Xiao Jian and Jiang Yue Min, all of whom are Independent Third Parties, as to the remaining 58.4%.

Cypress Capital International Investment Management Ltd. is an investment company incorporated in Hong Kong with Mr. Wang Ping, our non-executive Director, as one of its directors.

Real Sight Consultant Limited is an investment company wholly-owned by Mr. Zhang Tie Zhu, our executive Director. China Growth Management Team, Jiangyuan International Development Limited, Centurion Credit Funding LLC, Mr. Rong Deng, Kingool Investments Limited are fund managers or financial investors in China TopReach, all of whom are Independent Third Parties.

Except for the above, to the best knowledge of the Directors, the other shareholders of China TopReach, who together hold 28.3% shareholding interest in China TopReach, are Independent Third Parties.

(2) Prior to June 5, 2009, Index Asia was a Hong Kong company wholly-owned by Index Holdings Co., Ltd., a company listed on the JASDAQ Securities Exchange in Japan. On June 5, 2009, Index Asia became owned as to 19.4% by Index Holdings Co., Ltd. and as to 80.6% by Asia Incubation Fund 1 Investment Partnership.

(3) During the Track Record Period, Mr. Zhang Jin Gui was responsible for the management of Kunming AoHai and Fuzhou AoHai. In January 2008, he was designated to oversee our operations in Fuzhou, Kunming and Shenyang. Except for the directorship held in Beijing HanDing and Beijing HongXinTu, Mr. Zhang Jin Gui resigned from all of his management roles with our Group as of December 28, 2009. Immediately before his resignation, Mr. Zhang Jin Gui was the director of Hung Xin Tu (BVI). Mr. Zhang Jin Gui has undertaken to lock up his shareholding interests in our Company for a period of 12 months from the Listing.

(4) Certain Olympia Media Concerted Parties are Mr. Yu Shi Quan, Mr. Li Gang, Mr. Xu Kai Ning, Ms. Lv Ying and Ms. Shi Chan Juan, Ms. Zheng Shou Ling (the spouse of Mr. Chen) and Ms. Zu Yue Yu (the spouse of Mr. Yu Shi Quan).

(5) Our Controlling Shareholders comprising China TopReach, TopBig International, Blazing Sun, Luck Smart, Adoration Management, Keep Profit, Aotian Holdings, Ms. Lv Ying, Ms. Shi Chan Juan, Mr. Chen Zi Quan, Mr. Hong, Mr. Lin Yu Tong, Mr. Chen, Mr. Yu Shi Quan, Mr. Li Gang, Mr. Xu Kai Ning, Ms. Zheng Shou Ling (the spouse of Mr. Chen) and Ms. Zu Yue Yu (the spouse of Mr. Yu Shi Quan) are collectively interested in 54.7% of our issued share capital (if the Over-Allotment Option is not exercised and without taking into account Shares to be allotted and issued pursuant to options granted under the 2010 Share Option Scheme or which may be granted under the Share Option Scheme).

(6) Mr. Chen is our Chairman and executive Director. Mr. Hong is our executive Director. Mr. Yu Shi Quan, Mr. Chen Zi Quan, Mr. Li Gang, Mr. Xu Kai Ning, Ms. Lv Ying and Ms. Shi Chan Juan are members of our management.

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## HISTORY AND CORPORATE STRUCTURE

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- <sup>(7)</sup> *TopBig International, Blazing Sun, Luck Smart, Adoration Management, Keep Profit and Aotian Holdings are all companies established under the laws of the BVI and were held by the Olympia Media Concerted Parties.*
- <sup>(8)</sup> *CCBI Asset Management is a wholly-owned subsidiary of China Construction Bank and is principally engaged in direct investment and asset management. Pride Sky is an investment holding company wholly-owned by CCBI Asset Management.*
- <sup>(9)</sup> *Best Eagle is a company incorporated in the BVI and is owned as to 57% and 43% by Lu Jin Yang and Li Xue Dong, respectively, who are Independent Third Parties. The two individual shareholders of Best Eagle are private investors in our Company identified and introduced by Sinochem Europe Capital. Best Eagle held part of its shareholding interest in our Company, equivalent to approximately 12,483,736 Shares (or 1.7% of the issued share capital of our Company), on trust for China Science.*
- <sup>(10)</sup> *Topson Investments is a wholly-owned subsidiary of New World Strategic Investment Limited. New World Strategic Investment Limited is a wholly-owned subsidiary and the direct investment arm of New World Development Company Limited, a company listed on the Stock Exchange (Stock code: 0017).*
- <sup>(11)</sup> *Templeton is a limited duration company incorporated in the Cayman Islands. It makes strategic investments in emerging markets and is managed by Templeton Asset Management Ltd.*

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## BUSINESS

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### OVERVIEW

We provide a wide range of integrated print media and digital media services to advertisers from a diversified spectrum of industries through a network of newspaper partners that spans more than 16 second-tier and third-tier cities across eight provinces in the PRC. We believe our multi-city business model, pursuant to which we enter with our newspaper partners into cooperation contracts that provide us with exclusive rights to sell advertising spaces in these newspapers, is distinctive in China. In connection with sales of advertising spaces, we offer value-added advertising services such as design, layout, content planning and event organizing to form one-stop solution packages for our advertising customers. In addition, our exclusive contracts with our newspaper partners around the PRC allow us to provide our advertising customers with a single point of contact to create and place advertisement across any or all of the markets covered by our newspaper partners. We believe that our business model allows us to develop and offer a well-integrated array of services designed to satisfy the needs of our advertising customers, and helps us to distinguish ourselves from most PRC-based providers of advertising and advertising-related services.

Our strong relationships with our newspaper partners are a key component of our business model. As of the Latest Practicable Date, we had eleven exclusive newspaper partners, substantially all of which are metropolitan newspapers and among the largest local newspapers in terms of circulation in their respective markets. The following table sets forth basic information in relation to our eleven newspaper partners:

Newspaper	Geographical Coverage (Cities)	Total Population Coverage <sup>(1)</sup>
• <b>Southeast Express</b> <sup>(2)</sup>	Fuzhou and Xiamen, Fujian Province	9.3 million
• <b>Lifestyle Express</b> <sup>(2)</sup>	Kunming, Yunnan Province	6.2 million
• <b>Shenyang Evening News</b> <sup>(2)</sup>	Shenyang, Liaoning Province	7.8 million
• <b>Modern Life Daily</b> <sup>(2)</sup>	Nanning, Beihai, Qinzhou and Guilin, Guangxi Zhuang Autonomous Region	16.7 million
• <b>Central Guizhou Morning Post</b> <sup>(2)</sup>	Anshun, Guiyang, Central Guizhou Economic Zone, Guizhou Province	6.5 million
• <b>Yan Zhao Metropolitan Newspaper Jidong Edition</b> <sup>(2)</sup>	Tangshan and Qinhuangdao, Hebei Province	10.2 million
• <b>Southeast Business</b> <sup>(2)</sup>	Ningbo, Zhejiang Province	5.7 million
• <b>Jinhua Daily</b> <sup>(3)</sup> <b>Jinhua Evening News</b> <sup>(2)</sup>	Jinhua, Zhejiang Province	4.6 million

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Newspaper	Geographical Coverage (Cities)	Total Population Coverage <sup>(1)</sup>
• <b>Dalian Daily</b> <sup>(3)</sup>	Dalian, Liaoning Province	6.1 million
• <b>Changjiang Business</b> <sup>(2)</sup>	Wuhan, Hubei Province	8.6 million

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*Note:*

- (1) Total population coverage connotes the population of the main geographical distribution area of the respective newspaper; such information is derived from statistics published by the relevant city branch of the National Bureau of Statistics.
- (2) Type: Metropolitan daily newspaper
- (3) Type: CPC daily newspaper

During the Track Record Period, our newspaper advertising revenue accounted for approximately 73.8%, 86.9%, 80.3% and 75.3% of our total revenue, respectively. Our revenue from sales of advertising spaces in Southeast Express, Lifestyle Express and Shenyang Evening News, three of our newspaper partners, represented more than 70% of our newspaper advertising revenue and was the most predominant factor in our revenue growth during 2008 and 2009. In particular, revenue from sales of advertising spaces in the publication of our largest newspaper partner accounted for 19.0%, 26.4%, 21.9%, and 21.7% of our total revenue during the Track Record Period, respectively.

Our cooperation contracts provide for different degrees of cooperation and we divide them into two categories: comprehensive cooperation contracts and partial cooperation contracts. For comprehensive cooperation contracts, we obtain exclusive rights to operate all aspects of the newspaper's advertising business. For partial cooperation contracts, we have the right to sell advertising spaces in the newspaper only for certain industries or for specific types of advertising. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our revenue from comprehensive cooperation contracts was RMB26.4 million, RMB280.8 million, RMB336.3 million and RMB163.3 million, respectively, accounting for 17.5%, 77.6%, 72.7% and 67.9% of our total revenue, while our revenue from partial cooperation contracts was RMB106.9 million, RMB62.6 million, RMB34.6 million and RMB22.3 million, respectively, accounting for 70.7%, 17.3%, 7.5% and 9.3% of our total revenue. The increases and decreases in revenue from our comprehensive cooperation contracts and partial cooperation contracts, respectively, were in line with our strategy to develop more comprehensive cooperation relationships with newspapers, which in certain cases resulted from the conversion of our partial cooperation contracts with certain newspaper partners into comprehensive cooperation arrangements.

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The following table sets out a summary of these two types of cooperation arrangements:

### Comprehensive cooperation

Newspaper Partners	Services
<ul style="list-style-type: none"><li>• Southeast Express</li><li>• Lifestyle Express</li><li>• Shenyang Evening News</li><li>• Modern Life Daily</li><li>• Central Guizhou Morning Post</li></ul>	<p>Exclusive right to operate all aspects of advertising component of newspaper's business, including selling all advertising spaces in its publication, providing selected content for inclusion in industry-specific weekly reviews and special editions to help attract advertisers, and organizing events</p> <p><i>Southeast Express and Lifestyle Express only</i></p> <ul style="list-style-type: none"><li>• Distribution consultation and management services</li><li>• Printing services</li><li>• Paid electronic dissemination of their publications</li></ul>

### Partial cooperation

Newspaper Partners	Services
<ul style="list-style-type: none"><li>• Yan Zhao Metropolitan Newspaper Jidong Edition</li><li>• Southeast Business</li><li>• Jinhua Daily</li><li>• Jinhua Evening News</li><li>• Dalian Daily</li><li>• Changjiang Business</li></ul>	<p>Exclusive right to sell newspaper's advertising spaces to customers in certain industries or for specific types of advertisements</p>

Our advertising services are sold through direct sales to advertising customers across a wide spectrum of industries. We gradually adjusted our advertising rates upward over the Track Record Period in view of the increased standard publication prices set by our newspaper partners for advertisements placed with them. To better serve the individual needs and requirements of our customers, we have established local operations, and sales and service teams in each city in which we operate. Our local teams are managed through our centralized management system. We have also classified our customers by industry and set up dedicated sales and marketing teams to be responsible for specific industries. They are staffed by qualified personnel with experience in almost all aspects of our business including sales and marketing, customer service, advertisement design, and content planning and provision, which we believe helps us deliver high-quality customized service solutions.

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During the Track Record Period, we experienced rapid growth in revenue and profitability. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our revenue was RMB151.2 million, RMB361.7 million, RMB463.0 million and RMB240.7 million, respectively, and our profit was RMB32.2 million, RMB79.2 million, RMB140.8 million and RMB71.6 million, respectively, representing a CAGR of 75.0% and 109.1% between 2007 and 2009, respectively.

### OUR COMPETITIVE STRENGTHS

#### *Distinctive business model as a provider of integrated print media services through our exclusive partnerships with newspapers*

We have developed a distinctive business model as a provider of integrated print media services to advertisers. Such integration of our services is achieved through our cooperation with our newspaper partners whereby we are granted exclusive rights to sell their advertising spaces, and to some of our partners, provide additional services including distribution consultation and management, printing and electronic dissemination of their publications. We also provide select content for inclusion in the publications produced by certain of our newspaper partners, in order to improve their quality, increase readership and attract more advertisers. In turn, we offer advertisers integrated service packages tailored to their individual requirements, which combine sales of the advertising spaces that we obtain from our newspaper partners with the provision of our value-added advertising services. These include analysis of target markets and readership, creation of advertisement concepts and content planning, design, layout and editing, and organization of complementary events for our advertising customers to support their promotional campaigns.

The PRC print media industry is highly-fragmented, with more than 1,900 newspapers and 9,500 periodicals as of December 31, 2008, according to GAPP. Our business model is designed to capitalize on this fragmentation, and allow us to effectively leverage the advantages from our cooperation with our newspaper partners and increase sales of our services to advertisers. For advertisers who wish to cover various cities with their advertising, we can serve as a single point of contact and coordinate advertising in each of the newspapers with whom we partner, which can save them time and expense. We monitor the circulation base and obtain critical information on the readership of each newspaper for which we provide distribution consultation and management services, including reader volume, demographics and interests. This assists us in better tailoring our services to advertisers' requirements and enables us to provide them with customized marketing concepts and promotional content, particularly for customers targeting a specific city or local market. Our website [www.duk.cn](http://www.duk.cn) serves as an alternative media channel for our newspaper partners enabling us to provide electronic dissemination of their publications, and also to provide electronic advertising services for our advertising customers utilizing our website to access a wider target consumer base for their advertisements.

#### *Cross-province print media network and proprietary data management and control system*

We have developed a multi-city print media network by entering into exclusive contracts with eleven newspapers covering more than 16 second-tier and third-tier cities across eight provinces in the PRC. In building this network, following our initial cooperation with newspapers in Fujian Province

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beginning in 2001, we expanded into the additional cities and regions, partnering with newspapers that we believed offered an attractive combination of market position, strong operations, financial condition, management and operational teams, and favorable growth potential and earning prospects. Substantially all of our newspaper partners are ranked among the largest local newspapers based on circulation in their respective cities. Further, we have created a proprietary database management and control system, which we call MAITS, which tracks daily media content and advertisement information. MAITS collects and analyzes comprehensive data on the major advertisers and the key industries in each local market. This enables our teams to devise and market advertisements and flexible service packages tailored to the needs of our customers.

### *First mover advantage in developing our cross-province operations*

We believe we have been an innovator in developing our business model of entering into exclusive cooperation contracts with newspapers to sell their advertising spaces. These contracts provide for different degrees of cooperation broadly divided into two categories: comprehensive cooperation contracts and partial cooperation contracts. For newspapers with which we engage in comprehensive cooperation, we are responsible for the exclusive operation of the entire advertising component of their businesses, including sale of all of their advertising spaces and the provision of select content for inclusion in their publications. For partial cooperation contracts, we obtain the exclusive right to sell our newspaper partners' advertising spaces to customers from specific industries. We believe we were the first private company to provide integrated print media services to advertisers through such a business model in Fujian Province and our status as a first mover provides us with competitive advantages over advertising companies that would attempt to compete with us across our network or in our industry.

We believe our experience and proven track record in the print media sector are key to establishing relationships with new newspaper partners and that it would be difficult to replicate this advantage within a short period of time. In particular, we believe new entrants into the market would not easily be able to establish relationships comparable to those we have developed with our newspaper partners and advertising customers. Further, a potential competitor would need to establish a team with strong experience in advertising planning and design, content provision, printing services and distribution consultation services in order to effectively compete with us. Finally, significant amounts of capital must be deposited in advance with newspaper partners to secure exclusive advertising rights in their newspapers. We believe all of these factors provide us with a significant first mover advantage over potential new entrants into the markets in which we operate.

### *Significant cost advantages from partnership with newspapers and maintenance of full-scale operations, sales and service teams with localized expertise*

We believe that we derive significant cost advantages from our cooperation with our newspaper partners. Under the exclusive contracts we have signed with them, the fees we pay to our newspaper partners to obtain their advertising spaces are generally fixed on a full-year basis, with the fees payable pursuant to our contracts with Southeast Express and Lifestyle Express currently fixed for an initial six-year period, which allows us to focus on increasing our advertising rates and expanding our customer base without corresponding increases in our cost of sales. In addition, as we commit in advance on a long-term basis to buy significant amounts of the newspapers' advertising spaces in

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partial cooperation contracts, or all of their advertising spaces in our comprehensive cooperation contracts, we are able to negotiate lower purchase prices for the advertising spaces we obtain than if we purchased in smaller quantities. For example, the average purchase price for each page of advertising that we purchase under our comprehensive cooperation arrangement with Shenyang Evening News is lower than that we paid under the arrangement pursuant to which we acted as the exclusive advertising agent for the real estate industry.

Our operations, sales and services teams in the cities and regions in which we operate are staffed by qualified personnel recruited locally with the objective of providing services tailored to our customers' needs, and reducing our employee-related expenses. Our regional teams are led by professionals and skilled personnel familiar with the local competitive landscape, the varying industry characteristics of our customers' businesses and the applicable local laws and regulations. We aim to closely monitor every aspect of our business and to implement strict quality control standards to ensure the quality of our services. At the same time, we believe the integration and optimization of local resources allows us to realize cost savings, thereby helping to achieve higher cost efficiency for our customers and better profitability for our Company.

### *Diversified customer base that generates repeat business*

We have developed a diversified customer base of advertisers from a wide spectrum of industries in the cities in which we operate. These industries include real estate, home furnishings, medical, pharmaceuticals and healthcare, telecommunications, 3C, automotive, education and consumer retail. We have dedicated industry-specific teams that cater to the specific needs of our customers. Our customer relations teams develop and organize industry-focused events, to which we invite our customers and other industry players, with the intention of strengthening existing relationships and establishing new relationships with advertising customers. We believe that our track record of generating repeat business from our customers evidences their confidence in us and is a key factor in our continuing success.

### *Experienced senior management team*

Our senior management team, most of whom have been with us since our inception, possesses extensive experience in the PRC print media and advertising industries. In particular, Mr. Chen, our chief executive officer and executive Director, has more than seven years of experience in the print media industry and led us to our current position as a rapidly growing privately-owned integrated print media services company. We believe Mr. Chen was a pioneer in Fujian Province in entering into exclusive cooperation contracts with newspapers to sell their advertising spaces. His vision has been critical to our growth. Our senior management team has an average of seven years of individual experience in the advertising and print media industries. Please refer to the section headed "Directors and Senior Management" in this prospectus for more details.



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After years of successful cooperation with newspapers, our management team has built up an extensive track record in the PRC print media sector. We believe their technical expertise and experience in all aspects of our business, including print media services, printing, advertising, content planning, design and layout, distribution consultation and management, and electronic dissemination, have been essential to our long-term success. We believe they will be able to continue assisting us in effectively implementing our strategies and capturing future growth opportunities.

### OUR STRATEGIES

Our business objective is to continue to be a rapidly growing and profitable integrated print media services company, and expand successfully into new media. To this end, we plan to carry out or are in the process of carrying out the following strategies:

*Enhance our market position as an integrated print media service provider*

To enhance our position as an integrated print media service provider, we focus on both increasing our advertising customer base and expanding the relationships we have with newspaper partners. To be more attractive to our target advertising customers, we intend to further strengthen our ability to design high quality advertising packages for advertisers that address their marketing needs, including enhancing the breadth and depth of our design and content planning teams, increase the quality and range of the value-added services that we can offer to these customers, and grow the number of customers using us as their advertising services provider. We also plan to implement MAITS in all cities in which we operate, as we believe our increased use of MAITS will help us to provide more in-depth analyses of advertising data to our relevant service teams for strengthening of our local operations and to customers aiming to advertise in different locations throughout the PRC.

Our partial cooperation with six newspaper partners is currently restricted to selected industries, and with respect to those newspapers, we can only provide our integrated services to advertisers operating in those industries. As such, we intend to seek to make our relationships with these newspaper partners more comprehensive and expand the industries to which we can market advertising services and sell their advertising spaces. Our strategy to achieve this goal is to increase the value of our partnership, by implementing measures to ensure the quality of our services, providing content relevant to each newspaper's editorial focus, and conducting more research to understand each newspaper's circulation characteristics and targets.

*Expand into new markets in the PRC, and develop relationships with new newspaper partners, to implement our proven business model*

Our cross-province print media network currently extends to more than 16 second-tier and third-tier cities across eight provinces in the PRC. Given the economic growth and rapid urbanization of the PRC, we believe there are opportunities for geographical expansion into growing regions and cities that now or will in the future possess an attractive combination of population size, per capital income levels, surrounding cities and markets, concentration of industries and competitive landscape, and we hope to establish additional newspaper partners in these cities. Our geographic focus is expected to remain on the Bohai Bay and Beibu Bay areas, the Northeast and Central regions and the

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Southeast coastal region, most of which enjoy substantial support from the PRC Government in their economic development. In particular, we plan to expand into cities in these regions where consumer spending, demographics or other metrics indicate that our business model is likely to be successful.

We also expect to develop relationships by entering into long term cooperation contracts with potential newspaper partners that we believe can enhance our current market position in the PRC while providing an attractive return on investment. Some of the factors that we expect to consider include the newspaper's market position, operations, financial condition, management and operational teams, growth potential and earning prospects. We plan to continue targeting newspapers that are among the largest local newspapers by circulation in the relevant city or region as we believe that targeting newspapers other than the top-ranked newspaper in the city or region provides us with a better opportunity to assist our newspaper partners with increasing their market share through our business model.

### *Explore diversification into advertising services focusing on television or other media*

We intend to explore opportunities to become an integrated media services provider by diversifying our advertising services business away from newsprint paper into other media, including television. Our primary consideration when choosing potential television or other media partners is whether they will be a complementary addition to our print media network of newspaper partners, such that we will be able to offer our advertising customers more options for the placement of their advertisements. Therefore, we expect to first focus on cities in which we already have operations, and then branch out to surrounding cities or regions with strategic importance for the geographical expansion of our network. We intend to focus our initial cooperation efforts on advertising for industries with relatively large customer bases and ones in which we have experience and expertise, such as real estate and automotive.

In 2010, we signed two cooperation contracts with Nanning Television Station and Dalian Television Station in the Guangxi Zhuang Autonomous Region and Liaoning Province, respectively. Under our contract with Nanning Television Station, we obtain advertising time slots on four channels for advertisements in respect of the automotive and related industries and we also have the right to plan and produce a weekly mini-program focusing on the automotive industry, during which advertisements can also be aired. Under our contract with Dalian Television Station, we obtained the right to sell all advertisements in relation to the real estate industry. We are also in discussions with several potential media partners on forming new business relationships similar to our partnership with newspapers.

### *Increase revenue from our digital media services*

We have a multi-faceted plan to expand the digital media services we provide, and increase the revenue we generate from this business line. We are therefore expanding the content, functions and features available on our website *www.duk.cn*, including hosting content from a variety of new sources, and aiming to make the website attractive to a younger demographic segment that is used

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to getting news and other information online rather than through newspapers. Further, we intend to replicate the exclusive partnerships we have with our newspaper partners for the newspapers, magazines and other publications hosted on our website, so that we are able to offer to advertisers a suite of digital media advertising services similar to our print media services.

The electronic dissemination of newspaper content through our website *www.duk.cn* represents a new source of potential revenue and profit growth for our newspaper partners and us, given the increasing popularity of new media such as the Internet. We plan to introduce upgraded versions of our online publication software to newspapers, publishing houses, advertisers and other customers interested in commissioning us to create electronic versions of their publications such as coffee table books and newsletters. We also intend to develop mobile applications for our website *www.duk.cn* and the newspapers, magazines, novels and advertisements we host electronically.

### ***Retain existing employees and recruit additional talented personnel***

We plan to focus on retaining skilled and experienced personnel, and recruiting additional employees for our creative and service teams. We have established various supervisory and audit mechanisms to monitor, evaluate and manage the performance of our employees. We intend to improve our incentive schemes for our employees and to provide successful employees with better advancement opportunities. We intend to invest in educational and training programs for our management personnel and operation staff, particularly those on our creative and service teams. We believe these measures will help us attract and retain talented employees for our business.

We believe our active, open corporate culture and accelerated pace of growth will enable us to continue to attract talented international and domestic personnel and enrich our management and operation teams. In addition to offering market competitive packages to potential employees, we seek to further enhance our corporate culture and growth as we believe this is key to our continued success in attracting new talent.

### ***Grow through making acquisitions of existing operations and forming joint ventures with new strategic partners***

In addition to seeking organic growth, we intend to grow our business by evaluating selective acquisition opportunities and opportunities to enter into joint ventures with strategic partners. We believe that the industries and markets in which we operate are highly-fragmented and therefore offer many opportunities to expand our business through new acquisitions. We plan to selectively acquire niche players whose businesses, products and sales networks are complementary to ours, thereby expanding the portfolio and geographic scope of services we offer to our customers. In particular, we expect to target local print media companies with quality service teams and strong customer resources for acquisitions. In 2008, we acquired the website *www.duk.cn*, the media platform from which we offer our online services. We intend to target companies that we believe will allow us to expand into regions and markets with high growth potential. Leveraging our experience in cooperating with strategic partners, we are actively seeking other partners who can bring value to us by sharing their expertise and brand names. As of the Latest Practicable Date, we had not identified any potential acquisition targets or initiated negotiations for any acquisitions or joint ventures.

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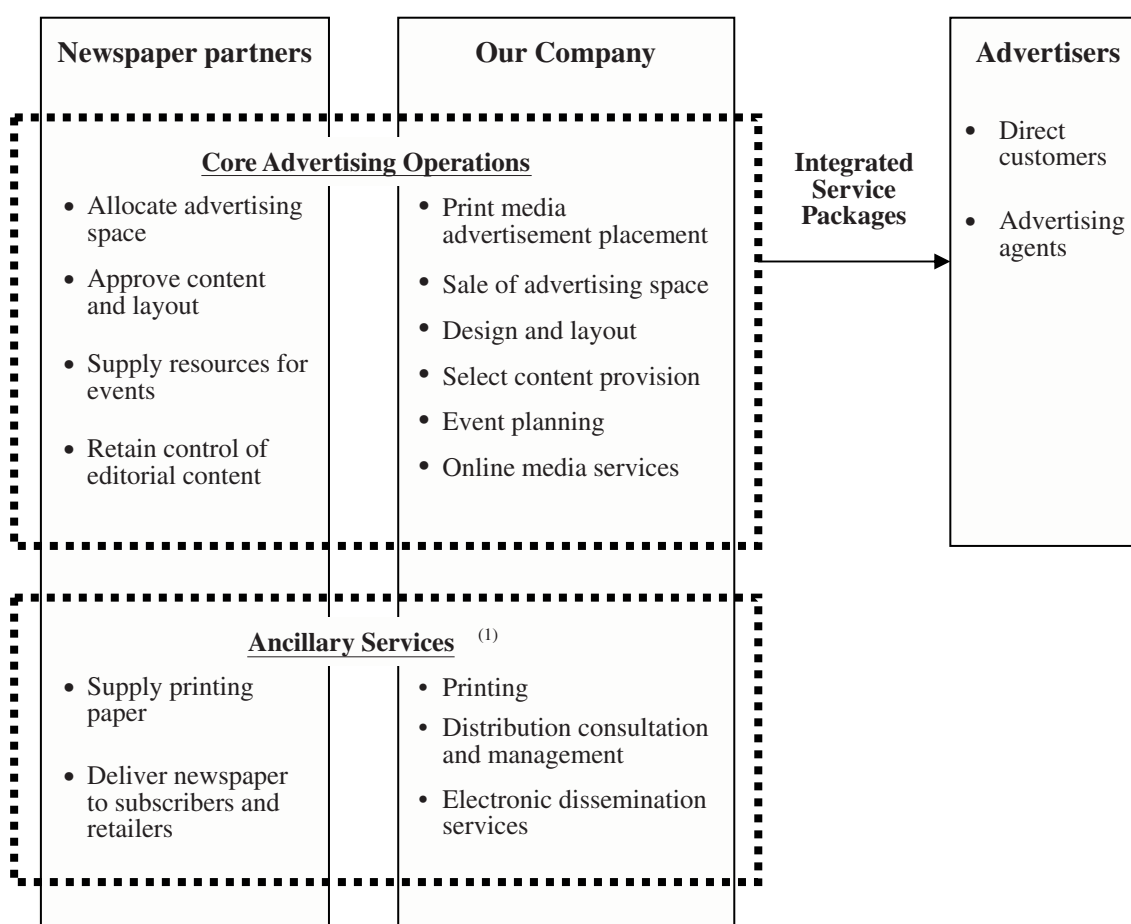
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### INTEGRATED PRINT MEDIA SERVICES

Our principal business is the sale of integrated print media service packages to advertisers from a wide spectrum of industries. These packages combine the sale of advertising spaces supplied by our newspaper partners and our value-added advertising services such as design, layout, content planning and event organizing. We generally enter into yearly framework agreements with our customers that estimate the total advertisement volume for the year and the price we will charge for our services.

To enable us to provide these integrated services, we enter into exclusive cooperation contracts with our newspaper partners to sell their advertising spaces and our advertising related services to advertisers. In addition, we offer certain ancillary services including distribution management, printing and electronic dissemination of publications to maximize their marketing value to advertisers. Our business model is summarized as below:



*Note:*

(1) Ancillary services are those services we provide to our newspaper partners under some of our comprehensive cooperation contracts. These services are designed to deepen our partnership with the newspaper partners, help to increase the quality of their publications, make them more attractive to readers, and thereby allow us to increase the revenue we generate from sale of our integrated print media services to advertising customers.

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### **Partnership with Newspapers**

We contract with newspapers across multiple provinces in the PRC to form partnerships to gain exclusive rights to sell advertising spaces in their newspapers and related services to advertisers. These contracts provide for different degrees of cooperation and we broadly divide them into two categories: comprehensive cooperation contracts and partial cooperation contracts. For newspaper with which we enter into comprehensive cooperation contracts, we are responsible for the operation of all aspects of the advertising component of our newspaper partners' businesses, including provision of select content for inclusion in their numerous weekly special editions on specific industries. For Southeast Express and Lifestyle Express, we also provide them with ancillary services such as electronic dissemination of their publications, distribution consultation and management, as well as the operation of the printing component of their businesses. We believe our provision of ancillary services to our newspaper partners enhances the quality and advertising appeal of their publications, thus increasing their market competitiveness. Newspapers with which we enter into comprehensive cooperation contracts do not place any limitations on the companies to whom we market our services. Under partial cooperation contracts, we obtain the exclusive right to sell our newspaper partners' advertising spaces to customers in certain industries or for specific types of advertisements.

Our two long term comprehensive cooperation contracts of 30 years with Southeast Express and Lifestyle Express require us to place a deposit in a negotiated amount with the relevant newspaper partners upon the signing of the contract. The cash held by our newspaper partners will be refundable upon the expiry of the contracts. We assess the recoverable amount of these deposits on each balance sheet date and the carrying values of these amounts are written down immediately to their recoverable amounts if recoverable amounts are less than the carrying values. For our other cooperation contracts, the deposits are generally refundable to us at the end of each year.

In addition to paying such deposits, we typically prepay a portion of the print media fees that will be due under each of our contracts. The print media fees and the portion to be prepaid are pre-negotiated on an annual or periodic basis with each newspaper partner based on the revenue that we expect to generate from the sale of advertising spaces obtained under the respective contract. Some of the factors considered in our negotiation of the print media fees include circulation of the relevant newspaper partner, previous performance, sales targets and market conditions. The amounts prepaid to our newspaper partners can be used to offset the print media fees payable.

From our perspective, we derive significant cost advantages from the supply of advertising spaces by our newspaper partners on a full-year basis because this enables us to effectively budget for our media costs, manage our other expenses and thereby better grow our revenues. In addition, as we generally control significant amounts of the newspapers' advertising spaces in partial cooperation contracts, or all of their advertising spaces in our comprehensive cooperation contracts, we are able to negotiate lower purchase prices for the advertising spaces we manage than if we purchased in smaller quantities. We generally commit to place a minimum volume of advertisements with our newspaper partners over a specified period of time. We have not experienced any failure to meet these commitments during the Track Record Period.

During the Track Record Period, we entered into cooperation contracts with 18 newspapers of which three (Straits Herald, Straits News and Ningbo Daily) were prematurely terminated and four (Metro Express, Holiday 100, Chongqing Evening News and Wuhan Morning Post) were not renewed following their expiry. As of the Latest Practicable Date, we have exclusive contracts with the following eleven newspapers:

**Comprehensive Cooperation**

Newspaper	Scope of Core Services	Specific Type/ Industry	Contractual Term	Exclusivity	Termination	Renewal	Non-Competition
<ul style="list-style-type: none"> <li>• <b>Southeast Express</b></li> </ul>	Advertising, content provision, printing and distribution consultation and management	Unrestricted	30 years (January 1, 2005 to December 31, 2034) <sup>(1)(3)</sup>	Sole agent for all advertisements and contracted services	We may terminate our cooperation contract if we are unable to perform or fulfil our contractual obligations due to reasons not attributable to us (excluding force majeure events) and Southeast Express may terminate our cooperation contract if we fail to perform our contractual obligations or if we engage in illegal activities as its agent which prejudice its interests and/or those of any third party.	We may renew our cooperation contract on the same terms and conditions for a successive ten-year term (from January 1, 2035 to December 31, 2044).	No specific clause
<ul style="list-style-type: none"> <li>• <b>Lifestyle Express</b></li> </ul>	Advertising, content provision, printing and distribution consultation and management	Unrestricted	30 years (January 1, 2005 to December 31, 2034) <sup>(2)(3)</sup>	Sole agent for all advertisements and contracted services	We may terminate our cooperation contract if we are unable to perform or fulfil our contractual obligations due to reasons not attributable to us (excluding force majeure events) and Lifestyle Express may terminate our cooperation contract if we fail to perform our contractual obligations or if we engage in illegal activities as its agent which prejudice its interests and/or those of any third party.	We may renew our cooperation contract on the same terms and conditions for a successive ten-year term (from January 1, 2035 to December 31, 2044).	No specific clause

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Newspaper	Scope of Core Services	Specific Type/ Industry	Contractual Term	Exclusivity	Termination	Renewal	Non-Competition
<ul style="list-style-type: none"> <li>• <b>Shenyang Evening News</b></li> </ul>	Advertising and content provision	Unrestricted	3 years (March 1, 2008 to February 28, 2011) <sup>(4)</sup>	Sole agent for all advertisements and contracted services	We or Shenyang Evening News may terminate our cooperation contract upon the occurrence of a force majeure event. Shenyang Evening News may also terminate our cooperation contract in the event of our failure to make payments under the contract within one month of their due date.	We may renew our cooperation contract on the same terms and conditions for a successive one-year term in accordance with relevant clauses of our cooperation contract.	No specific clause
<ul style="list-style-type: none"> <li>• <b>Modern Life Daily</b></li> </ul>	Advertising and content provision	Unrestricted	2 years (January 1, 2009 to December 31, 2010) <sup>(5)</sup> 2 years (January 1, 2011 to December 31, 2012)	Sole agent for all advertisements and contracted services	Modern Life Daily may terminate our cooperation contract in the event of our failure to make payments in accordance with the contractual amounts and schedule or if we solicit business in its name.	We may renew our cooperation contract on the same terms and conditions for a successive one-year term if we have duly performed our obligations under the cooperation contract.	No specific clause
<ul style="list-style-type: none"> <li>• <b>Central Guizhou Morning Post</b></li> </ul>	Advertising and select content provision	Unrestricted	7 years (October 18, 2010 to October 17, 2017)	Sole agent for all advertisements and contracted services	We or Central Guizhou Morning Post may terminate our cooperation contract if the other party commits a breach of its obligations and renders the performance of the contract impossible.	We may renew our cooperation contract on the same terms and conditions for a successive 13-year term (from October 18, 2017 to October 17, 2030).	No specific clause

*Notes:*

- (1) Although we entered into the exclusive contract with Southeast Express on January 1, 2005, we commenced our actual cooperation with them with respect to printing services on January 1, 2007, distribution consultation and management services on January 1, 2008, and advertising services on March 1, 2008.
- (2) Although we entered into the exclusive contract with Lifestyle Express on January 1, 2005, we commenced our actual cooperation with them with respect to printing services on August 1, 2005, distribution consultation and management services on January 1, 2008, and advertising services on March 18, 2008.
- (3) The time lapse between the signing of the cooperation contracts with the newspapers and the actual commencement of services was primarily due to our consideration of our operating experience, financial condition and capital expenditures. As a result, we required more time to establish relevant subsidiaries and obtain the licenses and permits necessary to conduct the contracted services. We entered into supplementary agreements with these two newspaper partners in October 2009 which clarified, among other things, that our provision of the advertising services pursuant to the original cooperation contracts commenced in 2008 and such did not constitute a breach of our obligations under the original contracts. Accordingly, we were not subject to any penalties or fines for the delay.



- (4) We commenced partial cooperation with Shenyang Evening News with respect to real estate advertising services on September 1, 2007, and expanded the scope of our arrangement with the newspaper to encompass comprehensive cooperation on March 1, 2008.
- (5) We commenced our cooperation with Modern Life Daily with respect to real estate, automobile, home furnishings and building materials advertising services on January 1, 2007 pursuant to a separate two-year contract of the same date and expanded this relationship in 2009 when we entered into a comprehensive cooperation contract with them on January 1, 2009. We have renewed our comprehensive cooperation contract with Modern Life Daily for a successive two-year term from January 1, 2011.

### Partial Cooperation

Newspaper	Scope of Core Services	Specific Type/ Industry	Contractual Term	Exclusivity	Termination	Renewal	Non-Competition
<ul style="list-style-type: none"> <li>• Yan Zhao Metropolitan Newspaper Jidong Edition</li> </ul>	Advertising	Classified, small banner and center seam advertisements	1 year (January 1, 2010 to December 31, 2010) <sup>(1)</sup>	Sole Agent for all specified types of advertisements	Yan Zhao Metropolitan Newspaper Jidong Edition may terminate our cooperation contract in the event of our failure to make payments under the contracts, and provided that such dispute regarding payment has not been timely resolved through negotiation.	We may renew our cooperation contract on the same terms and conditions if we have duly performed our advertising obligations and intend to continue acting as the agent of Yan Zhao Metropolitan Newspaper Jidong Edition for the advertisements under our cooperation contract.	No specific clause
<ul style="list-style-type: none"> <li>• Southeast Business</li> </ul>	Advertising	Education advertisements	2 years (January 1, 2010 to December 31, 2011) <sup>(2)</sup>	Sole Agent for all specified types of advertisements	Southeast Business may terminate our cooperation contract in the event we commit a breach thereof.	No renewal rights were specified in our cooperation contract.	No specific clause
<ul style="list-style-type: none"> <li>• Jinhua Daily</li> <li>• Jinhua Evening News</li> </ul>	Advertising	Classified advertisements	1 year (January 1, 2010 to December 31, 2010) <sup>(3)</sup>	Sole Agent for all specified types of advertisements	Jinhua Daily and Jinhua Evening News may terminate our cooperation contract in the event of our failure to make payments under the contract, and provided that such dispute regarding payment has not been timely resolved through negotiation.	We may renew the contract on the same terms and conditions if we have duly performed our advertising obligations and intend to continue acting as the agent of Jinhua Daily and Jinhua Evening News for the advertisements under our cooperation contract.	No specific clause



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Newspaper	Scope of Core Services	Specific Type/ Industry	Contractual Term	Exclusivity	Termination	Renewal	Non-Competition
<ul style="list-style-type: none"> <li>• <b>Dalian Daily</b></li> </ul>	Advertising	Real estate,  Home furnishings and building materials	5 years (January 1, 2007 to December 31, 2011)  4 years (March 1, 2007 to February 28, 2011)	Sole Agent for all specified types of advertisements	Neither we nor Dalian Daily has any contracted termination rights under our cooperation contract.	We may renew our cooperation contract on terms and conditions to be further negotiated with Dalian Daily if we have fully executed our cooperation contract and duly performed our obligations	No specific clause
<ul style="list-style-type: none"> <li>• <b>Changjiang Business</b></li> </ul>	Advertising	Classified advertisements and healthcare	3 years (January 1, 2010 to December 31, 2012)	Sole Agent for all specified types of advertisements	We or Changjiang Business may terminate our cooperation contract if (i) the other party loses its capacity as a subject of law; (ii) the other party fails to perform or violates its obligations under the contract and takes no remedial measures within a certain period of time; (iii) the other party clearly states or its actions show that it will not perform its obligations; or (iv) force majeure or accidents render the performance of the contract impossible or unnecessary.	We may renew our cooperation contracts on the same terms and conditions upon the expiry of the existing contract.	We may not contract with other similar media entities within the same city during the term of the cooperation contract.
					Changjiang Business may also terminate our cooperation contract in the event of our delay of payment for more than 15 days or a delay of payment occurs more than four times a year.		

Newspaper	Scope of Core Services	Specific Type/ Industry	Contractual Term	Exclusivity	Termination	Renewal	Non-Competition
					We may terminate our cooperation contract if Changjiang Business grants all or a portion of the rights of agency to a third party and we have fully performed our obligations under the cooperation contracts.		

*Notes:*

- (1) We commenced our cooperation with Yan Zhao Metropolitan Newspaper Jidong Edition with respect to classified, small banner and center seam advertising services on September 1, 2006. Our cooperation contract with Yan Zhao Metropolitan Newspaper Jidong Edition is usually renewed in December of each year and we are currently negotiating with Yan Zhao Metropolitan Newspaper Jidong Edition to renew our existing contract which expires on December 31, 2010.
- (2) We commenced our cooperation with Southeast Business with respect to education advertising services on March 15, 2007. Our cooperation contract with Southeast Business is renewed every two to three years.
- (3) We commenced our cooperation with Jinhua Daily and Jinhua Evening News with respect to classified advertising services on January 1, 2007. We are currently negotiating with Jinhua Daily and Jinhua Evening News to renew our existing contracts which expire on December 31, 2010. Both newspapers have issued us a letter confirming their intent to continue their cooperation arrangements with us for 2011.

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Substantially all of our newspaper partners are metropolitan newspapers. According to CTR, metropolitan newspapers focus on the general interests of local residents, covering among other things, local news, sports, business, jobs and community events. They vary from daily or weekly distributed newspapers to large national or international newspapers focusing on a particular metropolitan area. The readers of metropolitan newspapers generally have a wide variety of interests, which accounts for the inclusion of a variety of content, such as global and national news, editorials news on sports and entertainment events and classified advertisements. As a result, advertisers from different industries such as real estate, home furnishings, telecommunications, consumer retail and health care are attracted to placing advertisements in metropolitan newspapers. Our cooperation with metropolitan newspaper partners therefore allows us to provide advertising services to advertising customers from a diversified spectrum of industries.

We have signed comprehensive cooperation contracts with five of our newspaper partners: Southeast Express, Lifestyle Express, Shenyang Evening News, Modern Life Daily and Central Guizhou Morning Post, under which we independently operate the advertising component of their businesses.

**Southeast Express** .....



*Southeast Express* was founded in 2000 by the Fujian provincial branch of the China International Trade Promotion Council as a metropolitan newspaper. It is focused on the markets of Fuzhou and Xiamen, and covers nine cities in Fujian Province. Its target readership is China's well-educated elite with high disposable incomes and accustomed to a quality standard of living.

**Lifestyle Express** .....



*Lifestyle Express* was founded in 1999 by the Yunnan Province Disabled Persons Foundation as a metropolitan newspaper. It is focused on the Kunming market, and covers nine other cities and counties in Yunnan Province. It primarily targets China's middle class population.

**Shenyang Evening News** .....



*Shenyang Evening News* was founded in 1985 by the Shenyang Daily Newspaper Group as one of the main newspapers in Liaoning Province. It is focused on the Shenyang market, and covers seven other cities in Liaoning Province. It targets mature readers as well as subscription readers.

**Modern Life Daily** .....



*Modern Life Daily* was founded in 1997 by Guangxi Daily as the first full-color lifestyle newspaper in Guangxi Zhuang Autonomous Region. It is focused on the Nanning market, and covers eleven other cities and counties in Guangxi Zhuang Autonomous Region. It targets the common population interested in keeping abreast of news and happenings in the PRC society.

### Central Guizhou Morning Post .



*Central Guizhou Morning Post*, formerly known as Anshun Evening News, was founded in 2009 by the Central Guizhou Newspaper Development Group as a comprehensive daily newspaper. It is mainly focused on the cities of Anshun and Guiyang in central Guizhou Province with a target coverage of the entire Guizhou Province by end of 2010. Its target readership is residents of Guizhou Province interested in local and national news, politics, finance and entertainment.

Under our partnerships with Southeast Express, Lifestyle Express, Shenyang Evening News, Modern Life Daily and Central Guizhou Morning Post, we provide select content for inclusion in their weekly reviews and special editions. These focus on specific industries. The newspaper reporters writing the special editions typically work closely with our content planning teams. Our content planning personnel are organized into groups according to the categories of content for which they are responsible and also by the industries on which the special reviews focus such as the real estate, automotive and information technology. When we provide content, we typically participate actively in the operational process, including the placement of advertisements and tailor-made advertorials for our customers.

We believe our provision of content to special editions is one of the significant advantages of our cooperation with our newspaper partners as their readers form the targeted customer base for our advertisers. We are generally able to obtain first-hand information on the preferences of each special edition's readership base through our provision of specific content tailored for the focal topics of the special editions and, accordingly, can better advise advertisers.

Our partial cooperation with the other six newspapers enables us to gain in-depth knowledge of the respective local markets in which they operate. We use this knowledge to develop our operations and increase our market share in the relevant city's print media advertising industry.

### Our Advertising Operations

We offer a portfolio of services to advertisers combining the sale of advertising spaces supplied by our newspaper partners with our advertising services such as advertising concepts and content planning, design, layout and editing. In addition, we assist with placement of advertisements in other newspapers with whom we do not have cooperation contracts if requested by our customers. When we place advertisements with non-partner newspapers, we usually sign an advertisement placement contract with them. The prices we charge customers for such advertisements are determined according to each relevant advertisement placement contract and differ from the prices for advertisements we place with our newspaper partners pursuant to our cooperation contracts. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our newspaper advertising revenue accounted for 73.8%, 86.9%, 80.3% and 75.3% of our total revenue, respectively.

Our advertising customers operate in a wide variety of industries, including real estate, home furnishings, medical, pharmaceuticals and healthcare, telecommunications, 3C, automotive, education and consumer retail. We have established dedicated units to be responsible for business development,

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customer service, and advertisement planning according to the industries of our advertisers. They work closely with one another to ensure that the advertisements we produce are tailored to each customer's specifications and the services we provide are of high quality. As of the Latest Practicable Date, we have around 500 advertising employees.

Our design and planning teams are able to assist customers with overall planning of their advertisement campaigns by preparing marketing proposals with ideas on branding strategies, promotional concepts and content, media selection, sales solutions and packaging. In addition to regularly communicating with our advertising customers throughout the production process, we assign onsite personnel for large-scale and complex projects, to ensure smooth production and publication of the advertisements. For advertisers that engage us for a series of advertisements, we actively communicate with them to discuss the effectiveness of each advertisement published and advise them to make appropriate modifications to subsequent advertisements and the overall marketing concept based on the information we collect to improve the effectiveness of our customers' advertising.

In particular, our cooperation with our newspaper partners enables us to offer customers readily available print media options for their advertisements and attract them with our creative combination of content planning and advertising services. Our cross-province print media network enables us to advise our customers on suitable advertising locations. We believe the fact that the majority of our customer base are repeat customers evidences that they are generally satisfied with the effectiveness of the advertisements we create for them.

We also provide value-added services such as organization of complementary events in line with our customers' promotional campaigns that are targeted at readers of our newspaper partners. For instance, we have organized wedding exhibitions where advertisers in the businesses of decoration, furniture and wedding photography contracted with us for the opportunity to set up marketing booths or display their advertisements at the venue. We often integrate resources across different industries and leverage our existing print media capabilities when organizing such events so that we are able to offer our customers cross-selling opportunities. Some of our advertising methods in this regard include fashioning a mutually beneficial marketing event for our customers, such as combining the advertising campaign of an automobile customer with the property development launch of another real estate customer.

Our experience in organizing complementary events has enabled us to commence provision of supplementary outdoor advertising services to customers. We may rent promotional vehicles, obtain billboard space or select public venues such as airports, train stations, shopping malls, and expressways to display our customers' advertisements, or assist our customers with transit advertising through public transport including buses, taxis or the subway to attract daily commuters. As outdoors advertisements range from large billboards, print posters and LED signboards to 3D light boxes, we can be very creative in our design and planning of the advertisements, particularly to complement the print advertisements placed by our customers with our newspaper partners.

In addition, we have developed a proprietary web-based system, MAITS, used by us to track daily media content and advertisement information. Our designated employees collect advertising information from more than 30 media targets using MAITS, conduct data mining, research and prepare

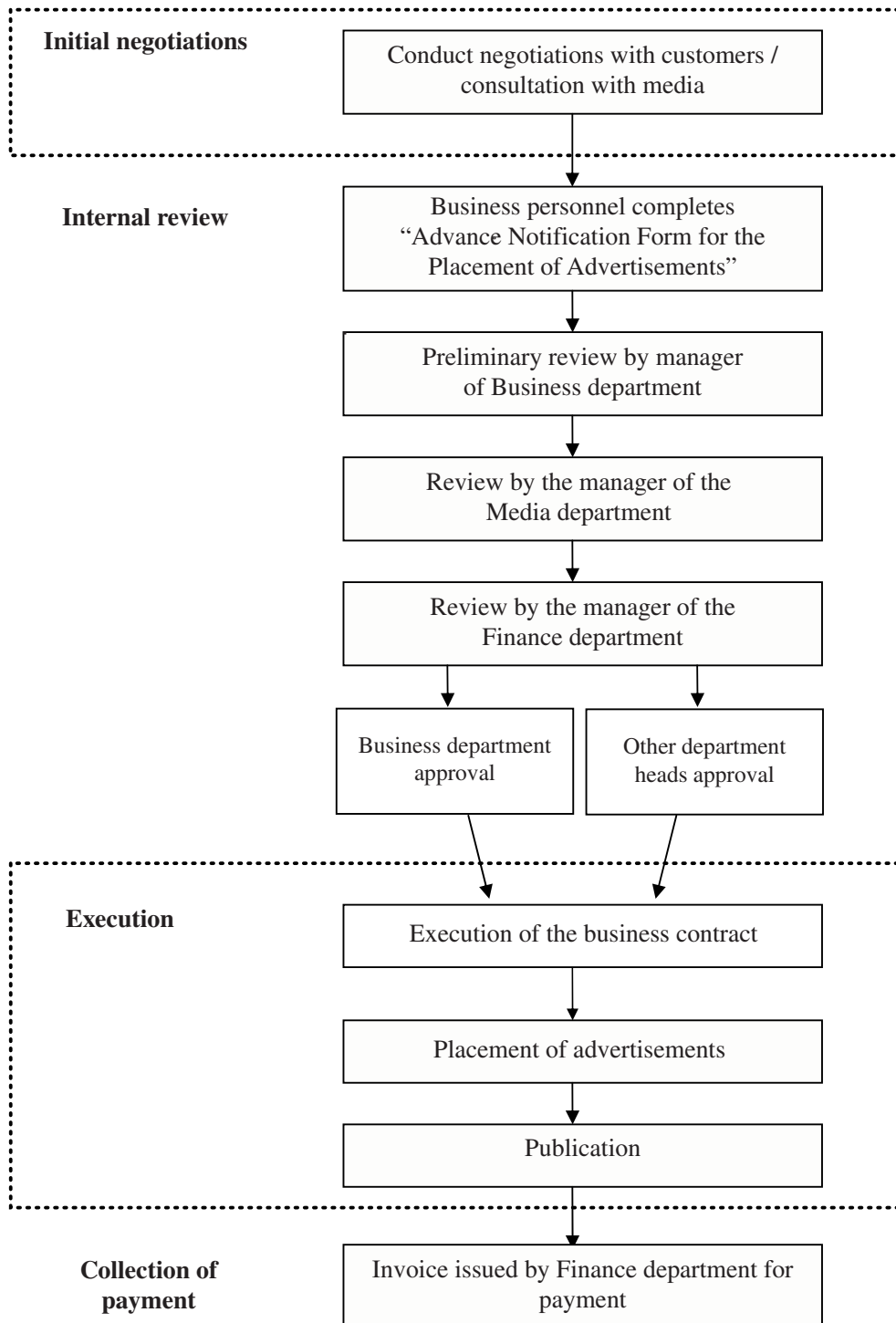
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analysis reports for our management. MAITS aggregates source data on the industries of the advertisements and the major participants in these industries such as scale, pattern, space, price, content and layout for each monitored media. In addition to analysis reports, the MAITS team also conducts data analysis for our internal use or for customers.

Our operational workflow differs according to the type of advertisements but our general business process is as summarized below:



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*Advertisement Review.* Our internal review procedures were established to ensure that the advertisements which we publish on behalf of our advertising customers are in compliance with the relevant PRC laws and regulations. Each advertisement is reviewed and examined in detail by our designated advertising personnel. The review process comprises two parts: (i) confirmation that the relevant advertiser has obtained all requisite licenses and approvals; and (ii) assessment of the contents of the advertisement based on our internal criteria and approval for publication. We classify advertisements into seven general categories, namely education, real estate, food and beverages, entertainment and food products, medical and pharmaceutical, personals, and referrals from advertising companies or agencies. There are minimum documentary requirements for advertisements under each of these seven categories, and advertisers have to submit to us the relevant permits, approvals or licenses required to be obtained by them pursuant to applicable laws and regulations. In connection with review of advertisement content, our reviewers will assess the materials based on our specific criteria for different types of advertisements, which are regularly updated to be in line with relevant laws and regulations. Our reviewers may provide suggestions as to how the advertisement should be revised, if amendments are required. Furthermore, advertisements for high risk industries, including medicine, healthcare products, medical organizations and tobacco are sent to the advertisement supervising and regulation department of the local Administration of Industry and Commerce for further review. We also review our contracts with advertisers and will only publish an advertisement after our internal review procedures outlined above are fully satisfied.

Our contracts with our advertising customers from industries which are more susceptible to having the contents of their advertisements found to be inappropriate, such as pharmaceuticals and healthcare, and cosmetics and skincare, generally state that any fines or penalties imposed in the event the advertisement is determined to be inappropriate by the relevant PRC authorities will be fully borne by the advertising customers. Our PRC legal advisor has advised that such contractual arrangements with our advertising customers are legal and valid under applicable PRC laws. However, we will be liable for any fines or penalties imposed if we conduct or have conducted any activities resulting in us being responsible for the inappropriate advertisements, such as providing design, production or publication services when we are aware of or are deemed to be aware of the untrue nature of the contents of the advertisements. Further, we are also subject to the risk of having to pay fines on behalf of our customers and subsequently not being able to recover the relevant amounts from them, such as our payment and non-recovery of fines in the amounts of RMB8,750 and RMB6,900, that were imposed by the relevant local Administration of Industry and Commerce in 2008 and 2009, respectively, for the publication of advertisements which were deemed inappropriate. Please refer to “We may be subject to fines imposed by relevant PRC authorities for placement of inappropriate advertisements in the advertising spaces which we acquired from our newspaper partners” under the section headed “Risk Factors” in this prospectus for more information.

### **Ancillary Operations**

We operate certain ancillary components of the businesses of our newspaper partners with whom we have comprehensive cooperative relationships. We charge a fee to our newspaper partners for such operation, although these fees are not an important contributor to our revenue. Rather, we provide these services to deepen our partnership with the newspapers, help to increase the quality and advertising appeal of their publications, and thereby allow us to increase the revenue we generate by selling our integrated print media services to advertising customers.

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### *Distribution consultation and management*

We operate substantially all aspects of the circulation of Southeast Express and Lifestyle Express through our provision of distribution consultation and management services as part of our contractual partnership with them in relation to the advertising components of their businesses. With the purpose of achieving effective circulation, we assist newspapers in distribution management and staff training. Our services include designing and adjusting distribution routes and optimizing the allocation of our newspaper partners' delivery resources whenever necessary to achieve the best results. Our income generated from this business component comprises fees for services amounting to 12% of each newspaper's total revenue based on its aggregate circulation volume (both subscription and retail). For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our distribution consultation and management revenue accounted for 1.9%, 1.7%, 1.1% and 1.2% of our total revenue, respectively.

Under our comprehensive cooperation contracts, the distribution staff of the newspapers is under our direct supervision and we conduct regular training to ensure that they are familiar with the newspaper's distribution methods, routes and timing, in order to achieve maximum efficiency. We work with the newspapers to draw up distribution strategies and staff appreciation plans and closely monitor their distribution in an effort to develop the best solutions for them. Furthermore, we attempt to provide creative ideas to newspapers with the intention of increasing circulation, such as pioneering the "rent" concept, which allows subscribers to pay only one-fourth of the annual subscription fee if they return old newspapers to us. Other strategies include subscription price promotions, organizing marketing events and activities in targeted local areas, and cooperation with schools and businesses. We believe the resulting close relationship with the distribution departments of newspapers allows us to obtain first-hand information regarding readers and further improve the scope of our consultation services. More importantly, we believe this also enhances our provision of service packages to advertisers because we are more able to ensure the effectiveness of our advertisements by managing the circulation of the newspapers including the reader types, volume, target markets and industries.

### *Newspaper Printing*

We have two factories in Fuzhou and Kunming used for printing of Southeast Express and Lifestyle Express, respectively. Our printing services are provided pursuant to our comprehensive cooperation contracts with Southeast Express and Lifestyle Express and we charge them printing fees which are calculated based on the actual number of copies printed. Through operating the printing component of the newspaper's businesses, we have control over the print quality of their publications and, therefore, can better ensure the quality of the advertisements published. As of the Latest Practicable Date, the total number of our printing employees was 69. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our newspaper printing revenue accounted for 17.5%, 7.1%, 5.0% and 4.7% of our total revenue, respectively.



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The following table sets forth basic information on our printing facilities.

Printing Facilities	Newspaper partners	Approx. hourly print capacity (page folds) <sup>(1)</sup>	Available floor area as of September 30, 2010 (sq. m.)
Fuzhou, Fujian Province . . . . .	Southeast Express	70,000	3,235
Kunming, Yunnan Province . . . . .	Lifestyle Express	105,000	2,750

*Note:*

(1) Based on the printing rate of 35,000 pages per production line in each of our printing facilities.

### Online Services

We have established an Internet media platform through our website *www.duk.cn* for the electronic dissemination of newspapers, magazines, novels and placement of advertisements. It was awarded “International Top 100 Most Valuable Projects” by the expert-system accreditation committee of the World Chinese Economy evaluation system at the 2008 Asia Pacific Annual Chinese - Economy Council for Investment and Financing, and “Top 100 Chinese Commercial Websites” in 2007 by Internet Weekly. The PRC Government has accredited Xiamen Duke as an approved “high and new technology enterprise” and the Xiamen City government has also designated Xiamen Duke in 2009 as one of the city’s first major cultural enterprises. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, revenue from our online services accounted for 5.3%, 4.1%, 10.2% and 13.4% of our total revenue, respectively.

Our income from our online services is generated from the following:

- *Electronic Dissemination*

We disseminate digital versions of newspapers, magazines and books using our own publication software. As of June 30, 2010, we derived income from such electronic dissemination services in respect of our two newspaper partners, Southeast Express and Lifestyle Express. Under the electronic dissemination contracts we signed with them, they pay us service fees when the circulation of their publications electronically disseminated through our website exceeds a certain volume. Currently, we do not charge fees for our electronic dissemination services provided to the other newspapers, magazines or books hosted on our website. In addition, we also produce other electronic publications for advertisers such as online coffee table books who only pay us a one-off charge with no additional service fees. For the years ended December 31 2007, 2008 and 2009 and the six months ended June 30, 2010, revenue from our electronic dissemination services was nil, RMB4.2 million, RMB4.0 million and RMB2.0 million, respectively. As of the Latest Practicable Date, we have ceased provision of electronic dissemination services since we have not obtained the necessary Internet publication license. We will make an announcement upon obtaining the Internet publication license and resume our Internet publication operations thereafter.

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- *Online Advertisements*

The majority of our online advertisements comprise those placed by our print media advertising customers in the publications of our newspaper partners electronically disseminated through our website *www.duk.cn*. We also conduct direct sales of our services to other advertisers for placement of online advertisements. Similar to print media advertisements, we grant discounts from our standard publication rates, which take into consideration the advertising scale, popularity of the advertiser among Internet users and comparable pricing of industry peers, to our customers for online advertisements. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our revenue generated from online advertisements was RMB8.0 million, RMB6.2 million, RMB29.9 million and RMB20.7 million, respectively.

- *Website maintenance and technical services*

We currently operate the websites of certain newspapers such as Southeast Express and Lifestyle Express pursuant to our comprehensive cooperation contracts with them, and have teams dedicated to provide full technical support and maintenance services. Links to the websites of these newspapers are also provided on website *www.duk.cn* to be accessed by the public to increase the traffic between websites, thereby allowing us to share our respective readership bases. We charge customers for our website maintenance and technical services based on the volume of system development work involved and the relevant costs incurred, including, among others, research and development costs, software application costs and staff costs. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, revenue generated from our website maintenance and technical services was nil, RMB4.5 million, RMB13.2 million and RMB9.5 million, respectively.

We initially collaborated with certain universities and technical institutes, such as Xiamen University, to develop our publication software applications and have since shifted to independent development, with plans to continue our efforts in the improvement of our current technologies.

Our electronic dissemination services enable us to reduce printing and distribution costs usually incurred by our newspaper partners when increasing their circulation numbers, as well as to attract potential newspapers with which we may pursue future cooperative opportunities.

## SALES AND MARKETING

More than 80% of our revenue is derived from our core business of providing integrated service packages combining advertising services and advertising spaces to advertisers. These are sold through direct sales to customers, including both end-advertisers and advertising agents. Our sales force is organized according to the classification of our customers by industry, and there are separate teams responsible for major customers in the relevant industries. In addition, we have established major customer centers to be responsible for certain major customers and direct referrals by our senior management. As of the Latest Practicable Date, we had 383 sales and marketing employees.

The business development personnel within our sales and marketing units are charged with formulating strategies to develop new customers, as well as maintaining relationships with and

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increasing revenue from our existing customers. Our sales and marketing personnel work closely with the design and content provision teams, which conduct preliminary analysis on advertisers' specific needs and provide feedback. Leveraging a number of factors, including the quality and quantity of the circulation of newspapers with which we have exclusively contracts, and analytical reports generated by MAITS, we believe we are able to demonstrate our ability to reach target audiences and assure customers of the effectiveness of our services.

### **Customer Relations**

Our customer relations department focuses on the promotion of our brand and maintenance of relationships with our customers. Besides assigning dedicated service personnel to certain major customers, including direct referrals by our management, they conduct customer feedback surveys to monitor satisfaction levels. Customer requests and complaints are handled by our staff, who communicate with the relevant business personnel upon receipt of a complaint to understand the issue and devise the best solution for the customer.

Further, our customer relations personnel organize specific events aimed at strengthening relationships with our existing customers and displaying the full scope of our services in order to attract new customers. In the past, we have put together annual sales and marketing conferences in various cities, with invitations extended to select customers and advertising partners such as 4A companies. Such events enable us to assist participants in better understanding the media structure of the local markets that they plan on entering, introduce our operations, and build new relationships with advertisers. Our events also include promotional activities specific to certain industries for the display of the products of our advertising customers, as well as discussion of topics such as the relevant development trends.

### **Pricing Policy**

Our pricing policy for our core business of providing advertising services, including print media advertising spaces and online advertisements, primarily takes into consideration industry-specific market rates with appropriate discounts off the standard published advertising rates by specific position of newspapers, which are given to our advertisers. We generally offer extra discounts off the standard published advertising rates on weekends and public holidays. We may also grant larger discounts to customers based on a number of factors, including (i) the specifications of the advertisements such as size, color and location in newspapers; (ii) the length of business relationship between us and the relevant advertising customer; and (iii) the frequency of the advertising customer's placement of advertisements in the newspapers. However, the final amount of discount is subject to the approval of our senior management.

### **Credit Policy and Payment Methods**

We have a credit policy with established procedures in place, which we review from time to time. Our credit management team assigns internal credit ratings to customers after evaluation of their creditworthiness through assessment of their particulars including business licenses, certifications and credit rating reports and considering factors such as operating status, business condition, profitability, indebtedness and assets. These internal credit ratings are used to determine the credit-related clauses

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in our sales contracts with customers. We generally grant to our advertising customers with favorable credit ratings a credit period ranging from one month to one year after publication of the relevant advertisements. The length of the credit period we grant to our customers varies by industry and is driven by credit periods granted by our competitors. We grant customers from industries such as real estate, automotive and telecommunications, as well as those with national brand names and our long-term customers with large orders, longer credit periods. For short-term customers with small orders, out-of-province customers that do not have well-known brand names, classified advertising customers and secondary advertising agents (excluding 4A companies), we usually request that fees be paid in full prior to publication. Depending on the internal credit rating assigned to each customer by our team, we prepare regular credit reports to ensure timely updating of their operating conditions and business information. We also perform credit analyses on our large customers that take into account their payment histories and recent developments on a periodic basis or when their contracts are up for renewal.

As our distribution consultation and management and printing services are provided only to Southeast Express and Lifestyle Express pursuant to our 30-year comprehensive cooperation contracts with them, they are granted our maximum credit period of one year. For our online services customers, we usually grant a credit period of six months to one year, which is in line with industry practice.

All of our invoices are denominated in Renminbi and they are generally settled by way of bank transfer or telegraphic remittance. A small portion of our customers, mainly advertising customers purchasing classified or small banner advertisements, pay cash to settle our invoices. Some of our real estate customers settle our invoices through barter transactions with us, further details of which are set out in subsection headed “Critical Accounting Policies and Estimates” under the section headed “Financial Information” in this prospectus.

### CUSTOMERS

All of our sales are derived from customers in the PRC. We have built a large and diversified customer base of companies advertising a broad range of products and services from property developments, automobiles, housing appliances, electronics, medicine, telecommunication services, transportation services to dating services, including a number of major industry players with nationally recognized brand names. We have established relationships with many of our customers and expect to continue to grow our business relationships with them. We regularly conduct customer satisfaction surveys, which enable us to collect valuable feedback and better understand our customers’ needs so that we can improve our service offerings.

During the Track Record Period, we have agreed in our contracts with certain real estate customers to accept the right to sell units in properties that they have developed or are developing as consideration for the advertising services we provide to them. We do not take title to these properties, but are given the contractual right to sell the property instead and we take the proceeds as compensation for our advertising services. Please refer to the section headed “Financial Information - Assets held for sale” in this prospectus for more details.

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During the Track Record Period, sales to our five largest customers accounted for 24.2%, 17.6%, 14.8% and 14.1%, respectively, of our total sales revenue, while sales to our largest customer accounted for 11.7%, 5.6%, 3.9% and 5.2%, respectively, of our total sales revenue. As of the Latest Practicable Date, none of our Directors or any existing shareholder who, to the best of our Directors' knowledge, owns 5% or more of our issued shares, or any of their respective connected persons has any rights or interests in any of our five largest customers.

### SUPPLIERS

Our suppliers are primarily our newspaper partners, other newspapers and other media providers that provide us with advertising spaces, which we sell to our advertising customers. For newspapers with which we engage in comprehensive or partial cooperation, the supply of advertising spaces is subject to the relevant contractual terms and clauses. As we have in place long-term agreements with most of these newspapers, we believe we can obtain preferential rates and are generally less susceptible to fluctuations in prices for advertising spaces.

For our printing business in Fuzhou and Kunming, we also source ink and consumables as well as newsprint paper from several suppliers. Pursuant to our comprehensive cooperation contracts with Southeast Express and Lifestyle Express, they are responsible for supplying the newsprint paper required for the printing services we provide to them. However, we purchased a portion of such newsprint paper from other suppliers for sale to both newspapers during the Track Record Period. We did this to leverage our ability to obtain longer credit periods from some suppliers wishing to reduce their inventory levels as the newsprint paper industry was facing an oversupply situation. Due to an increase in demand for newsprint paper since 2008, which has caused suppliers to generally request payment in full prior to delivery, we have gradually decreased the amount of newsprint paper we purchase.

Some of the factors that we consider when selecting new newspaper partners include the newspaper's market position, operations, financial condition, management and operational teams, growth potential and earning prospects. We usually make initial contact with potential newspaper partners to indicate our interest in establishing a business relationship with them and begin contractual negotiations. However, we have also been approached by potential suppliers who are interested in cooperating with us based on our industry reputation, market position and business model.

During the Track Record Period, purchases from our five largest suppliers accounted for 65.4%, 80.9%, 82.8% and 80.4%, respectively, of our total purchases, while purchases from our largest supplier accounted for 22.4%, 35.0%, 30.7% and 26.5%, respectively, of our total purchases. As of the Latest Practicable Date, none of our Directors or any existing shareholder who, to the best of our Directors' knowledge, owns 5% or more of our issued shares, or any of their respective connected persons has any rights or interests in any of our five largest suppliers.

### QUALITY CONTROL

To ensure the quality of our products and services, we have established and maintained what we believe are stringent quality control and assurance standards and inspection procedures at each critical step of our business processes. These standards and inspection procedures are documented in manuals

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made available to our employees upon their joining us. We have designated quality control personnel within our business units and each of them is trained before being staffed to and during their service with each unit. Furthermore, our employees are also required to supervise each relevant stage of our processes in connection with our efforts to ensure total quality control. We did not experience any material product or service quality problem during the Track Record Period.

### INTELLECTUAL PROPERTY

Certain key copyrights, trade secrets or know-how related to our advertisement production, online services, and sales and marketing operations are important to our business and competitive position. We rely on a combination of copyright and trademark laws as well as confidentiality and non-compete agreements with our employees to protect our intellectual property rights. Our trademark “Shifang” and a number of other trademarks are registered, or are in the process of registration, with the Trademark Office of SAIC. As of the Latest Practicable Date, we own six registered copyrights associated with our electronic publishing software. We are also the registered holder of six domain names, including *sf333.com*, *sf333.net*, *duk.cn*, *doker.cn*, *doker.com.cn* and *shifangholding.com*. Details of our intellectual property rights are set out in the paragraph headed “Our intellectual property rights” in “Appendix VI — Statutory and General Information — Further Information About Our Business” to this prospectus.

As of the Latest Practicable Date, we were not aware of any material incidence of intellectual property rights infringement, including us infringing upon the rights of others or others infringing upon our rights, or any material claims or litigation relating to such rights that arose out of circumstances occurring within the Track Record Period.

### EMPLOYEES

As of the Latest Practicable Date, we had approximately 911 full-time employees. Set out below is a breakdown of the number of our full-time employees by function as of such date:

<u>Division</u>	<u>Number of Employees</u>
Management . . . . .	75
Sales and marketing . . . . .	383
Finance and audit. . . . .	111
Content planning . . . . .	55
Design, layout and editing . . . . .	62
Information Technology . . . . .	81
Printing . . . . .	69
Administrative and other . . . . .	<u>75</u>
<b>Total . . . . .</b>	<b><u>911</u></b>

We recruit our personnel from the open market and enter into employment contracts with our employees. We offer what we believe are competitive remuneration packages to our employees, including salaries, bonuses and share options to qualified employees. We provide technical as well as operational training to all new employees and on-going training for all employees.

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Please also refer to the appendix headed “Appendix VI — Statutory and General Information — Share Option Scheme” to this prospectus for more details on the Share Option Scheme pursuant to which we have granted share options to our Directors and senior management.

We have not experienced any strikes, work stoppages or labor disputes which affected our operations and our Directors consider our relations with our employees to be good.

### WELFARE CONTRIBUTIONS

We must comply with PRC laws and regulations relating to social welfare, including the *Interim Regulations Governing the Receiving and Payment of Social Security* issued by the State Council, which establishes the basic measures for receiving pension payments, medical insurance payments and unemployment insurance payments. Also to be complied with are the *Regulations Governing the Public Housing Reserves* issued by the State Council, which sets out the regulations related to the public housing reserves contributed by employers and employees, and other laws and regulations related to social insurance such as work injury insurance and maternity insurance.

In accordance with applicable PRC regulations, we currently participate in social insurance contribution plans organized by the relevant local governments, under which we are required to pay in respect of each of our relevant employees a monthly contribution at a specified minimum amount. The amount of contribution may vary depending on a number of factors, including the requirements of the relevant local government and the income of the employee. We currently provide employees with a pension insurance program, medical insurance program, unemployment insurance program, individual work injury program, maternity insurance contributions and employee public housing reserve contributions. During the Track Record Period, the total amount of our contribution was approximately RMB0.6 million, RMB1.5 million, RMB2.5 million, and RMB1.6 million, respectively.

As of the Latest Practicable Date, we had not made contributions in respect of some employees or not made some contributions in the statutorily required amounts. The employees for whom we have not made full contribution principally include those who have chosen not to make payments toward their pension insurance plans, such as employees who frequently transfer between our different subsidiaries or migrant workers. These employees that have not made payments toward their pension plans will be unable to claim the relevant benefits. Other examples include (i) workers that will not be able to accumulate the requisite 15 years’ of contribution from a single employer and be eligible to enjoy the benefits of their pension insurance plan as they are nearing the official retirement age, (ii) workers that had been retrenched by state-owned enterprises or public service units but were still required to have their social insurance contributions made under the name of their former employers, (iii) temporary employees and those placed on a probation period for less than a month, as well as (iv) employees for whom we are not required to make such contributions such as those who had retired. Our PRC legal advisor has advised that except for not making contributions for workers that were retrenched by state-owned enterprises or public service units but still had their contributions made by their former employees, we are not in strict compliance with the relevant employee welfare rules and regulations. Our PRC legal advisor has advised that we may be subject to penalties or sanctions, including an order for remedial action for our lack of full compliance with the relevant rules and regulations in respect of such welfare contributions.



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As of the Latest Practicable Date, we have not paid total outstanding amounts of social insurance and housing fund contributions of RMB865,282.91 and RMB760,300.49, respectively. Our PRC legal advisor has advised that the relevant social insurance authority may order us to pay the outstanding contributions within a prescribed time limit, failing which we may be charged an additional late-payment fee of 0.2% per day on the outstanding amount calculated from the date the amount became overdue until full payment is made. Similarly for the outstanding housing fund contributions, we may be ordered by the relevant authority to rectify the situation within a prescribed time limit and open a designated account for payment of the outstanding contributions for the benefit of our employees. In the event we fail to do so, we may be subject to a fine of an amount up to RMB50,000.

As the outstanding welfare contributions primarily relate to employees who have chosen not to make payments toward their pension insurance plan, we will use our best efforts to persuade them to do so and comply with the relevant PRC laws and regulations. For those employees who persist in not paying the outstanding welfare contributions, we will, as soon as possible and in any event before the Listing, implement remedial actions, including but not limited to terminating their employment with us in accordance with their employment contracts and relevant PRC laws and regulations. In addition, we will improve our remuneration and staffing policies so as to reduce the risk of future recurrences and ensure employees pay their welfare contributions.

As of the Latest Practicable Date, we had not received any notice from any of the relevant authorities requiring us to make payments in respect of the outstanding welfare contributions or been penalized for our lack of compliance. Three of our Controlling Shareholders, China TopReach, Mr. Chen and Mr. Hong have undertaken to indemnify us for, among other things, any losses or penalties which we may suffer in connection with our non-compliance. In view of the foregoing, our Directors are of the view that our non-compliance will not have a material and adverse impact on our business operations.

Save as disclosed above, our PRC legal advisor has advised us that we have complied with all applicable national and local laws and regulations relating to social welfare in all material respects.

## **SAFETY AND ENVIRONMENTAL PROTECTION**

### **Safety and Labor Protection**

We have taken measures to ensure compliance with applicable national, local and foreign laws and regulations concerning workspace safety. We have full-time safety management personnel responsible for supervising workplace safety and occupational health, hygiene and safety, as well as performing internal safety checks during the advertising production process to minimize accidents, injuries and occupational diseases. During the Track Record Period, we believe we have satisfied all requirements established by relevant laws and regulations and have obtained all licenses necessary to perform work in our operations facilities. As of the Latest Practicable Date, we have not experienced any major workplace or industrial accidents.



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### Environmental Protection

As the advertising industry in which we operate our core business is not a major source of environmental pollution, we believe that the impact of our operations on the environment is minimal and we have taken all necessary internal environmental protection measures.

According to the *Law of Environmental Impact Assessment of the PRC* (“**Environmental Impact Assessment Law**”), companies who wish to engage in the printing business are required to conduct environmental impact assessment and submit an environmental impact assessment report to the relevant PRC environmental authorities for approval prior to commencing construction of their printing facilities. We require such approvals for our printing operations, and we have obtained this in respect of our printing facility in Kunming. With regard to our printing facility in Fuzhou, we have submitted our application together with our latest environmental impact assessment report issued in June 2010 for such approval. However, the relevant authority has notified us that the land use right certificate and building ownership certificate for the property used as our Fuzhou printing facility are required for their review of our application. The lessor of this property has not provided such certificates to us and has informed us that, although it has the relevant land use right certificate, it is still in the process of obtaining the building ownership certificate. We will use our best efforts in procuring the lessor to obtain the certificate within six months following the Listing and then resubmit our application for the approval. In the event the lessor is unable to obtain the certificate within such timeframe, we will relocate our printing operations in Fuzhou to another suitable site. Please refer to the subsection headed “Properties — Leased Properties” below for more details on relocation.

Our PRC legal advisor has advised that, prior to our obtaining the environmental approval for our Fuzhou printing facility, we face the risk of being ordered to cease operations for a prescribed time by the relevant authorities or we may be subject to fines of an aggregate amount not exceeding RMB100,000. As of the Latest Practicable Date, we had not received any notice from the relevant authorities requiring us to cease our printing operations in Fuzhou. China TopReach, Mr. Chen and Mr. Hong have undertaken to indemnify us for, among other things, any losses or penalties which we may suffer in connection with our non-compliance. In view of the foregoing, our Directors are of the view that our non-compliance will not have a material and adverse impact on our business operations.

We have adopted technologies and equipment to prevent and minimize pollution and we have not experienced any major accident resulting in environmental pollution. We intend to implement measures to address the issues identified in the results of our environmental impact assessment report, including better treatment of sewage, installation of exhaust hoods and more efficient ventilation in our production facilities, and using sound-proofing or damping equipment to reduce noise levels. During the Track Record Period, we did not incur any costs in complying with applicable environmental laws and regulations. However, we expect to incur environmental-related expenditures of approximately RMB170,000 in 2010 and estimated costs of RMB30,000 for future compliance with relevant environmental laws and regulations.

Save as disclosed above, our PRC legal advisor has advised that we were in full compliance with all applicable environmental laws, rules and regulations in all material respects during the Track Record Period. As of the Latest Practicable Date, we were not subject to any major environmental claims, lawsuits, penalties or disciplinary actions.

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### INSURANCE

We maintain property insurance to cover potential damages to our real property, equipment, vehicles, computers and other property owned by us as well as losses arising from, among other things, production delays, employee disputes, intellectual property litigation, loss of major customers and suppliers, claims against Directors and officers and product recall. As of the Latest Practicable Date, we did not maintain any public liability insurance, which we believe is consistent with the industry practice in China. We have not purchased any third party liability insurance coverage for claims relating to personal injury, assets or environmental damage arising from our operations, nor have we purchased any insurance for environmental liability, which, in our opinion, is consistent with customary practices. During the Track Record Period, we did not experience any major operational problems, such as equipment failure, failure to meet standards, improper equipment operation or any industrial accidents, nor any business interruptions as a result of fire, power shortages, software or hardware malfunctions, flood, computer virus or other events beyond our control. Please refer to the section headed “Risk Factors — Risks relating to Our Business — Our insurance coverage may not be sufficient to address actual losses arising from risks associated with our business operations” in this prospectus. Based on our experience in operating our business and our understanding of the prevailing industry practice in China, we believe our level of insurance coverage is adequate for our current operations.

### PROPERTIES

#### Owned Properties

As of September 30, 2010, we owned two building units and one car parking space in the PRC, with an aggregate gross floor area of 327.64 sq.m.. An independent valuer has valued our properties as of September 30, 2010. The text of the letter and the valuation report issued by the independent valuer are set out in the appendix to this prospectus headed “Appendix IV — Property Valuation Report”.

As of September 30, 2010, we have obtained building ownership certificates for all of the abovementioned two building units and one car parking space, which are located in Fuzhou, Fujian Province and primarily used as office space. In addition, we have signed a sale and purchase agreement in respect of one building unit and one car parking space, which are located in Xiamen, Fujian Province, with an aggregate gross floor area of 222.04 sq.m.. We have applied and are in the process of obtaining the relevant building ownership certificates. However, the timing for obtaining these certificates is beyond our control. Our PRC legal advisor has advised us that the sale and purchase agreement is legal, valid and binding on the parties, and there is no material legal impediment to our obtaining the building ownership certificates provided the relevant procedures have been completed in accordance with applicable PRC laws. Upon obtaining the relevant building ownership certificates, we are entitled to occupy, use, assign, lease, pledge or otherwise dispose of the ownership rights of this building unit and car parking space under applicable PRC laws.

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### **Leased Properties**

As of September 30, 2010, we were leasing 17 properties in the PRC, with an aggregate gross floor area of 9,485.01 sq.m.. Among these 17 properties, six are located in Fujian Province, three in Liaoning Province, two in Zhejiang Province, two in Hubei Province, and one each in the provinces of Hebei and Yunnan, Guangxi Zhuang Autonomous Region and Tianjin municipality, respectively. The properties we leased are primarily used for office purpose.

As of September 30, 2010, among the 17 properties, the lessor of a property, with a gross floor area of 319.16 sq.m. did not provide us with the relevant title documents, building ownership certificates or any other evidence of its rights or authority to sub-lease such property. In respect of the lease agreement for this property, our PRC legal advisor has advised that there exists uncertainty regarding the legality and validity of our lease agreement with this lessor and, in the event the lease agreement is found to be invalid and unenforceable, we will not be entitled to occupy or use the relevant property. Should the need arise, the time needed to locate and sign a lease agreement for a suitable alternate site for the property in Fuzhou, where our printing facility is located, is estimated to be three months; following which, we should be able to move our operations from this property within two days at an estimated cost of RMB500,000, respectively. We do not anticipate any difficulties in locating suitable alternate site and the cost of relocating from this property will be borne by us. China TopReach, Mr. Chen and Mr. Hong have undertaken to indemnify us for, among other things, any losses which we may suffer in connection with this property with defective titles. Due to the relatively insignificant estimated relocation time and indemnity provided by our Controlling Shareholders, our Directors are of the view that any relocation with regard to this property will not have a material adverse effect on our business operations.

As of the Latest Practicable Date, we were not aware of any challenge being made by any third party to the title of any of these properties which might affect our current occupation.

Other than the above-mentioned one property, our PRC legal advisor has advised us that, the building ownership certificates or other evidence of the lessors' rights and authorities to lease the properties relating to the remaining leased properties have been obtained and the lease agreements complies with the requirements of the relevant PRC laws and regulations and is legal and valid.

### **LEGAL PROCEEDINGS AND REGULATIONS**

#### *Litigation and Other Proceedings*

We may be involved in certain legal proceedings during the course of our business operations. As of the Latest Practicable Date, to the best of our knowledge, there was no pending or threatened litigation, arbitration matter or other legal proceeding that we expected to have a material adverse effect on the financial condition, results of operation, reputation, business activities, or future prospects of our Group.

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## BUSINESS

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### *Regulatory Compliance*

According to the Interim Provisions, which was jointly promulgated by the Ministry of Industry and Information Technology and GAPP on June 27, 2002, a company may not engage in the business of Internet publication without obtaining an Internet publication license. We did not initially apply for the license when we commenced providing electronic dissemination services in 2008 because Xiamen DuKe, our subsidiary that operates our website *www.duk.cn*, had been primarily focused on the research and development of its business platform prior to that time and as advised by our PRC legal advisor, the scope of “Internet publishing” requiring approval from GAPP was unclear under PRC law, so it was uncertain whether our provision of electronic dissemination services constituted engaging in the business of Internet publication. Additionally, we received no indication from the local Administration of Press and Publication that we were needed to obtain the license. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, revenue from our electronic dissemination services was nil, RMB4.2 million, RMB4.0 million and RMB2.0 million, respectively. Following the expansion of our online services business in 2010, our PRC legal advisor advised us that we should obtain an Internet publication license in relation to our provision of electronic dissemination services to newspapers, magazines and other publishers through our website *www.duk.cn*. As such, we applied for the license in April 2010 pursuant to the Interim Provisions. According to the Interim Provisions, the provincial level Administration of Press and Publication and GAPP are the competent authorities for granting approvals to issue Internet publication licenses, although standard administrative practice in the PRC requires applicants to first submit their applications to the local city-level Press and Publication Bureau for preliminary approval. We therefore submitted our application to and received the approval from the Press and Publication Bureau of Xiamen. The Administration of Press and Publication (Copyright Bureau) of Fujian Province has also confirmed that it has approved our application and that it has forwarded it on to GAPP for final review and approval. The actual timing for GAPP’s issuance of the final approval is beyond our control.

Our PRC legal advisor has advised that no breach of any requirements stipulated by the Interim Provisions in respect of our application for the license has been identified, and subject to GAPP’s review and approval, there is no material legal impediment to our obtaining the Internet publication license. However, prior to our obtaining the license, we may face the risk of penalties and sanctions, including confiscation of publication equipment and forfeiture of any profits we have earned in violation of the Interim Provisions, being ordered to cease operations and a fine of an amount up to ten times the income we earned in violation of the Interim Provisions. Our PRC legal advisor has advised us that our risk of being subject to such penalties for our lack of an Internet publication license is minimal. We have obtained a written confirmation from the Press and Publication Bureau of Xiamen that we had not previously been and are not currently subject to any administrative penalties imposed by the relevant authorities as a result of not obtaining the license. Further, the Administration of Press and Publication (Copyright Bureau) of Fujian Province indicated, upon our inquiry, that it has not imposed such penalties to date, and as advised by our PRC legal advisor, there is no clear criteria for determining what constitutes the relevant “illegal profit” or “illegal income”. In addition, there may be further amendments to the Interim Provisions. As such, the Administration of Press and Publication (Copyright Bureau) of Fujian Province indicated that it will generally only impose penalties on companies operating websites that contain harmful or offensive information. In

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## BUSINESS

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such instances, it will normally order the offending company to shut down its website. If the company's publication of offensive information is unintentional, it will allow the company to continue operating the website only after such information has been removed and the non-compliance has been rectified. In any event, as of the Latest Practicable Date, we have ceased provision of electronic dissemination services through our website *www.duk.cn* since we have not obtained the necessary Internet publication license. We will make an announcement upon obtaining the Internet publication license and resume our Internet publication operations thereafter.

We intend to implement measures to enhance communication between our departments in order to keep abreast of developments in relation to our business operations and to ensure that we obtain the latest news and updates on industry policies and regulations. In addition, our in-house legal counsel will regularly advise us on regulatory matters to prevent future recurrences of non-compliance with relevant laws and regulations. China TopReach, Mr. Chen and Mr. Hong have undertaken to indemnify us for, among other things, any losses and penalties which we may suffer in connection with our lack of an Internet publication license.

Save as disclosed herein and in the subsections headed “— Welfare Contributions”, “— Safety and Environmental Protection — Environmental Protection” and “— Properties” above, our PRC legal advisor has advised that we are in full compliance with all related laws and regulations in all material respects during the Track Record Period, and have obtained all licenses, approvals and permits material for our business operations in the PRC.

## COMPETITION

Social and economic changes triggered by more than two decades of reform in China have led to sweeping changes in its vast, state-controlled media environment, particularly in the quantity and diversity of media sources and the development of the Internet. The PRC Government not only tolerates much greater diversity in the media, but has strongly encouraged greater efforts to provide media content that resonates with the lives and interests of the population. According to GAPP, there were 186 newspapers and 930 periodicals in China in 1978. As of 2008, the country had over 1,900 newspapers and more than 9,500 periodicals, or approximately ten times as many Chinese newspapers and periodicals as there were 30 years ago.

Due to the highly fragmented nature of the PRC print media industry, newspapers primarily compete for advertising revenue on a city or regional level. As a result, the target markets for advertising companies which cooperate with newspapers for placement of advertisements such as our Group are usually similarly determined. The competition among newspapers within a city or region for advertising revenue will affect, to a certain extent, the competition among advertising companies acting as agents for the newspapers. This is because advertisers may place their advertisements based on their choice of newspapers and it is therefore advantageous for advertising companies who wish to act as agents for newspapers to contract with those that have a bigger share of the advertiser base. However, for advertisers without clear preference for a specific newspaper, they are likely to mainly consider the quality and scope of advertising services provided by an advertising company. In this regard, advertising companies which have cooperative arrangements with newspapers popular with advertisers and also offer services able to meet advertisers' requirements will possess a significant competitive advantage.

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As internet usage becomes increasingly popular in recent years, China's print media industry has come under pressure to improve the quality of news content, as well as to continue to innovate, in order to keep ahead of new media technology such as websites, blogs and video-blogs. China's online advertising market size increased 21.2% to RMB20.6 billion in 2009 according to market research firm iResearch Consulting Group. Traditional print media had to develop digital products and offer value-added information services. Competition from outside mainland China, attracted by the opportunities presented by the gradual reform of its media industry, further impelled domestic media organizations to become even more diverse in scope to sustain advertising revenue.

Consequently, we believe that integrated advertising service providers in the PRC or companies with similar business models such as our Group, which are focused on offering a varied package of advertising options ranging from print media and broadcast media to the Internet, will be better positioned to capitalize on such shift in the competitive landscape and take advantage of the growth opportunities created by the reform of China's print media industry.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Immediately following the completion of the Reorganization, the Global Offering and the allotment and issue of Shares pursuant to the Share Subscription Agreement, China TopReach will be directly interested in 43.7% of our issued share capital (if the Over-Allotment Option is not exercised and without taking into account Shares to be allotted and issued pursuant to options granted under the 2010 Share Option Scheme or which may be granted under the Share Option Scheme). In addition, the Olympia Media Concerted Parties (either personally or through the Olympia Media Shareholders) together own an aggregate of 51.5% shareholding interest in China TopReach and 11.0% shareholding interest in our Company. Accordingly, China TopReach together with the Olympia Media Shareholders and the Olympia Media Concerted Parties will be interested in 54.7% of our issued share capital (if the Over-Allotment Option is not exercised and without taking into account Shares to be allotted and issued pursuant to options granted under the 2010 Share Option Scheme or which may be granted under the Share Option Scheme). Therefore, China TopReach, the Olympia Media Shareholders and the Olympia Media Concerted Parties, acting as a group, are considered to be our Controlling Shareholders.

### Our Business

We provide a wide range of integrated print media and digital media services to advertisers from a wide spectrum of industries through a network of newspaper partners that spans more than 16 second-tier and third-tier cities across eight provinces in the PRC. Our integrated service packages combine the sale of advertising spaces supplied by our newspaper partners and our value-added advertising services such as design, layout, content planning and event organizing. In addition, we operate certain ancillary components of the businesses of our newspaper partners with whom we have comprehensive cooperation contracts, including distribution management, printing and electronic dissemination of their publications to maximize their marketing value to advertisers.

### China TopReach's Business

China TopReach is a corporation incorporated under the laws of the Cayman Islands on May 3, 2006, and was formed as a “blank check” SPAC, in connection with a public offering of securities in the United States, the proceeds of which were intended to be used to acquire an operating company. China TopReach was originally incorporated as “ChinaGrowth South Acquisition Corporation” but changed its name to “China TopReach Inc.” on January 27, 2009. Like other SPACs, China TopReach was formed to effect a business combination with a to-be-identified operating business, which in China TopReach's case was to be a company that had its primary operating facilities located in the PRC in any city or province south of the Yangtze River. On January 29, 2007, China TopReach consummated its public offering in the United States. Before its acquisition of all of the share capital of Olympia Media, the prices of ChinaGrowth South Acquisition Corporation's ordinary shares, warrants to purchase ordinary shares and units (each unit consisting of one ordinary share and one warrant to purchase ordinary shares) began to be quoted on the OTC Bulletin Board, a trading platform operated in the United States by Financial Industry Regulatory Authority Inc. Approximately US\$38,000,000 of the net proceeds of the public offering was placed in a trust account and was originally intended to be released to China TopReach upon consummation of the business combination with its acquisition target. Following the onset of the global financial turmoil in late 2008, only



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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approximately US\$1,380,000 from the net proceeds of the public offering remained with China TopReach after its shareholders redeemed their shares simultaneously with China TopReach's acquisition of Olympia Media. China TopReach is an investment holding company. Other than its investment in our Company, China TopReach currently does not engage in any other business which is in competition with our business.

As a Cayman Islands company whose shares are quoted on the OTC Bulletin Board in the United States, China TopReach is required to make certain filings with the U.S. Securities and Exchange Commission under the United States Securities Exchange Act of 1934 (the "1934 Act"). As confirmed by our U.S. legal advisor, no approvals would be required by China TopReach either as a result of its OTB Bulletin Board quotation, or its reporting status under the 1934 Act in relation to the Global Offering.

China TopReach is a foreign private issuer reporting under the 1934 Act. As such, China TopReach must use Form 6-K to provide any material information relating to itself or its subsidiaries that:

- (i) is made public pursuant to the law of the jurisdiction of the company's domicile, or
- (ii) is filed with and made public by a stock exchange on which the company's securities are traded, or
- (iii) is distributed to the company's shareholders.

As our Company's domicile is the Cayman Islands, and the Cayman Islands does not require disclosure of material events, (i) is not applicable. Further, as the OTB Bulletin Board is not a stock exchange, (ii) is not applicable.

Finally, as China TopReach is not required by the OTC Bulletin Board, the 1934 Act or the Cayman Islands law to make disclosures to its shareholders, (iii) may also not be applicable. However, as advised by our U.S. legal advisor, it is good corporate governance practice for any 1934 Act reporting company to keep its shareholders informed of material events regarding the company, and our U.S. legal advisor considers that as we are China TopReach's principal subsidiary, our initial public offering would be a material event that should be disclosed to its shareholders as a matter of good corporate governance practice.

Our U.S. legal advisor does not consider there to be circumstances where China TopReach's 6-K filing obligations are likely to be greater than our Company's continuing disclosure obligations as a listed company of the Stock Exchange in Hong Kong under Rule 13.09 of the Listing Rules but consider that China TopReach would normally only file on Form 6-K any disclosures that our Company was required to make in Hong Kong under the Listing Rules.



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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We will take all necessary steps to ensure that any disclosures made by China TopReach to its shareholders on Form 6-K and that could in any way be material to our Shareholders will be made public in Hong Kong at or before the time that such disclosure is made by China TopReach to its shareholders.

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered all relevant factors, we are satisfied that we can conduct our business independently of our Controlling Shareholders (including any associate thereof) after the Global Offering:

(i) **Management independence and operational independence**

Although the Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through its subsidiaries or pursuant to certain contractual arrangements) holds or enjoys the benefit of all relevant licenses necessary to carry on our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.

Our Board consists of a total of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Except for Mr. Chen and Mr. Hong, who are our executive Directors, no other Controlling Shareholder (or any member of a group constituting our Controlling Shareholder) holds any directorships in our Company.

Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Moreover, each of our Directors is aware of his fiduciary duties as a Director whose duties require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. Further, we believe our three independent non-executive Directors bring independent judgment to the decision-making process of our Board.

Save as disclosed in the section headed “Connected Transactions” in this prospectus, our Directors currently do not expect that there will be any business transactions between us and the Controlling Shareholders following the Listing. On the basis of the foregoing, our Directors are of the view that we are independent from the Controlling Shareholders in terms of management and business operations.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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In addition, for the following reasons, our Directors are of the view that we are able to operate independently from China TopReach notwithstanding that our three executive Directors, Mr. Chen, Mr. Hong and Mr. Zhang Tie Zhu are also executive directors of China TopReach:

- (i) the decision-making mechanism of our Board provides that, in the event of a conflict of interest or duty, all Directors with a conflicting interest shall absent themselves from that meeting, or part of that meeting, and abstain from voting when a conflicted resolution is to be discussed and voted on;
- (ii) our three independent non-executive Directors have extensive corporate management and financial experience to serve in their positions and to review, enhance and implement measures to manage any conflict of interests between China TopReach and our Group in order to protect minority shareholders' interests. Our independent non-executive Directors must approve any resolution relating to connected transactions; and
- (iii) the Controlling Shareholders and their respective associates do not have any significant transaction with any member of our Group other than the transactions under the Structure Contracts and have entered into a Non-Competition Deed.

Based on the above, we are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

(ii) **Administrative independence**

We have our own capabilities and personnel to perform all essential administrative functions including financial and accounting management, human resources management and research and development. Our company secretary is independent of the Controlling Shareholders.

(iii) **Financial independence**

We have our own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. Our Directors believe that we are capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

### **NON-COMPETITION DEED**

The Controlling Shareholders have entered into a deed of non-competition dated November 15, 2010 (the "**Non-Competition Deed**") so as to maintain a clear delineation of the respective businesses of each party with effect from the Listing Date and to formalize the principles for management of potential conflicts between us. This is to permit a proper assessment of the extent of competition for our Company arising from the Controlling Shareholders, carrying on of their businesses and to enhance the corporate governance of our Company in connection with the Listing.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Pursuant to the Non-Competition Deed, each of the Controlling Shareholders:

- (a) confirms and undertakes that as of the date of the Non-Competition Deed and until two years after (i) he/she/it ceases to be a shareholder of China TopReach or any member of our Group and; (ii) he/she/it ceases to be an employee or management of China TopReach or of any member of our Group, it does not, and to its best knowledge and belief, his/her/its associates (other than any member of our Group) do not, currently, directly or indirectly, own, operate, participate, invest in or carry on any business of our Group as described in this prospectus and any other business from time to time conducted by any member of our Group or in which any member of our Group is engaged or has invested or which our Group has otherwise publicly announced its intention to enter into, engage in or invest in (the “**Restricted Business**”) for its own account, directly or indirectly, or for that of any person, firm or company (other than any member of our Group) and whether through the medium of any company which is its associate (for which purpose there shall be aggregated with its shareholding, or ability to exercise control, the shares held or controlled by any of its associates) or as principal, partner, director, employee, consultant, management, advisor or agent, or participate or hold any equity interest or is otherwise interested in any company or entity or firm which is principally engaged in the Restricted Business; and
- (b) undertakes that it will not, and will procure its associates (other than any member of our Group) not to, directly or indirectly, alone or jointly with another person, in any form, engage in, assist or support a third party in the operation of, or participate or have any interest in any Restricted Business during the period (the “**Non-Competition Period**”) commencing from the Listing Date and ending the earlier of the date that:
  - (i) the Shares cease to be listed on the Stock Exchange; or
  - (ii) the Controlling Shareholders and any of their associates (other than any member of our Group) cease to hold or otherwise be interested in, whether directly or indirectly, the voting rights of our Company; or
  - (iii) the Controlling Shareholders are no longer the controlling shareholders of our Company.

In addition, each of the Controlling Shareholders irrevocably undertakes, to and for the benefit of our Company (for itself and as trustee for the benefit of each of its subsidiaries from time to time) that, during the Non-Competition Period or 12 months from the Listing Date, whichever is later, that:

- (a) he/she/it will provide all information necessary for the annual review by the independent board committee of our Company for the enforcement of the undertakings contained in the Non-Competition Deed;

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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- (b) he/she/it will make an annual declaration on compliance with such undertakings and acknowledges that our Company will make disclosures in our annual reports or by way of announcements regarding the decisions of the independent non-executive Directors on matters referred to in the Non-Competition Deed and give his/her/its general consent to such disclosure;
- (c) in the event of any disagreement between the parties to the Non-Competition Deed as to whether or not any activity or proposed activity of a Controlling Shareholder constitutes a Restricted Business, the matter shall be determined by the independent non-executive Directors whose majority decision shall be final and binding; and
- (d) to the extent applicable, he/she/it shall excuse and abstain himself/herself/itself from voting in and not be counted as quorum of, any meetings of the Shareholders and/or the Board for consideration and approval of any matters referred to in the Non-Competition Deed, which have or may give rise to actual or potential conflicts of interest.

### LOCKUP UNDERTAKING

Pursuant to a deed of lockup undertaking dated November 15, 2010 (“**Lockup Undertaking**”), each of the Controlling Shareholders, Mr. Zhang Jin Gui and Wing Keen unconditionally and irrevocably agrees and undertakes to our Company and each of the Joint Sponsors that:

- (A) at any time in the period commencing from the date of the Lockup Undertaking and ending on the date which is six months from the Listing Date (the “**First Period**”), none of the Controlling Shareholders (except China TopReach) will:
  - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any share capital or other securities of China TopReach and/or our Company (where applicable) or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) (the “**Relevant Securities**”); or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
  - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
  - (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,

whether any of the foregoing transactions is to be settled by delivery of such capital or such other securities, in cash or otherwise, and in each case, with respect to the interest in the Relevant Securities beneficially held by the Controlling Shareholders, Mr. Zhang Jin Gui, or Wing Keen as of the Listing Date.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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(B) at any time in the period of six months after the First Period (the “**Second Period**”), if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that (i) the aggregate shareholding interest of the Controlling Shareholders (except China TopReach) would become less than 30% of the shareholding interest of China TopReach or (ii) the aggregate shareholding interest of the Controlling Shareholders would become less than 30% of the shareholding interest of our Company, none of the Controlling Shareholders will:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Relevant Securities; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,

whether any of the foregoing transactions is to be settled by delivery of such capital or such other securities, in cash or otherwise, and in each case, with respect to the interest in the Relevant Securities beneficially held by the Controlling Shareholders as of the Listing Date; and

(C) until the expiry of the First Period and Second Period, in the event that a Controlling Shareholder enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, such Controlling Shareholder will take reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of China TopReach and/or our Company (as the case may be).

Subject to the above, each of the Controlling Shareholders agrees and undertakes to our Company and each of the Joint Sponsors that, at any time from the date of the Lockup Undertaking up to and including the date falling 12 months from the Listing Date, he/she/it will:

(A) if and when such Controlling Shareholder pledges or charges any securities or interests in the securities of China TopReach and/or our Company beneficially owned by the Controlling Shareholder, immediately inform our Company and the Joint Sponsors in writing of such pledge or charge together with the number of securities so pledged or charged; and

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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- (B) if and when such Controlling Shareholder, Mr. Zhang Jin Gui or Wing Keen receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of China TopReach and/or our Company will be disposed of, immediately inform our Company and the Joint Sponsors in writing of such indications.

Each of the Controlling Shareholders, Mr. Zhang Jin Gui and Wing Keen further undertakes that, as requested by our Company or the Joint Sponsors, he/she/it will promptly provide all relevant information to our Company and the Joint Sponsors of such foregoing transactions such that China TopReach and/or our Company will be able to comply with his/her/its obligations under the relevant laws, regulations and rules (including the Listing Rules).

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## CONNECTED TRANSACTIONS

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### CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue to engage in, the transactions as listed below, which we expect will continue from time to time after the Listing. After completion of the Global Offering, the transactions set out below will be regarded as continuing connected transactions under the Listing Rules.

#### Non-exempt continuing connected transactions

##### *Structure Contracts*

##### *Description of the transactions*

The Structure Contracts comprise five agreements, namely (i) the Loan Agreement, (ii) the Equity Pledge Agreement, (iii) the Voting Rights Proxy Agreement, (iv) the Exclusive Purchase Option Agreement and (v) the Service Agreement, which were all (except the Service Agreement which was entered into between Fujian ShiFang and Beijing HongXinTu) entered into between, inter alia, Mr. Zhang Jin Gui, Mr. Chen, Mr. Qiang Yi Bin, Ms. Lin Yu Lin and Fujian ShiFang. Each of Mr. Chen and Mr. Hong is our executive Director and therefore a Connected Person of our Company. Furthermore, Mr. Qiang Yi Bin and Ms. Lin Yu Lin, each being an associate of Mr. Hong is also a Connected Person of our Company.

The Structure Contracts were entered into to establish a situation in which Fujian ShiFang has obtained effective management, operational and economic control over Beijing HongXinTu and has an exclusive option to purchase all or part of the entire equity interest of Beijing HongXinTu when and to the extent permitted by PRC law. We are currently prohibited from acquiring an equity interest in Beijing HongXinTu, which holds a license for the general distribution of books, newspapers and periodicals, to incorporate its business into our Group because pursuant to the Catalogue of Industries for Guiding Foreign Investment jointly promulgated by NDRC and MOFCOM on October 31, 2007, the publication and general distribution of books, newspapers and periodicals business is classified as an industry in which foreign investors are prohibited from investing. For details of the Structure Contracts, please refer to the section headed “History and Corporate Structure” in this prospectus.

##### *Reasons for the transaction*

The Structure Contracts, taken as a whole, have established a contractual position which allows the economic benefits of Beijing HongXinTu’s business to flow to us. In addition, all the directors of Beijing HongXinTu are to be nominated by us. Through our control over the directors of Beijing HongXinTu, we are able to monitor, supervise and effectively control the business, operations and financial policies of Beijing HongXinTu and therefore the Beijing HongXinTu Group, so as to ensure due implementation of the Structure Contracts. Also, the Structure Contracts are to ensure that any possible leakage of assets to the registered equity holders of the Beijing HongXinTu is prevented.

Based on the terms of the Structure Contracts, the arrangements under the Structure Contracts also enable us to acquire the equity interest of Beijing HongXinTu at the agreed price of RMB30



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## CONNECTED TRANSACTIONS

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million or, in the event that such agreed price is lower than the lowest price permissible under PRC law, the lowest price permissible under PRC law. Based on the Structure Contracts, the Directors consider that, notwithstanding the lack of equity ownership between us and the Beijing HongXinTu Group, we are entitled to control the business of the Beijing HongXinTu Group in substance.

Having reviewed the legal and compliance history in respect of the Structure Contracts, including the internal control and management systems and corporate governance practices that were established to implement the Structure Contracts, our Directors believe that we have the ability to ensure the sound and proper operation of the Structure Contracts.

Our PRC legal advisor has advised us that the Structure Contracts are in compliance with and are enforceable under the existing PRC laws or regulations.

Our Directors (including the independent non-executive Directors) are of the view that the Structure Contracts are fundamental to our Group's legal structure and business operations, have been and shall be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### *Application for a waiver*

The transactions under the Structure Contracts (except those under the Service Agreement) constitute continuing connected transactions for our Company under Rule 14A.34(1) of the Listing Rules and are subject to the requirements of reporting, announcement and independent shareholders' approval set out in Rules 14A.45 to 14A.54 of the Listing Rules following the Listing.

Our Directors believe that our structure whereby Beijing HongXinTu's financial results are consolidated into our financial statements as if it was a wholly-owned subsidiary and the flow of economic benefits from its business to us, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Structure Contracts technically constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable and would impose unnecessary administrative costs on us to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules in respect of these continuing connected transactions.

Pursuant to Rule 14A.42(3) of the Listing Rules, we have applied for and the Stock Exchange has agreed to grant a waiver from strict compliance with the reporting, announcement, independent shareholders' approval, annual cap and agreements with fixed term of no more than three years requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions under the Structure Contracts for so long as our Shares are listed on the Stock Exchange and subject to the following conditions:

- (a) No changes without independent non-executive Directors' approval: Except as described below, no changes to the Structure Contracts will be made without the approval of the independent non-executive Directors;

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## CONNECTED TRANSACTIONS

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- (b) No changes without independent shareholders' approval: No changes to the Structure Contracts will be made without the approval of our independent Shareholders;
- (c) Economic benefits flexibility: The Structure Contracts continue to enable our Group to receive the relevant economic benefits derived by Beijing HongXinTu through: (i) our option at any time (if and when permitted under PRC laws) to acquire, all or part of the entire equity interest of Beijing HongXinTu at the lowest price permissible under PRC laws; (ii) the business structure under which the revenue generated by the cooperation between our Group and Beijing HongXinTu is mainly retained by our Group; and (iii) our right to govern the financial and operating policies as well as, in substance, all of the voting rights of Beijing HongXinTu;
- (d) Renewal and cloning: The framework of the Structure Contracts may be renewed and/or cloned upon the expiry of the existing arrangements or, in relation to any existing or new wholly foreign-owned enterprise or operating company that our Group might wish to establish, without obtaining the approval of Shareholders, on substantially the same terms and conditions as the Structure Contracts. The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company that our Group may establish upon renewal and/or cloning of the Structure Contracts will be treated as our Connected Persons and transactions between these Connected Persons and us other than those under the same structure contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.
- (e) Ongoing reporting and approvals: We will disclose details relating to the Structure Contracts on an ongoing basis as follows:
- details of the Structure Contracts will be disclosed in our annual reports and accounts in accordance with the relevant provisions of the Listing Rules;
  - the independent non-executive Directors will review the Structure Contracts annually, and confirm in our annual reports and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structure Contracts so that the revenue generated by Beijing HongXinTu and our subsidiaries have been mainly retained by our Group; (ii) no dividends or other distributions have been made by Beijing HongXinTu to its shareholders; and (iii) any new Structure Contracts entered into, renewed or reproduced between Beijing HongXinTu and us during the relevant financial period are fair and reasonable, or advantageous, so far as our Company are concerned and in the interests of our Shareholders as a whole;

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## CONNECTED TRANSACTIONS

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- our auditor will carry out review procedures annually on the transactions under the Structure Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, at least ten Business Days before the bulk-printing of our Company's annual report, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structure Contracts and that no dividends or other distributions have been made by Beijing HongXinTu to its shareholders;
- for the purposes of Chapter 14A of the Listing Rules, Beijing HongXinTu will be treated as our Company's wholly-owned subsidiary, and its respective directors, chief executives or substantial shareholders of Beijing HongXinTu and its respective associates will be Connected Persons, and transactions between these Connected Persons and us, other than those under the Structure Contracts, will be subject to requirements under Chapter 14A of the Listing Rules; and
- Beijing HongXinTu will undertake to provide our management and auditor full access to its relevant records for the purpose of our auditor's review of the connected transactions.

### *Confirmation from Joint Sponsors*

Based on the documents and information provided by our Company and relying upon the representations and confirmations by our Directors that the Structure Contracts (other than the Service Agreement) mentioned above, the Joint Sponsors are of the view that the transactions contemplated under the Structure Contracts have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD OF DIRECTORS

Our Board consists of seven Directors, three of whom are independent non-executive Directors. The table below sets forth information regarding our Directors:

Name	Age	Date of Appointment to the Board	Position
CHEN Zhi (陳志) . . . . .	45	December 9, 2009	Chairman, Chief Executive Officer and Executive Director
HONG Pei Feng (洪培峰) . . . . .	44	January 18, 2010	Executive Director
ZHANG Tie Zhu (張鐵柱) . . . . .	37	January 18, 2010	Chief Financial Officer and Executive Director
WANG Ping (王平) . . . . .	41	January 18, 2010	Non-executive Director
ZHOU Chang Ren (周昌仁) . . . . .	63	November 8, 2010	Independent Non-executive Director
WONG Heung Ming, Henry (黃向明) . .	41	November 8, 2010	Independent Non-executive Director
ZHUO Ze Yuan (卓澤淵) . . . . .	47	November 8, 2010	Independent Non-executive Director

### EXECUTIVE DIRECTORS

Mr. Chen Zhi (陳志), aged 45, is the chairman, chief executive officer and an executive Director of our Company. He is a qualified accountant as conferred by the Ministry of Finance. Mr. Chen was a cadre of the Fuzhou Minhou Tax Bureau from 1982 to 1989 (during which he was granted leave from 1985 to 1988 to pursue his studies at Fujian Radio and Television University), deputy section chief of the Fuzhou Economic and Technology Development Area Tax Bureau from 1989 to 1993, and subsequently the section chief from 1993 to 2002. He joined our Group in 2003 and pioneered our distinctive business model of cooperating with newspaper partners to provide integrated print media services to advertisers, undertook the main decision-making role in the management of our overall operations and oversaw the strategic development of our Group. He was appointed a Director of our Company on December 9, 2009. Mr. Chen has accumulated more than seven years of relevant experience from developing the business of our Group and possesses a deep understanding of the PRC print media and advertising industries. Mr. Chen graduated from Fujian Radio and Television University in 1988 with a diploma in financial economics. Mr. Chen is one of our Controlling Shareholders. He is also a director of TopBig International and China TopReach, a SPAC with its shares traded on the OTC Bulletin Board in the United States, and the spouse of Ms. Zheng Shou Ling.

Mr. Hong Pei Feng (洪培峰), aged 44, is an executive Director of our Company. Mr. Hong was an administrative officer with Jimei Teachers College from 1985 to 1990, the general manager of Xiamen Yuanhong Group Co., Ltd., a real estate development company, from 1991 to 2000, and the general manager of Xiamen Yuantong Chuanbo Co., Ltd, a company engaged in the advertising business, from 2001 to 2003. He joined our Group in 2004, and was appointed the chairman of Olympia Media from 2005 to 2007 before subsequently retiring from that role and assuming the

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## DIRECTORS AND SENIOR MANAGEMENT

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position of its vice chairman in 2007 due to a reorganization of Olympia Media's corporate structure. Mr. Hong is also a core management member who developed the business of Beijing HongXinTu. Mr. Hong was appointed a Director of our Company on January 18, 2010 and currently also serves as the vice chairman of the China International Chamber of Commerce in Fujian Province. He graduated from Jimei Normal College (presently known as Jimei University) in 1985 with a diploma in Chinese. Due to Mr. Hong's substantial experience in publication and distribution gained from his work with Olympia Media and Beijing HongXinTu, he has significant expertise in print media business management. Mr. Hong is one of our Controlling Shareholders. He is also a director of Blazing Sun and China TopReach, a SPAC with its shares traded on the OTC Bulletin Board in the United States.

Mr. Zhang Tie Zhu (張鐵柱), aged 37, is an executive Director of our Company. He is a certified public accountant as conferred by the Ministry of Finance and a qualified lawyer as conferred by the Ministry of Justice of the PRC. Mr. Zhang was with Deloitte Touché Tohmatsu from 1994 to 2000, an investment director of TechFoster Technology Ventures Ltd. from 2000 to 2002, a senior manager with PricewaterhouseCoopers from 2002 to 2005, and an executive director of Chum Investment Corporation from 2006 to 2009. In 2009, Mr. Zhang was appointed as a director and subsequently the chief financial officer of China TopReach. Mr. Zhang is responsible for China TopReach's investor relations and regulatory compliance, including regular dealings with competent authorities such as the Securities and Exchange Commission. He joined our Group in 2010, and was appointed a Director of our Company on January 18, 2010 and our chief financial officer on February 15, 2010. He graduated from Hua Dong Industrial University in 1994 with a bachelor's degree in economics. Mr. Zhang possesses substantial financial experience from his previous work with venture capital firms and top global audit firms. Mr. Zhang a director of China TopReach, a SPAC with its shares traded on the OTC Bulletin Board in the United States.

### NON-EXECUTIVE DIRECTOR

Mr. Wang Ping (王平), aged 41, is a non-executive Director of our Company. He is a senior accountant as conferred by the Fujian Provincial Department of Personnel. He also serves as a guest professor of the school of management at Xiamen University. In addition, Mr. Wang is a director of China Science, and Cypress Capital International Investment Management Limited, as well as Shenzhen Rainbow Fine Chemical Industry Co., Ltd., Shenzhen Beauty Star Co., Ltd. and Xiamen 35.com Technology Co., Ltd., all three of which are listed companies in the PRC. Mr. Wang was appointed a Director of our Company on January 18, 2010. He obtained his doctorate degree in management from Xiamen University in 2004.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Chang Ren (周昌仁), aged 63, is an independent non-executive Director of our Company. He was appointed as our Director on November 8, 2010, and is a qualified senior economist as conferred by the Fujian Provincial Department of Personnel. Mr. Zhou was appointed as the Secretary of the Qingliu County Party Leadership Group in 1990. He was engaged in the newspaper industry in the PRC and held several positions including the deputy bureau chief and editorial board member of Fujian Daily from 1996 to 2002, and the general manager, senior economist and Party Committee deputy secretary of the Fujian Daily Newspaper Group from 2002 to 2008. In addition, Mr.

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## DIRECTORS AND SENIOR MANAGEMENT

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Zhou was the vice chairman and, later, chairman of the Fujian Province Newspaper Industry Association during the same periods, before retiring in 2008. He graduated from Fujian Provincial Party School of the CPC in 1986 with a diploma in politics. Mr. Zhou has extensive print media experience and expertise with particular knowledge of the Fujian newspaper industry.

Mr. Wong Heung Ming, Henry (黃向明), aged 41, is an independent non-executive Director of our Company. He was appointed as our Director on November 8, 2010. Mr. Wong was an accountant with Deloitte Touché Tohmatsu from 1993 to 2002, an internal audit manager with Hong Kong and China Gas Investment Limited from 2002 to 2003, senior internal audit manager of Amway (China) Limited from 2003 to 2004, and a senior manager with PricewaterhouseCoopers from 2005 to 2007, internal audit director of Xinhua Finance Media Limited (presently known as Xinhua Sports & Entertainment Limited), a NASDAQ-listed company, from September 2007 to July 2009, and the general internal audit manager of Maoye International Holdings Limited (stock code: 848), a listed company in Hong Kong from October 2009 to May 2010. Mr. Wong was also an independent director of China Industrial Waste Management Inc., a company quoted on the OTC Bulletin Board, from 2009 to 2010. He graduated from City Polytechnic of Hong Kong in 1993 with a bachelor's degree in accountancy and also obtained a master's degree in electronic commerce from the Open University of Hong Kong in 2003 through part-time study. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants as well as a certified internal auditor. Mr. Wong has accumulated more than 17 years of financing, internal controls and auditing accounting experience from his previous positions with top global audit firms and listed companies.

Mr. Zhuo Ze Yuan (卓澤淵), aged 47, is an independent non-executive Director of our Company. He was appointed as our Director on November 8, 2010. He is a qualified PRC lawyer and qualified professor as conferred by the Sichuan Provincial Department of Justice and Sichuan Provincial Leading Group of Professional Titles Reform in 1989 and 1995, respectively. Mr. Zhuo had taught at Southwest University of Political Science and Law in the 1990s and was subsequently appointed the vice-chancellor of Southwest University of Political Science and Law. He had been a professor in political science and law at the Central Party School of the CPC since 2003 and is currently a part-time lawyer with Beijing P.H. Law Firm. Mr. Zhuo has served in various legal institutes in the PRC and received various awards, including “China's Top 10 Outstanding Young and Middle Aged Legal Scholars” awarded by the China Law Society in 1999. He is currently a committee member of the China Law Society. Mr. Zhuo obtained a bachelor's degree and a master's degree, both in law, from Southwest University of Political Science and Law in 1984 and 1990, respectively, and a doctorate in law from Chinese Academy of Social Sciences in 2000.

Save as disclosed herein and in the sub-section headed “Further Information about Directors and Substantial Shareholders” in Appendix VI to this prospectus, each of the Directors confirms with respect to himself that: (i) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other Directors, senior management, Substantial Shareholder(s) or Controlling Shareholder(s) of our Company; (iii) he does not hold any positions in our Company or other members of our Group; (iv) he does not have any interests in the Shares within the meaning of Part XV of the SFO; (v) there is no other information that should be disclosed for him pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v); and (vi) there are no other matters that need to be brought to the attention of holders of securities of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

Name	Age	Position
CHEN Zhi (陳志) . . . . .	45	Chief Executive Officer and Executive Director
ZHANG Tie Zhu (張鐵柱) . . . . .	37	Chief Financial Officer and Executive Director
YU Shi Quan (余詩權) . . . . .	34	Vice President of Finance
CHEN Zi Quan (陳梓泉) . . . . .	46	Vice President of Advertisement Operation Center
WEN Xiao Bin (溫曉濱) . . . . .	42	Vice President
PAN Jian Ping (潘建平) . . . . .	37	Vice President of Internal Control

Mr. Chen Zhi (陳志) — Please refer to the subsection above under the heading “Executive Directors”.

Mr. Zhang Tie Zhu (張鐵柱) — Please refer to the subsection above under the heading “Executive Directors”.

Mr. Yu Shi Quan (余詩權), aged 34, is the vice president of finance of our Company. He is a qualified accountant as conferred by the Ministry of Finance. Mr. Yu was an accountant at Fujian Lan Tian Tax Accounting Co., Ltd. from 1996 to 1997, the finance director of Fujian Huanyu Investment Development Co., Ltd from 1997 to 1998 and the finance director of Fujian ShiFang Investment from 1998 to 2000. He joined our Group in 2000 and was head of finance of Fujian ShiFang until 2008 when he became the head of finance of Olympia Media, and, subsequently, vice president of finance of China TopReach in 2009. He graduated from Fujian Radio and Television University in 1996 with a diploma in finance and accounting. Mr. Yu has gained significant management experience from his work with Fujian ShiFang and continues to assist our chief financial officer with the overall financial operations of our Group.

Mr. Chen Zi Quan (陳梓泉), aged 46, is the vice president of the advertising operation center of our Company. He was a teacher at the Fujian Finance and Accounting Administrator College from 1984 to 1998 and the general manager of Fujian ShiFang Investment from 1998 to 2002. He joined our Group in 2002 and served as the general manager of Fujian Yishitong Media Co., Ltd. (presently known as Fujian ZhiYuan) since 2002. Mr. Chen has also served as the vice president of Olympia Media’s advertising operation center since 2008. He graduated from Fujian Normal University in 1984 with a bachelor’s degree in science. Mr. Chen is familiar with our Group’s operations with particular experience in media and advertising management.

Mr. Wen Xiao Bin (溫曉濱), aged 42, is a vice president of our Company. He was the manager of the marketing department and subsequently the deputy general manager of Fuzhou Taiyang Advertising Co., Ltd. from 1993 to 2000, and the editor-in-chief of *Business Guide* with Xiamen Daily from 2004 to 2005, and was responsible for, among other things, media planning and data analysis.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wen joined our Group in 2006 as an assistant to the president. He was also the vice president of China Topreach's advertising operations center from January 2009 to October 2009. He graduated from Xiamen University in 1991 with a bachelor's degree in law. Mr. Wen has relevant experience and expertise in print media and newspaper advertising.

Mr. Pan Jian Ping (潘建平), aged 37, is a vice president of Finance internal control of our Company. He is a qualified accountant as conferred by the Fujian Provincial Department of Finance and a certified asset valuer as conferred by the China Appraisal Society. Mr. Pan was a project manager with Fujian Audit Firm (now known as Fujian Hongshen Certified Public Accountants Ltd.) from 1995 to 1997 and 2000 to 2004, and a project manager with Fujian Huashen Asset Valuation Real Estate Appraisal Co., Ltd. from 1998 to 1999. He joined our Group in 2004 and was the financial controller as well as assistant to the president of Beijing HongXinTu until 2007, before assuming the position as our vice president of internal control in 2008. He graduated from Fuzhou University in 1995 with a diploma in accounting and also obtained a diploma in law from Huazhong Normal University in 2009 through part-time study. Mr. Pan has more than eight years of accounting experience and is mainly responsible for our Group's internal financial management and audit supervision.

### COMPANY SECRETARY

Ms. Chan Ching Yi (陳靜儀), aged 36, is our company secretary. She is a member of the HKICPA and a fellow of the Association of Chartered Certified Accountants. Ms. Chan was an audit senior with Deloitte Touche Tohmatsu from 1997 to 2000 and specialized on audit planning and control in addition to conducting detailed reviews and the work of audit staff. From 2000 to 2008, she was the group financial analyst of People's Food Holdings Limited, a company listed on the Singapore Exchange Limited, and mainly responsible for the Company's finance and accounting functions as well as statutory compliance and corporate governance matters. She is currently the company secretary of Zheda Lande Scitech Limited (stock code: 8106), a company listed on the Growth Enterprise Market Board of the Stock Exchange and the company secretary of Kingdom Holdings Limited (stock code: 528), a company listed on the Main Board of the Stock Exchange. Ms. Chan joined our Group in August 2010. She graduated from the City University of Hong Kong in 1996 with a bachelor's degree in accountancy and has accumulated more than 13 years of financial and auditing experience.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

If they are also members of our senior management or employees, our Directors receive compensation in the form of salaries, bonuses and benefits in cash, as well as through our contribution to their social insurance plans and housing funds. If they are not members of our senior management or employees, they do not receive any compensation from us. Our independent non-executive Directors receive Directors' subsidies from us. The aggregate of salaries, bonuses and other allowances paid by us to our Directors during the Track Record Period were approximately RMB1.8 million, RMB2.5 million, RMB1.4 million and RMB2.7 million, respectively. As required by PRC regulations, we participate in various pension plans, insurance plans and housing funds organized by the PRC Government for our employees, including those who are our Directors and senior management members, to which we contributed approximately RMB13,600, RMB13,600, RMB18,000 and RMB9,000, respectively, during the Track Record Period.



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## DIRECTORS AND SENIOR MANAGEMENT

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The aggregate amount of compensation we paid to our five highest paid individuals during the Track Record Period was approximately RMB2.2 million, RMB4.9 million, RMB2.2 million and RMB2.9 million, respectively.

### BOARD COMMITTEES

#### *Audit Committee*

We have established an audit committee on November 8, 2010 with effect from the Listing with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company.

Our audit committee comprises three members, namely, Mr. Wong Heung Ming, Henry, Mr. Zhou Chang Ren and Mr. Zhuo Ze Yuan. They are all independent non-executive Directors. The audit committee is chaired by Mr. Wong Heung Ming, Henry.

#### *Remuneration Committee*

We have established a remuneration committee on November 8, 2010 with effect from the completion of the Global Offering. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the chief executive officer and other executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure, of our senior management.

Our remuneration committee consists of Mr. Zhou Chang Ren, Mr. Chen and Mr. Wong Heung Ming, Henry and is chaired by Mr. Zhou Chang Ren.

#### *Nomination Committee*

We have established a nomination committee on November 8, 2010 with effect from the completion of the Global Offering to make recommendations to our Board regarding candidates to fill vacancies on our Board.

Our nomination committee consists of Mr. Zhuo Ze Yuan, Mr. Chen and Mr. Wong Heung Ming, Henry and is chaired by Mr. Zhuo Ze Yuan.

### MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that our business and operations are primarily located, managed and conducted in the PRC and none of our executive Directors are ordinarily resident in Hong Kong, we do not, and for the foreseeable future will not, have two executive Directors residing in Hong Kong.

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## DIRECTORS AND SENIOR MANAGEMENT

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Accordingly, we have applied to the Stock Exchange for a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules” in this prospectus for more details.

### COMPLIANCE ADVISOR

We will appoint CCBI as our compliance advisor upon the Listing in compliance with Rule 3A.19 of the Listing Rules.

We expect to enter into a compliance advisor agreement with CCBI prior to the Listing. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following matters:

- the publication of any regulatory announcement (whether required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;
- whether a transaction which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the net proceeds to us from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us in accordance with Rule 13.10 of the Listing Rules regarding unusual movements in the price or trading volume of our Shares.

The material terms of the expected compliance advisor agreement are as follows:

- (a) the term of appointment of the compliance advisor shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (the “**Fixed Period**”);
- (b) the compliance advisor shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and other applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communications with the Stock Exchange;
- (c) we may terminate the appointment of any compliance advisor if the compliance advisor’s work is of an unacceptable standard or if there is a material dispute (which cannot be resolved in 30 days) over fees payable by us to the compliance advisor but will not terminate the role of the compliance advisor until we have appointed a replacement compliance advisor, as permitted by Rule 3A.26 of the Listing Rules; and

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## DIRECTORS AND SENIOR MANAGEMENT

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- (d) the compliance advisor may terminate its appointment by serving a written notice on us at least 14 days in advance.

Pursuant to Rules 3A.26 and 3A.27 of the Listing Rules, during the Fixed Period, we and the compliance advisor will immediately notify the Stock Exchange of termination or resignation of the compliance advisor, in each case, stating the reason for termination or resignation, as applicable; and we will notify the Stock Exchange of the new compliance advisor's appointment.

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## SUBSTANTIAL SHAREHOLDERS

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So far as the Directors are aware, immediately following completion of the Global Offering (without taking into account Shares that may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, 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 our Company and therefore regarded as substantial shareholders of our Company under the Listing Rules, together with any other shareholders beneficially owning more than 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity	Number of Shares <sup>(1)</sup>	Percentage of shareholding (%) (approximate)
China TopReach . . . . .	Beneficial owner	320,000,000 (L)	43.7%
TopBig International . . . . .	Beneficial owner	42,998,170 (L)	5.9%
Pride Sky . . . . .	Beneficial owner	42,606,606 (L)	5.8%
CCBI Asset Management . . . . .	Interest of a controlled corporation <sup>(2)</sup>	42,606,606 (L)	5.8%
Best Eagle Holdings Limited . . . .	Beneficial owner <sup>(3)</sup>	42,606,606 (L)	5.8%
Templeton . . . . .	Beneficial owner <sup>(4)</sup>	42,606,606 (L)	5.8%

*Notes:*

- (1) The letter “L” denotes long position of the shareholder in the Shares.
- (2) CCBI Asset Management is deemed to be interested in Pride Sky’s interest in our Company by the SFO because Pride Sky is wholly-owned by CCBI Asset Management.
- (3) Best Eagle is a company incorporated in the BVI and is owned as to 57% and 43% by two individuals, who are Independent Third Parties. Best Eagle held part of its shareholding interest in our Company, equivalent to 12,483,736 Shares (or approximately 1.7% of the issued share capital of our Company), on trust for China Science.
- (4) Templeton is a limited duration company incorporated in the Cayman Islands. It makes strategic investments in emerging markets and is managed by Templeton Asset Management Ltd.

For details our Directors’ interests in Shares immediately following the completion of the Global Offering, please refer to the section entitled “Statutory and General Information — Further information about Directors and Substantial Shareholders” in Appendix VI to this prospectus.

Except as disclosed herein, the Directors are not aware of any person (who is not a Director) who will, immediately following the completion of the Global Offering (without taking into account Shares that may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of our Company’s share capital. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## SHARE CAPITAL

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### Authorized share capital:

<u>Number of Shares</u>	<u>Nominal value of Shares (HK\$)</u>
2,000,000,000 Shares	0.10

### Shares issued or to be allotted and issued, fully paid or credited as fully paid:

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be as follows:

<u>Number of Shares</u>	<u>Description of Shares</u>	<u>Aggregate nominal value of Shares (HK\$)</u>	<u>Approximate percentage of issued share capital</u>
549,123,121	Shares in issue	54,912,312.1	75.0%
183,042,000	Share to be allotted and issued pursuant to the Global Offering	18,304,200.0	25.0%
732,165,121	Total	73,216,512.1	100.0%

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be as follows:

<u>Number of Shares</u>	<u>Description of Shares</u>	<u>Aggregate nominal value of Shares (HK\$)</u>	<u>Approximate percentage of issued share capital</u>
549,123,121	Shares in issue	54,912,312.1	72.3%
210,498,000	Shares to be allotted and issued pursuant to the Global Offering	21,049,800.0	27.7%
759,621,121	Total	75,962,112.1	100.0%

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the “minimum prescribed percentage” of 25% of our issued share capital in the hands of the public.

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## SHARE CAPITAL

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### Assumptions

The above table assumes that the Global Offering has become unconditional and the allotment and issue of Shares pursuant to the Global Offering is made. The table takes no account of (i) any Shares which may be allotted and issued pursuant to the exercise of the options granted under the 2010 Share Option Scheme or any options which may be granted under the Share Option Scheme or (ii) any Shares which may be allotted and issued, or repurchased, as the case may be, under the General Mandate or the Repurchase Mandate (see below).

### Ranking

The Offer Shares will rank pari passu with all the Shares in issue or to be allotted and issued as mentioned in this prospectus and will rank in full for all dividends and other distributions declared, made or paid on the Shares on or after the date on which they are allotted and issued.

### GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate (the “**General Mandate**”) to allot, issue and deal with Shares with a total nominal value of not exceeding:

1. 20% of the aggregate nominal amount of our issued share capital immediately following completion of the Global Offering (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or pursuant to the exercise of the options granted under the 2010 Share Option Scheme or any options which may be granted under the Share Option Scheme); and
2. the aggregate nominal amount of our issued share capital repurchased by us (if any) pursuant to the general mandate to repurchase Shares (as referred to below).

The General Mandate does not apply to situations where the Directors allot, issue or deal with Shares pursuant to a right issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the options granted under the 2010 Share Option Scheme or which may be granted under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting.

The General Mandate remain in effect until whichever is the earliest of:

1. the conclusion of our Company’s next annual general meeting following the passing of the Shareholders’ resolutions approving the General Mandate;
2. the date by which our next annual general meeting is required to be held pursuant to the Articles of Association or any applicable laws; or

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## SHARE CAPITAL

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3. the date on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this General Mandate, see the section headed “Statutory and General Information — Further Information About Our Company — Resolutions in writing of the Shareholders of our Company passed on November 8, 2010” in Appendix VI to this prospectus.

### REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, the Directors have been granted the Repurchase Mandate, which is a general mandate to repurchase Shares with a total nominal value of not more than 10% of the aggregate of the total nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or pursuant to the exercise of the options under the 2010 Share Option Scheme or options which may be granted under the Share Option Scheme).

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange on which the securities of our Company are listed and which is recognized by the SFC and the Stock Exchange for this purpose and in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of any other stock exchanges as amended from time to time. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — Further Information about our Company — Repurchase of our Shares” in Appendix VI to this prospectus.

The Repurchase Mandate remains in effect until whichever is the earliest of:

1. the conclusion of our next annual general meeting following the passing of the Shareholders’ resolutions approving the Repurchase Mandate;
2. the date by which our next annual general meeting is required to be held pursuant to the Articles of Association or any applicable laws; or
3. the date on which such mandate is revoked or varied by an ordinary resolution of our shareholders in general meeting.

For further details of this Repurchase Mandate, please refer to the section headed “Statutory and General Information — Further Information About Our Company — Resolutions in writing of the Shareholders of our Company passed on November 8, 2010” in Appendix VI to this prospectus.



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*You should read this section in conjunction with our consolidated financial information for the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, including the accompanying notes thereto, set out in Appendix I — “Accountant’s Report” to this prospectus. The consolidated financial information have been prepared in accordance with IFRS.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in “Risk Factors”.*

### OVERVIEW

We provide a wide range of integrated print media and digital media services to advertisers from a diversified spectrum of industries through a network of newspaper partners that spans more than 16 second-tier and third-tier cities across eight provinces in the PRC. We believe our multi-city business model pursuant to which we enter into cooperation contracts with our newspaper partners that provide us with exclusive rights to sell advertising spaces in these newspapers, is distinctive in China. In connection with sales of advertising spaces, we offer value-added advertising services such as design, layout, content planning and event organizing to form one-stop solution packages for our advertising customers. In addition, our exclusive contracts with our newspaper partners around the PRC allow us to provide our advertising customers with a single point of contact to create and place advertisement across any or all of the markets covered by our newspaper partners. We believe that our business model allows us to develop and offer a well-integrated array of services designed to satisfy the needs of our advertising customers, and helps us to distinguish ourselves from most PRC-based providers of advertising and advertising-related services.

Under our business model, we enter into cooperation contracts with our newspaper partners pursuant to which we commit to purchase from them annually a fixed amount of or all advertising spaces available in their newspapers. We generate revenue from selling integrated service packages to advertisers combining the advertising spaces that we purchase under our cooperation contracts with our newspaper partners with our value-added advertising services. Our principal customers are companies that purchase the advertising spaces and our advertising services. In addition, we also generate a small amount of revenue from our newspaper partners by providing distribution consultation and management services, and printing and other services to them. We also generate fees from electronic dissemination of newspaper content, our online advertising services and outdoor advertising services.

Our cooperation contracts provide for different degrees of cooperation and we broadly divide them into two categories: comprehensive cooperation contracts and partial cooperation contracts. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our revenue from comprehensive cooperation contracts was RMB26.4 million, RMB280.8 million, RMB336.3 million and RMB163.3 million, respectively, accounting for 17.5%, 77.6%, 72.7% and

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67.9% of our total revenue, respectively, while our revenue from partial cooperation contracts was RMB106.9 million, RMB62.6 million, RMB34.6 million and RMB22.3 million, respectively, accounting for 70.7%, 17.3%, 7.5% and 9.3% of our total revenue, respectively. The increases and decreases in revenue from our comprehensive cooperation contracts and partial cooperation contracts, respectively, were in line with our strategy to develop more comprehensive cooperation relationships with newspapers, which in certain cases resulted from the conversion of our partial cooperation contracts with certain newspaper partners into comprehensive cooperation arrangements.

Our cooperation contracts with our newspaper partners require us to place a deposit in a negotiated amount with the relevant newspaper partners upon the signing of the contract. How we record this amount on our balance sheet is determined by the length of the contract. For our long term contracts with Southeast Express and Lifestyle Express, we record this deposit on our balance sheet as a non-current asset under the line item “deposits to newspaper publishers”. These deposits are refundable upon the termination of the respective contract, though we typically expect that we will renew our contracts with our newspaper partners upon expiration and that the respective deposits will therefore remain in place. For our other contracts, we record the deposit on our balance sheet as a current asset under the line item “prepayments, deposits and other receivables”. The deposits under these contracts are generally refundable to us at the end of each year, but we then must place a new deposit if the contract is renewed for the following year.

Our contracts with our newspaper partners require us to separately negotiate and agree on an annual or periodic basis the amount of advertising spaces and the rates we will pay our newspaper partners to obtain such space. We are required to prepay a portion of the print media fees due under our contracts with our newspaper partners. The portion of the print media fees which we are required to prepay varies by contract, but is calculated with reference to the revenue we expect to generate from the resale to advertisers of advertising spaces we obtain under the contract. We record our prepayment of print media fees under our contracts with our newspaper partners on our balance sheet as a current asset under the line item “prepayments, deposits and other receivables”. We pay the balance of the print media fees on a monthly basis and record the related expense as print media fees on our income statement in our cost of sales. The prepaid amounts can be used to offset the print media fees payable.

During the Track Record Period, our revenue grew from RMB151.2 million in 2007, to RMB361.7 million in 2008, to RMB463.0 million in 2009, to RMB240.7 million for the six months ended June 30, 2010, representing a CAGR of 75.0% between 2007 and 2009.

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our financial condition and results of operations have been, and are expected to continue to be, affected by a number of factors, including those set out below.

#### ***The continued growth of the PRC advertising industry***

As we derive the large majority of our revenue from advertising sales and advertising services, our ability to grow our revenue will be influenced to a significant degree by changes in the PRC advertising industry. As the PRC has continued to develop in recent years, the advertising industry has also grown, and we have benefited from such growth. We believe that we are well-positioned to

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capitalize on the continued expansion of the PRC print and internet advertising industry. In particular, as the PRC has recovered rapidly from the period of financial crisis that adversely impacted our industry in much of 2008 and early 2009, we have experienced significant growth in our business since early 2009. However, if the advertising industry experiences slower growth than we anticipate, it may limit our ability to continue to expand our customer base and revenue at a rate comparable to the growth rate we achieved during the Track Record Period.

### *The development of the newspaper and print media advertising industry in the PRC*

According to GAPP, there were more than 1,900 newspapers publishing over 190 billion pages of print, and more than 9,500 periodicals publishing over 3 billion copies in China. Continuous growth of the PRC economy, rapid urbanization, an increasing literacy rate and policy support by the PRC Government are factors expected to drive demand for print media and related advertising in the future. Recognizing this growth potential, we expect to continue to leverage our resources and experience in the PRC print media sector to enhance our market position. However, the PRC print media industry is facing gradually intensifying competition as a result of the increasing popularity of new media. We may need to modify our business model and expansion strategies in ways that we cannot now predict in order to stay competitive, failing which our growth may be affected.

### *Relationships with newspaper partners*

Our business model involves cooperation contractual arrangements with our newspaper partners pursuant to which we contract to exclusively sell their advertising spaces, provide selected content and, for some of our newspaper partners, operate certain aspects of the printing and distribution components of their business. Such cooperation enables us to offer advertising spaces and related services to our advertising customers. However, our business model has also resulted in our reliance on such cooperative arrangements with our newspaper partners for the continued expansion of our operations. Accordingly, we undertake significant efforts to maintain our long-term and stable relationships with our newspaper partners as well as to develop new relationships with potential newspaper partners. If we fail to build on the relationships that we have fostered with these newspapers, and develop new such relationships, our business prospects may be adversely affected.

### *The ability to provide our advertising customers with value-added advertising services and integrated marketing solutions*

We strive to differentiate our services from those of potential competitors by offering a broad array of complementary value-added services, including development of branding strategies and promotional concepts, content provision and planning, event organizing, sales solutions and packaging services. We believe that this wide offering of services allows us to connect with our target customers more effectively than competitors who may offer a less-integrated portfolio of services. To continue to benefit from this strategy, we will need to continue to adjust our offering of services according to changes in the needs of our customers. We therefore intend to make significant efforts to stay abreast of developments in both the advertising market and the markets in which our customers operate and to update our services accordingly. If our competitors offer services that better meet the needs of our customers and we are not able to provide those services or provide them in a cost effective manner, it could adversely affect our business.

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### *Seasonality*

Aside from fluctuations in the level of advertising spending resulting from changes in the overall economic and market conditions in the PRC, our revenue is affected by seasonal fluctuations in consumer spending that also affect the level of advertising spending in the PRC. Advertising expenditures in the PRC have historically demonstrated mild seasonal fluctuations, with demand generally higher for advertisements in the second half of the year, mainly due to advertising customers tending to expand their advertising campaigns in the second half of the year in preparation for the year-end holidays and as part of year-end efforts to boost their sales performance in order to meet annual sales targets. As a result of the seasonality of advertising, we generally record higher revenue in the second half of the year as compared to the first half. The seasonal nature of our revenue requires us to manage our working capital carefully so as to provide our business with adequate cash for our operations.

### *Level of income tax and preferential tax treatment*

Our profit attributable to equity holders is affected by the level of income tax that we pay and our qualifying for certain preferential tax treatments. During the year ended December 31, 2007, our subsidiaries in China were subject to an enterprise income tax rate of 33% unless preferential rates were applicable. On March 16, 2007, the NPC promulgated the new EIT Law, which came into effect on January 1, 2008. Pursuant to the new EIT Law, our subsidiaries in China are subject to an enterprise income tax rate of 25%, unless the PRC Government grants them new preferential tax treatment, such as those granted based on location or participation in a promoted industry. The change in the applicable enterprise income tax rate upon the expiration of preferential tax treatment could increase the amount of taxes we pay and consequently have a material adverse impact on our results of operations and financial condition.

Prior to the effective date of the new EIT Law, each of Kunming HongLianXin, Fuzhou HongXinTu, ShiFang YaQi, Shenyang ShiFang, Chongqing ShiFang, Dalian ShiFang, Beijing HongXinTu and Tianjin ShiFang was entitled to preferential enterprise income tax rates or treatment. Kunming HongLianXin was entitled to a three-year tax exemption period with a follow-on two-year 50% tax reduction commencing on January 1, 2006. Fuzhou HongXinTu was entitled to a two-year tax exemption period with a follow-on three-year 50% tax reduction commencing on January 1, 2007. ShiFang YaQi was entitled to a preferential enterprise income tax rate of 15% in 2007. Each of Shenyang ShiFang, Chongqing ShiFang, Dalian ShiFang, Beijing HongXinTu and Tianjin ShiFang was exempted from enterprise income tax in 2007.

Commencing from January 1, 2008, Kunming HongLianXin will continue to enjoy its three-year tax exemption period with a follow-on two-year 50% tax reduction through 2011. Fuzhou HongXinTu will continue to enjoy its two-year tax exemption period with a follow-on three-year 50% tax reduction through 2012. ShiFang YaQi is entitled to the grandfathering treatment where the applicable enterprise income tax rate will be phased in from 18% to 25% from 2008 to 2012. Xiamen DuKe is accredited as an approved “high and new technology enterprise” and entitled to a two-year tax exemption period in 2008 and 2009. It will enjoy a reduced enterprise income tax rate of 15% for 2010.

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our combined financial statements in conformity with accounting principles generally accepted under IFRS requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. The selection of critical accounting policies, the judgments 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 our audited combined financial information. Our significant accounting policies are summarized in Note 2 of the Accountant's Report in Appendix I to this prospectus. We believe that the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our combined financial statements.

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of our activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within our Group.

We recognize revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of our activities. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### ***Publishing and advertising***

Revenue from publishing and advertising services is recognized when services are rendered for the creation, production and placement of advertising materials through all media.

#### ***Barter transactions***

When services are exchanged or swapped for services which are of a similar nature and value, the exchange is not regarded as a revenue-generating transaction.

When services are rendered in exchange for dissimilar goods or services, such as when we receive the rights to sell or receive the proceeds of a sale of real estate properties in exchange for advertising services we provide to certain of our real estate industry customers, the exchange is regarded as a revenue-generating transaction. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services provided in the barter transactions, by reference to non-barter transaction involving similar goods or services, adjusted by the amount of any cash or cash equivalents transferred. During the Track Record Period, we have been able

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to measure the fair value of goods and services received reliably in barter sales transactions. Accordingly, we have not recognized revenue that was measured by reference to non-barter transactions involving similar goods or services, adjusted by the amount of cash or cash equivalents transferred.

### **Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

We have adopted a specific provision policy rather than a general provision policy relating to doubtful receivables. Management determines the allowance and bad debt write-off relating to each individual customer based on historical collection experience, known troubled accounts and other currently available evidence. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in the existing accounts receivable.

### **Assets held for sale**

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. In our business, assets held for sale comprise principally the rights to sell or receive the proceeds from the sale of properties we receive from certain of our real estate industry customers in return for advertising services. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

### **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries in which we and our subsidiaries operate and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where we control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Allowance for doubtful accounts**

We make allowance for doubtful accounts based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and bad and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of our debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

### **Income taxes**

We are principally subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax provision and deferred income tax assets and liabilities in the period in which such determination is made.



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### PRINCIPAL INCOME STATEMENT COMPONENTS

The following table sets forth the principal components of our income statement in full and as a percentage of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Revenue . . . . .	151.2	100.0	361.7	100.0	463.0	100.0	198.3	100.0	240.7	100.0
Cost of sales . . . . .	(92.1)	(60.9)	(231.5)	(64.0)	(243.1)	(52.5)	(100.3)	(50.6)	(118.9)	(49.4)
<b>Gross profit . . . . .</b>	<b>59.1</b>	<b>39.1</b>	<b>130.2</b>	<b>36.0</b>	<b>219.9</b>	<b>47.5</b>	<b>98.0</b>	<b>49.4</b>	<b>121.8</b>	<b>50.6</b>
Selling and marketing expenses . . . . .	(7.6)	(5.0)	(16.7)	(4.6)	(22.6)	(4.9)	(9.6)	(4.8)	(12.0)	(5.0)
General and administrative expenses . . . . .	(16.6)	(11.0)	(32.0)	(8.8)	(34.8)	(7.5)	(16.2)	(8.2)	(26.2)	(10.9)
Other income . . . . .	5.8	3.8	12.4	3.4	6.1	1.3	2.3	1.2	5.2	2.2
<b>Operating profit . . . . .</b>	<b>40.7</b>	<b>26.9</b>	<b>93.9</b>	<b>26.0</b>	<b>168.6</b>	<b>36.4</b>	<b>74.5</b>	<b>37.6</b>	<b>88.8</b>	<b>36.9</b>
Finance income . . . . .	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.1	0.0
Finance costs . . . . .	(3.9)	(2.6)	(3.0)	(0.9)	(3.3)	(0.7)	(1.7)	(0.9)	(1.1)	(0.4)
Finance costs - net . . . . .	(3.5)	(2.3)	(2.8)	(0.8)	(3.2)	(0.7)	(1.7)	(0.9)	(1.0)	(0.4)
<b>Profit before income tax . . . . .</b>	<b>37.2</b>	<b>24.6</b>	<b>91.1</b>	<b>25.2</b>	<b>165.4</b>	<b>35.7</b>	<b>72.8</b>	<b>36.7</b>	<b>87.8</b>	<b>36.5</b>
Income tax expenses . . . . .	(5.0)	(3.3)	(11.9)	(3.3)	(24.6)	(5.3)	(10.1)	(5.1)	(16.2)	(6.7)
<b>Profit for the year . . . . .</b>	<b>32.2</b>	<b>21.3</b>	<b>79.2</b>	<b>21.9</b>	<b>140.8</b>	<b>30.4</b>	<b>62.7</b>	<b>31.6</b>	<b>71.6</b>	<b>29.8</b>
Other comprehensive income . . . . .	—	—	—	—	—	—	—	—	0.0	0.0
<b>Total comprehensive income for the year . . . . .</b>	<b>32.2</b>	<b>21.3</b>	<b>79.2</b>	<b>21.9</b>	<b>140.8</b>	<b>30.4</b>	<b>62.7</b>	<b>31.6</b>	<b>71.6</b>	<b>29.8</b>
<b>Profit/(loss) attributable to:</b>										
Equity holders of the Company . . . . .	31.6	20.9	79.7	22.1	140.8	30.4	62.7	31.6	71.6	29.8
Non-controlling interests . . . . .	0.6	0.4	(0.5)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
<b>Total comprehensive income/ (loss) attributable to:</b>										
Equity holders of the Company . . . . .	31.6	20.9	79.7	22.1	140.8	30.4	62.7	31.6	71.6	29.8
Non-controlling interests . . . . .	0.6	0.4	(0.5)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
	<u>32.2</u>	<u>21.3</u>	<u>79.2</u>	<u>21.9</u>	<u>140.8</u>	<u>30.4</u>	<u>62.7</u>	<u>31.6</u>	<u>71.6</u>	<u>29.8</u>



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### *Revenue*

Revenue consists of the consideration received or receivable for the sale of goods and services in the ordinary course of our activities. The largest contributor to our revenue is newspaper advertising, which contributed more than 70% of our total revenue during the Track Record Period.

The following table provides a breakdown of revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Newspaper advertising . . .	111.6	73.8	314.3	86.9	371.8	80.3	150.7	76.0	181.3	75.3
Distribution management, consulting and printing services . . .	31.6	20.9	32.5	9.0	44.1	9.5	25.7	13.0	19.8	8.2
Online services . . . . .	8.0	5.3	14.9	4.1	47.1	10.2	21.9	11.0	32.2	13.4
Television advertising . .	—	—	—	—	—	—	—	—	7.4	3.1
<b>Total . . . . .</b>	<u>151.2</u>	<u>100.0</u>	<u>361.7</u>	<u>100.0</u>	<u>463.0</u>	<u>100.0</u>	<u>198.3</u>	<u>100.0</u>	<u>240.7</u>	<u>100.0</u>

We derive a substantial portion of our revenue from the sale of advertising services and advertising spaces to advertisers across a wide spectrum of industries through our network of newspaper partners and other advertising platforms across the PRC. During the Track Record Period, newspaper advertising remained our largest revenue source and accounted for 73.8%, 86.9%, 80.3% and 75.3% of our total revenue, respectively. We believe that our sales of advertising spaces in Southeast Express, Lifestyle Express and Shenyang Evening News was the most predominant factor in our revenue growth during the Track Record Period.

Our revenue from distribution management, consulting and printing services comprises revenue from our provision of these services to Southeast Express and Lifestyle Express as well as outdoor advertising revenue. During the Track Record Period, revenue from distribution management, consulting and printing services accounted for 20.9%, 9.0%, 9.5% and 8.2% of our total revenue, respectively.

We provide electronic dissemination of publications, placement of online advertisements and website maintenance and technical services, which together constitute our online services. Our revenue from online services is primarily generated from our operation of our website *www.duk.cn*. During the Track Record Period, revenue from online services accounted for 5.3%, 4.1%, 10.2% and 13.4% of our total revenue, respectively.

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We generate revenue from the sale of advertising services to television advertisers pursuant to our cooperation contracts with Nanning Television Station and Dalian Television Station. Our cooperation with these two stations commenced in 2010. During the Track Record Period, revenue from television advertising accounted for nil, nil, nil and 3.1% of our total revenue, respectively.

### *Cost of sales*

Our cost of sales consists primarily of our cost of newspaper advertising, cost of distribution management, consulting and printing services, cost of online services, cost of television advertising and business tax. Our cost of newspaper advertising comprises the monthly payments we make to our newspaper partners for advertising spaces provided to us under our contractual arrangements with them. Cost of distribution management, consulting and printing services consists of the costs of consumables, such as ink and power supply board, labor costs of our printing personnel, depreciation expenses of our printing equipment and costs of outdoor advertising activities. Cost of online services primarily consists of fees paid to third parties in relation to our provision of online services and the operation of our website *www.duk.cn*. Our cost of television advertising consists of the monthly fees we pay our television partners for the advertising airtime provided to us under our contractual arrangements with them.

The following table provides a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Cost of newspaper advertising . . . . .	75.2	81.7	209.8	90.6	209.3	86.1	85.6	85.3	97.5	82.0
Cost of distribution management, consulting and printing services . . .	6.8	7.4	5.0	2.2	8.8	3.6	3.9	4.0	3.4	2.9
Cost of online services . . . . .	—	—	—	—	1.1	0.5	—	—	0.8	0.6
Cost of television advertising . . . . .	—	—	—	—	—	—	—	—	4.8	4.0
Business tax . . . . .	4.2	4.5	10.0	4.3	17.5	7.2	7.7	7.7	9.6	8.1
Others . . . . .	5.9	6.4	6.7	2.9	6.4	2.6	3.1	3.0	2.8	2.4
<b>Total . . . . .</b>	<u>92.1</u>	<u>100.0</u>	<u>231.5</u>	<u>100.0</u>	<u>243.1</u>	<u>100.0</u>	<u>100.3</u>	<u>100.0</u>	<u>118.9</u>	<u>100.0</u>

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### *Gross Profit and Gross Profit Margin*

Our profit margin for our newspaper advertising sales has historically been lower than those for distribution management, consulting and printing services and online services due to the significantly higher cost of sales for our newspaper advertising business. The following table sets out our total gross profit and gross profit margin by business component during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
<b>Gross Profit</b>										
Newspaper advertising . . . . .	33.4	29.9	95.4	30.4	149.2	40.1	59.4	39.4	77.2	42.6
Distribution management, consulting and printing services . . . . .	18.4	58.3	20.4	62.8	27.3	61.9	17.9	69.6	13.0	65.7
Online services . . . . .	7.3	91.5	14.4	96.6	43.4	92.2	20.7	94.5	29.6	92.0
Television advertising . . . . .	—	—	—	—	—	—	—	—	2.0	27.0
<b>Total . . . . .</b>	<u>59.1</u>	<u>39.1</u>	<u>130.2</u>	<u>36.0</u>	<u>219.9</u>	<u>47.5</u>	<u>98.0</u>	<u>49.4</u>	<u>121.8</u>	<u>50.6</u>

Our profit margin for newspaper advertising sales increased from 29.9% for the year ended December 31, 2007 to 30.4% for the year ended December 31, 2008 and to 40.1% for the year ended December 31, 2009 and remained stable for the six months ended June 30, 2010. The increases since 2008 were primarily due to our commencing comprehensive cooperation with more newspaper partners in that year, under which we generate higher profit margins than under our partial cooperation contracts.

Our profit margin for distribution management, consulting and printing services increased from 58.3% for the year ended December 31, 2007 to 62.8% for the year ended December 31, 2008, primarily because we commenced our provision of distribution management and consulting services in 2008 and thereby generated additional revenue. Our profit margin decreased slightly to 61.9% for the year ended December 31, 2009, primarily because the circulation of our newspaper partners' publications was reduced, resulting in a decrease in our distribution and printing revenue. Our profit margin was 65.7% for the six months ended June 30, 2010.

Our profit margin for online services increased from 91.5% for the year ended December 31, 2007 to 96.6% for the year ended December 31, 2008, before decreasing to 92.2% for the year ended December 31, 2009 and remaining stable for the six months ended June 30, 2010. Our profit margin for online services was significantly higher than that for our other business lines, as we incur relatively minimal costs in this business.

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### *Other income*

Our other income primarily consists of income from sales of newsprint papers and scrap materials, government grants, compensation and sundry income. The following table sets out a breakdown of our other income for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Sale of newsprint papers.	1.9	32.8	5.6	45.2	1.7	27.9	0.7	30.4	0.8	15.4
Sale of scrap material . . .	2.7	46.6	2.7	21.8	1.7	27.9	0.7	30.4	1.3	25.0
Government grant . . . . .	0.3	5.2	1.3	10.5	1.9	31.1	0.4	17.4	2.4	46.1
Compensation . . . . .	—	—	1.9	15.3	—	—	—	—	—	—
Sundry income . . . . .	0.9	15.4	0.9	7.2	0.8	13.1	0.5	21.8	0.7	13.5
<b>Total . . . . .</b>	<b>5.8</b>	<b>100.0</b>	<b>12.4</b>	<b>100.0</b>	<b>6.1</b>	<b>100.0</b>	<b>2.3</b>	<b>100.0</b>	<b>5.2</b>	<b>100.0</b>

Other income generated from sales of newsprint papers primarily consists of sales of newsprint papers by our subsidiary, Kunming HongLianXin to Lifestyle Express. Other income generated from sales of scrap material primarily consists of sales of scrap material such as scrap newspaper, scrap power supply board and other items, which Fuzhou HongXinTu and Kunming HongLianXin use in providing printing services to our newspaper partners. Other income generated from government grants consists of government subsidies granted to Fujian ShiFang and Fuzhou AoHai from Fujian governmental authorities as an incentive to expand our business. We received one-time compensation of RMB1.9 million in 2008 when Straits Herald prematurely terminated its cooperation agreement with us and was required to pay us an early termination charge. We believe Straits Herald canceled the agreement due to our anticipated cooperation with one of its competitors. Our cooperation contract with Straits News was also prematurely terminated in 2008 although no early termination charge was required to be paid by Straits News. For the years ended December 31, 2007 and 2008, our revenue generated from our cooperation with Straits Herald and Straits News was RMB26.8 million and RMB1.5 million, and RMB16.7 million and RMB1.8 million, respectively. Our contract with Ningbo Daily Newspaper Group in relation to cooperation with one of its newspapers, Ningbo Daily, (which commenced in January 2007) was prematurely terminated by mutual agreement in July 2007 due to a gradual shift in the focus of Ningbo Daily Newspaper Group's business development plans to another of its newspapers, Southeast Business, with whom we had entered into a cooperation contract in March 2007. For the year ended December 31, 2007, our revenue generated from our cooperation with Ningbo Daily was RMB1.3 million.

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### *Selling and marketing expenses*

Our selling and marketing expenses principally comprise salaries and related expenses, including employee performance incentives and other benefits associated with our sales force, and marketing expenses. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our selling and marketing expenses accounted for approximately 5.0%, 4.6%, 4.9% and 5.0% of our revenue, respectively.

### *General and administrative expenses*

Our general and administrative expenses principally comprise salary and employee benefits for our senior management, advertisement planning staff, finance and administrative staff, operational and maintenance expenses incurred in relation to our provision of online services, travel and entertainment expenses, rental expense and depreciation of office equipment. Salary and welfare expenses, including salary costs and performance incentives, are the largest component of our general and administrative expenses. These expenses increased over the Track Record Period due to expansion of our business and the hiring of additional management and administrative personnel associated with such expansion. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, our total general and administrative expenses accounted for approximately 11.0%, 8.8%, 7.5% and 10.9% of our revenue, respectively.

### *Income tax expense*

Income tax represents the amount of PRC enterprise income tax we pay. We were not subject to Hong Kong profits tax or any income tax in the Cayman Islands during the Track Record Period. Prior to the effective date of the new EIT Law on January 1, 2008, each of Kunming HongLianXin, Fuzhou HongXinTu, ShiFang YaQi, Shenyang ShiFang, Chongqing ShiFang, Dalian ShiFang, Beijing HongXinTu and Tianjin ShiFang was entitled to preferential enterprise income tax rates or treatment. Kunming HongLianXin was entitled to a three-year tax exemption period with a follow-on two-year 50% tax reduction commencing on January 1, 2006. Fuzhou HongXinTu was entitled to a two-year tax exemption period with a follow-on three-year 50% tax reduction commencing on January 1, 2007. ShiFang YaQi was entitled to a preferential enterprise income tax rate of 15% in 2007. Each of Shenyang ShiFang, Chongqing ShiFang, Beijing HongXinTu and Tianjin ShiFang was exempted from enterprise income tax in 2007. Under the new EIT Law, Xiamen DuKe was accredited as an approved “new high technology enterprise” and entitled to a two-year tax exemption period commencing on January 1, 2008. Kunming HongLianXin will continue to enjoy its three-year tax exemption period with a follow-on two-year 50% tax reduction through 2011. Fuzhou HongXinTu will continue to enjoy its two-year tax exemption period with a follow-on three-year 50% tax reduction through 2012. ShiFang YaQi is entitled to the grandfathering treatment where the applicable income tax rate will be phased in from 18% to 25% from 2008 to 2012. For the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, our income tax expenses were RMB5.0 million, RMB11.9 million, RMB24.6 million and RMB16.2 million, respectively, and our effective tax rates were 13.7%, 13.0%, 14.9% and 18.5%, respectively.

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### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

##### *Revenue*

Total gross revenue increased by 21.4% from RMB198.3 million for the six months ended June 30, 2009 to RMB240.7 million for the six months ended June 30, 2010, primarily because our increased experience in cooperating with our newspaper partners enabled us to increase sales of advertising spaces to advertisers, particularly customers from the daily consumables industry and automotive industry, and increased revenue generated from more online advertisements, website maintenance and technical services. Our volume of advertising spaces sold increased to 10,927 page-folds for the six months ended June 30, 2010, with an average selling price per page-fold of RMB15,078, from 9,661 page-folds for the six months ended June 30, 2009, with an average selling price per page-fold of RMB14,200. In addition, we had entered into cooperation contracts with two television partners, Nanning Television Station and Dalian Television Station in 2010 and generated additional revenue from television advertising.

##### *Cost of sales*

Our cost of sales increased by 18.5% from RMB100.3 million for the six months ended June 30, 2009 to RMB118.9 million for the six months ended June 30, 2010, primarily as a result of an increase in the print media fees we paid to our newspaper partners due to our increased advertising sales and the greater volume of advertising spaces obtained from them as well as the additional cost of our new business component, television advertising.

##### *Gross profit and gross profit margin*

Gross profit increased by 24.3% from RMB98.0 million for the six months ended June 30, 2009 to RMB121.8 million for the six months ended June 30, 2010, primarily as a result of an increase in our revenue from online services, which has the highest gross profit margin of our four business components. Our gross margin ratio increased from 49.4% for the six months ended June 30, 2009 to 50.6% for the six months ended June 30, 2010.

##### *Other income*

Other income increased by 126.1% from RMB2.3 million for the six months ended June 30, 2009 to RMB5.2 million for the six months ended June 30, 2010, primarily as a result of an increase in government grants received by us for the expansion of our business.

##### *General and administrative expenses*

Our general and administrative expenses increased by 61.7% from RMB16.2 million for the six months ended June 30, 2009 to RMB26.2 million for the six months ended June 30, 2010, mainly

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because of increases in our salary costs and welfare expenses as well as a RMB5.6 million increase in our provision for impairment on receivables, which we did not make for the six months ended June 30, 2009. Our general and administrative expenses as a percentage of our gross revenue increased from 8.2% for the six months ended June 30, 2009 to 10.9% for the six months ended June 30, 2010.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by 25.0% from RMB9.6 million for the six months ended June 30, 2009 to RMB12.0 million for the six months ended June 30, 2010, mainly because of an increase in compensation paid to our sales personnel. Our selling and marketing expenses as a percentage of our gross revenue increased slightly from 4.8% for the six months ended June 30, 2009 to 5.0% for the six months ended June 30, 2010.

### *Profit before income tax*

As a result of the foregoing factors, our profit before income tax for the six months ended June 30, 2010 was RMB87.8 million compared to RMB72.8 million for the six months ended June 30, 2009, representing an increase of 20.6%.

### *Income tax expenses*

Income tax expenses increased by 60.4% from RMB10.1 million for the six months ended June 30, 2009 to RMB16.2 million for the six months ended June 30, 2010, primarily because two of our subsidiaries, Xiamen DuKe and Fuzhou HongXinTu, were no longer exempted from enterprise income tax for 2010. Our effective tax rates increased from 13.9% for the six months ended June 30, 2009 to 18.5% for the six months ended June 30, 2010.

### *Profit for the period*

As a result of the foregoing factors, our profit for the period increased by 14.2% from RMB62.7 million for the six months ended June 30, 2009 to RMB71.6 million for the six months ended June 30, 2010.

### *Profit/Loss attributable to non-controlling interests*

Our loss attributable to non-controlling interests decreased from RMB21,000 for the six months ended June 30, 2009 to RMB7,000 for the six months ended June 30, 2010.

### *Profit attributable to equity holders of our Company*

As a result of the foregoing, profit attributable to equity holders of our Company increased by 14.2%, from RMB62.7 million for the six months ended June 30, 2009 to RMB71.6 million for the six months ended June 30, 2010.

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### Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

#### *Revenue*

Total gross revenue increased by 28.0% from RMB361.7 million for the year ended December 31, 2008 to RMB463.0 million for the year ended December 31, 2009, primarily as a result of increased revenue from newspaper advertising and online services. Our revenue from newspaper advertising increased by 18.3% from RMB314.3 million for the year ended December 31, 2008 to RMB371.8 million for the year ended December 31, 2009. Our revenue from online services increased by 216.1% from RMB14.9 million for the year ended December 31, 2008 to RMB47.1 million for the year ended December 31, 2009. The substantial increase in our advertising revenue was attributable to an increase in advertising sales. In particular, we commenced our comprehensive cooperation with Shenyang Evening News, Southeast Express and Lifestyle Express in March 2008. For the year ended December 31, 2008, we only recognized revenue from these three newspaper partners for a nine-month period, compared to the full-year period for the year ended December 31, 2009. In addition, we significantly expanded our customer base in 2009 as it was our second year of comprehensive cooperation with these three newspaper partners and we were more experienced and able to attract new advertising customers. Further, we expanded our relationship with Modern Life Daily, another newspaper partner, from partial to comprehensive in 2009, and our revenue from advertising sales in that newspaper increased substantially. Revenue from our comprehensive cooperation contracts accounted for approximately 90.0% of our total newspaper advertising revenue for the year ended December 31, 2009. Our volume of advertising spaces sold increased to 23,403 page-folds for the year ended December 31, 2009, with an average selling price per page-fold of RMB14,966, from 20,237 page-folds for the year ended December 31, 2008, with an average selling price per page-fold of RMB15,489. We also commenced full provision of our online services through *www.duk.cn* in late 2008 and greatly expanded such services in 2009. These increases were offset partly by a decrease of RMB6.9 million in the revenue we generated from real estate customers as (i) fewer of them purchased advertisements in Dalian Daily from us as a result of the decline in the local property market and (ii) we did not market our advertising services in Wuhan from April 2009, when our contract with a newspaper partner expired, until January 2010, when our partial cooperation with Changjiang Business commenced.

#### *Cost of sales*

Our cost of sales increased by 5.0% from RMB231.5 million for the year ended December 31, 2008 to RMB243.1 million for the year ended December 31, 2009. Cost of newspaper advertising increased primarily due to an increase in our print media fees as a result of our expanded cooperation with Lifestyle Express beginning in March 2008 and Modern Life Daily in 2009. This was partially offset by a decrease in the print media fees we paid to Shenyang Evening News as a result of its decreased circulation in 2009 as compared to 2008 and also a decrease in our real estate customers advertising in Dalian Daily due to a decline in the local property market. Overall, the rate of increase in our cost of sales was much lower than the rate of increase in our revenue, primarily because the print media fees we paid to our newspaper partners did not increase in proportion to the increase in revenue we generated from advertising sales. This is because our comprehensive newspaper partners do not limit the amount of advertising spaces we are allowed to sell in their newspapers and they adjust the total newspaper page-fold based on the volume of advertisements placed, subject to a



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maximum proportion of total advertisement pages to total newspaper page-fold. As long as we do not exceed the proportion specified in our cooperation contracts with them, there is no increase in the relevant fixed print media fees we pay to our newspaper partners notwithstanding our increased revenue from selling more advertisements in their publications. Further, the substantial increase in our sales of online advertising did not correspondingly increase our cost of sales as we do not pay any print media fees in connection with our sale of online advertising and fees paid to third parties in relation to our provision of online services and operation of our website *www.duk.cn* were minimal.

### *Gross profit and gross profit margin*

Gross profit increased by 68.9% from RMB130.2 million for the year ended December 31, 2008 to RMB219.9 million for the year ended December 31, 2009. Our gross profit margin increased from 36.0% in 2008 to 47.5% in 2009. These changes resulted from an increase in our advertising sales revenue without a corresponding increase in print media fees, as a large portion of the annual print media fees are fixed on an annual basis and therefore not subject to fluctuations during the year, and an increase in our revenue from online advertising services without a corresponding increase in costs related to online services.

### *Other income*

Other income decreased by 50.8% from RMB12.4 million for the year ended December 31, 2008 to RMB6.1 million for the year ended December 31, 2009, primarily as a result of a decrease in our sales of newsprint papers by RMB3.9 million and sales of scrap material by RMB1.0 million. In addition, we received one-time compensation of RMB1.9 million in 2008 when Straits Herald prematurely terminated its cooperation agreements with us and was required to pay us an early termination charge.

### *General and administrative expenses*

Our general and administrative expenses increased by 8.8% from RMB32.0 million for the year ended December 31, 2008 to RMB34.8 million for the year ended December 31, 2009, mainly because of increases in office expenses and lease charges in relation to our newly leased office headquarters. Our general and administrative expenses as a percentage of our gross revenue decreased from 8.8% in 2008 to 7.5% in 2009. We have strictly controlled administrative expenses according to our budget, which effectively restrained the increases in general and administrative expenses as our business expanded in 2009.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by 35.3% from RMB16.7 million for the year ended December 31, 2008 to RMB22.6 million for the year ended December 31, 2009, mainly because of an increase in compensation paid to our sales team. The increase was in line with our increase in revenue, as we pay our sales personnel commissions based on sales volume. In addition, we hired additional sales personnel. Our selling and marketing expenses as a percentage of our gross revenue increased slightly from 4.6% in 2008 to 4.9% in 2009.

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### *Profit before income tax*

As a result of the foregoing factors, our profit before income tax for the year ended December 31, 2009 was RMB165.4 million compared to RMB91.1 million for the year ended December 31, 2008, representing an increase of 81.6%.

### *Income tax expenses*

Income tax expenses increased by 106.7% from RMB11.9 million for the year ended December 31, 2008 to RMB24.6 million for the year ended December 31, 2009, as a result of the significant increase in our profit before income tax. Also, our effective tax rate increased from 13.0% for the year ended December 31, 2008 to 14.9% for the year ended December 31, 2009.

### *Profit for the year*

As a result of the foregoing factors, our profit for the year increased by 77.8% from RMB79.2 million for the year ended December 31, 2008 to RMB140.8 million for the year ended December 31, 2009.

### *Profit/Loss attributable to non-controlling interests*

Our loss attributable to non-controlling interests decreased from RMB0.5 million for the year ended December 31, 2008 to RMB39,000 for the year ended December 31, 2009.

### *Profit attributable to equity holders of the Company*

As a result of the foregoing, profit attributable to equity holders of our Company increased by 76.7%, from RMB79.7 million for the year ended December 31, 2008 to RMB140.8 million for the year ended December 31, 2009.

## **Year Ended December 31, 2008 Compared to Year Ended December 31, 2007**

### *Revenue*

Total gross revenue increased by 139.2% from RMB151.2 million for the year ended December 31, 2007 to RMB361.7 million for the year ended December 31, 2008, primarily as a result of a significant increase in our revenue from newspaper advertising. Our revenue from newspaper advertising increased by 181.6% from RMB111.6 million for the year ended December 31, 2007 to RMB314.3 million for the year ended December 31, 2008. Such increase was primarily a result of our increased revenue generated from our commencement of comprehensive cooperation with Southeast Express, Lifestyle Express and Shenyang Evening News in March 2008. Our volume of advertising spaces sold increased substantially to 20,237 page-folds for the year ended December 31, 2008 with the average selling price per page-fold of RMB15,489 from 4,130 page-folds for the year ended

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December 31, 2007 with the average selling price per page-fold of RMB26,220. These increases were offset partly by a decrease in our revenue primarily because Straits Herald and Strait News prematurely terminated their cooperation contracts with us in January 2008. The substantial increase in our advertising revenue was also attributable to an increase in new advertising customers.

### *Cost of sales*

Our cost of sales increased by 151.4% from RMB92.1 million for the year ended December 31, 2007 to RMB231.5 million for the year ended December 31, 2008. Such increase in cost of sales was primarily a result of our increased cost of newspaper advertising due to the commencement of our comprehensive cooperation with Southeast Express, Lifestyle Express and Shenyang Evening News in March 2008 and the corresponding substantial increase in print media fees we paid to our newspaper partners. The annual print media fees that we pay to our newspaper partners are fixed on an annual or periodic basis and generally not subject to fluctuations during the year. However, 2008 was our first year of comprehensive cooperation with these three newspaper partners and our advertising sales were affected by our lack of experience in operating the entire advertising component of each newspaper's business and local knowledge, in particular, with regards to the Shenyang print media advertising market. As such, our print media fees increased more significantly than our advertising revenue, and accordingly, our cost of sales increased at a rate greater than that of our revenue. This was offset partly by a decrease in our cost of sales due to the termination of our cooperation with Straits Herald and Strait News in January 2008.

### *Gross profit and gross profit margin*

Gross profit increased by 120.3% from RMB59.1 million for the year ended December 31, 2007 to RMB130.2 million for the year ended December 31, 2008, primarily as a result of a substantial increase in our advertising revenue. However, due to the commencement of our comprehensive cooperation with Southeast Express, Lifestyle Express and Shenyang Evening News, our cost of sales increased at a rate greater than the rate of increase of our revenue and our gross profit margin therefore decreased from 39.1% in the year ended December 31, 2007 to 36.0% in the year ended December 31, 2008.

### *Other income*

Other income increased by 113.8% from RMB5.8 million for the year ended December 31, 2007 to RMB12.4 million for the year ended December 31, 2008, as a result of increases in sales of newsprint papers of RMB3.7 million, government grants of RMB1.0 million and compensation of RMB1.9 million from the year ended December 31, 2007 to the year ended December 31, 2008. The compensation of RMB1.9 million for the year ended December 31, 2008 represents the early termination fees we received from Straits Herald for its premature termination of its cooperation with us.

### *General and administrative expenses*

Our general and administrative expenses increased by 92.8% from RMB16.6 million for the year ended December 31, 2007 to RMB32.0 million for the year ended December 31, 2008, mainly because

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of an increase in salary costs and welfare expenses. The increase in such expenses was due to the expansion of our business and the hiring of additional management and administrative personnel associated with such expansion. Our general and administrative expenses as a percentage of gross revenue decreased from 11.0% in 2007 to 8.8% in 2008.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by 119.7% from RMB7.6 million for the year ended December 31, 2007 to RMB16.7 million for the year ended December 31, 2008, mainly because of an increase in salary costs related to our hiring of additional sales personnel in line with the expansion of our business. As a result of our strict control of selling and marketing expenses, our selling and marketing expenses as a percentage of gross revenue decreased from 5.0% in 2007 to 4.6% in 2008.

### *Profit before income tax*

As a result of the foregoing factors, our profit before income tax for the year ended December 31, 2008 was RMB91.1 million compared to RMB37.2 million for the year ended December 31, 2007, representing an increase of 144.9%.

### *Income tax expenses*

Income tax expenses increased by 138.0% from RMB5.0 million for the year ended December 31, 2007 to RMB11.9 million for the year ended December 31, 2008, as a result of an increase in our profit before income tax. Our effective tax rate decreased from 13.7% for the year ended December 31, 2007 to 13.0% for the year ended December 31, 2008.

### *Profit for the year*

As a result of the foregoing factors, our profit for the year increased by 146.0% from RMB32.2 million for the year ended December 31, 2007 to RMB79.2 million for the year ended December 31, 2008.

### *Profit/loss attributable to non-controlling interests*

Our profit attributable to non-controlling interests was RMB0.6 million for the year ended December 31, 2007 while our loss attributable to non-controlling interests was RMB0.5 million for the year ended December 31, 2008.

### *Profit attributable to equity holders of the Company*

As a result of the foregoing, our profit attributable to equity holders increased by 152.2%, to RMB79.7 million for the year ended December 31, 2008 from RMB31.6 million for the year ended December 31, 2007.

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### LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity and capital resources have been, and, with the exception of loans from related parties, are expected to continue to be, cash from our operating activities and various forms of financing including bank borrowings and loans from related parties. We expect to increase our liquidity and capital resources from the proceeds of the Global Offering.

The following table sets forth certain information about our consolidated cash flows during the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)
Net cash (used in)/generated from					
operating activities . . . . .	(31.1)	(24.4)	48.3	9.6	(6.2)
Net cash used in investing activities . .	(10.7)	(8.2)	(2.0)	(1.1)	(10.8)
Net cash generated from/(used in)					
financing activities . . . . .	42.2	37.6	(16.4)	(10.3)	166.5
Net increase in cash and cash					
equivalents . . . . .	0.4	5.0	29.9	(1.8)	149.5
Cash and cash equivalents at					
beginning of the year . . . . .	5.3	5.7	10.7	10.7	40.6
Cash and cash equivalents at end of					
the year. . . . .	5.7	10.7	40.6	8.9	190.1

#### Cash flow from Operating Activities

Our net cash inflow/(outflow) from operating activities represents profit before tax adjusted for non-cash items and movements in working capital.

For the six months ended June 30, 2010, net cash used in operating activities amounted to RMB6.2 million, primarily attributable to profit before tax of RMB87.8 million, offset by an increase in trade and bills receivables of RMB72.2 million as a result of an increase in sales to large customers and online services customers to whom we generally grant longer credit periods and an increase in prepayments, deposits and other receivables of RMB19.5 million due to the prepayments we made to our new television partners, Nanning Television Station and Dalian Television Station, pursuant to the cooperation contracts we signed with them in 2010 as well as an increase in the monthly print media fees that we pay to our newspaper partners. Compared to the six months ended June 30, 2009, the increase in net cash used in operating activities for the six months ended June 30, 2010 was mainly because of the aforesaid increase in our trade and bills receivables due to increased sales as a result of the expansion of our business.

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For the year ended December 31, 2009, net cash generated from operating activities amounted to RMB48.3 million, primarily attributable to profit before tax of RMB165.4 million, offset by an increase in trade and bills receivables of RMB50.4 million as a result of an increase in advertising revenue during the year, an increase in prepayments, deposits and other receivables of RMB53.3 million as a result of an increase in advances and deposits paid to our newspaper partners in line with the increase in our advertising revenue, and a decrease in trade payables of RMB22.6 million.

For the year ended December 31, 2008, net cash used in operating activities amounted to RMB24.4 million, primarily attributable to profit before income tax of RMB91.1 million, offset by an increase in trade receivables of RMB81.3 million as a result of a substantial increase in advertising revenue during the year, and an increase in prepayments, deposits and other receivables of RMB31.1 million as a result of an increase in print media fees and deposits prepaid to our newspaper partners due to the increase in our advertising revenue.

For the year ended December 31, 2007, net cash used in operating activities amounted to RMB31.1 million, primarily attributable to profit before tax of RMB37.2 million and a decrease in inventory of RMB25.1 million due to our efforts to lower cash usage in newsprint paper, offset by increases in trade receivable of RMB52.3 million as a result of the increase in advertising revenue during the year, increase in prepayments, deposits and other receivables of RMB41.6 million as a result of an increase in print media fees and deposits prepaid to our newspaper partners in line with the increase in our advertising revenue, and decrease in trade payables of RMB17.8 million.

### **Cash Flow from Investing Activities**

For the six months ended June 30, 2010, net cash used in investing activities was RMB10.8 million, resulting primarily from RMB10.9 million being used for purchases of property, plant and equipment.

For the year ended December 31, 2009, net cash used in investing activities was RMB2.0 million, resulting primarily from RMB2.0 million being used for purchases of property, plant and equipment.

For the year ended December 31, 2008, net cash used in investing activities was RMB8.2 million, resulting primarily from RMB3.9 million being used for purchases of property, plant and equipment, and RMB4.3 million being used for purchases of intangible assets.

For the year ended December 31, 2007, net cash used in investing activities was RMB10.7 million, resulting primarily from RMB7.1 million being used for purchases of property, plant and equipment, in particular, the purchase of printing machinery to support our newspaper printing operations and RMB5.0 million in deposits paid to newspaper publishers, offset by proceeds of RMB1.4 million received from disposal of a subsidiary, net of cash disposed.

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## FINANCIAL INFORMATION

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### Cash Flow from Financing Activities

For the six months ended June 30, 2010, net cash generated from financing activities was RMB166.5 million, primarily attributable to a RMB239.0 million capital injection from equity holders of our Company, offset by RMB50.6 million in repayment of loans to related parties, a RMB18.0 million increase in prepayment of issuance cost and RMB12.3 million in repayment of borrowings.

For the year ended December 31, 2009, net cash used in financing activities amounted to RMB16.4 million, primarily attributable to repayment of loans to related parties of RMB63.9 million and repayment of borrowings of RMB63.9 million, offset by proceeds of loans from related parties of RMB46.8 million and proceeds from borrowings of RMB64.5 million.

For the year ended December 31, 2008, net cash generated from financing activities amounted to RMB37.6 million, primarily attributable to proceeds of loans from related parties of RMB53.9 million and proceeds from borrowings of RMB47.9 million, offset by RMB53.9 million in repayment of borrowings and RMB11.7 million in repayment of loans to related parties.

For the year ended December 31, 2007, net cash generated from financing activities was RMB42.2 million, primarily attributable to proceeds from borrowing of RMB59.6 million, a decrease in restricted cash of RMB13.2 million, proceeds of loans from related parties of RMB12.3 million and a RMB12.0 million capital injection from equity holders of our Company, offset by the payment of dividends to our Shareholders in the amount of RMB17.2 million, RMB23.0 million in repayment of borrowings and RMB9.5 million in repayment of finance lease liabilities.

### Capital Expenditures

Our business generally does not require significant ongoing capital expenditures. We incur capital expenditures mainly for the purchase of printing machinery and office equipment. Our capital expenditures were RMB18.1 million, RMB3.9 million, RMB2.0 million and RMB11.0 million for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively.

We expect that our capital expenditures in 2010 will be less than RMB30.0 million, which is expected to be used primarily for purchases of office equipment and information technology infrastructure.

Our ability to obtain additional funds in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flow, as well as political, regulatory, economic and other conditions in the PRC.

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### CONTRACTUAL OBLIGATIONS AND COMMITMENT

As of June 30, 2010, we had total contractual obligations in the amount of RMB2,807.3 million.

The following table sets forth our contractual obligations for the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
<b>Operating lease commitments</b>				
Not later than 1 year . . . . .	1.7	3.2	3.2	3.0
Later than 1 year and not later than 5 years . . . . .	4.1	10.0	9.8	10.0
Later than 5 years . . . . .	1.7	8.0	6.9	5.9
<b>Total</b> . . . . .	<b>7.5</b>	<b>21.2</b>	<b>19.9</b>	<b>18.9</b>

We have entered into exclusive cooperation contracts with newspaper partners. The future aggregate minimum advertising payments under non-cancellable exclusive cooperation contracts are as follows:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Not later than 1 year . . . . .	149.7	255.7	254.9	203.5
Later than 1 year and not later than 5 years . . . . .	565.4	613.2	499.1	586.9
Later than 5 years . . . . .	2,376.4	2,268.0	2,160.0	1,998.0
	<b>3,091.5</b>	<b>3,136.9</b>	<b>2,914.0</b>	<b>2,788.4</b>



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### NET CURRENT (LIABILITIES)/ASSETS

The following table sets out details of our current assets and current liabilities for the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2007	2008	2009	2010	2010
(RMB in millions)					
<b>Current assets</b>					
Inventories . . . . .	11.9	2.0	4.0	4.3	5.0
Assets held for sale . . . . .	5.8	18.5	22.9	31.5	29.4
Trade and bill receivables . . . . .	52.5	114.6	154.3	212.2	243.1
Prepayments, deposits and other receivables . . . . .	66.6	93.7	145.8	182.0	186.5
Amounts due from immediate holding company . . . . .	—	3.6	12.9	15.1	—
Amounts due from related parties . . . . .	0.6	19.3	20.8	18.4	14.0
Restricted cash . . . . .	3.2	—	—	—	—
Cash and cash equivalents . . . . .	5.7	10.7	40.6	190.1	153.2
Total current assets . . . . .	<u>146.3</u>	<u>262.4</u>	<u>401.3</u>	<u>653.6</u>	<u>631.2</u>
<b>Current liabilities</b>					
Trade payables . . . . .	26.6	26.3	3.7	5.6	7.5
Other payables and accrued expenses . . . . .	27.7	40.2	56.4	52.5	50.6
Current income tax liabilities . . .	4.7	11.4	28.1	34.1	42.9
Borrowings . . . . .	65.9	49.6	47.3	35.0	—
Amounts due to directors . . . . .	4.5	6.7	1.4	1.1	1.3
Amounts due to related parties . .	38.5	69.4	60.9	18.4	2.9
Total current liabilities . . . . .	<u>167.9</u>	<u>203.6</u>	<u>197.8</u>	<u>146.7</u>	<u>105.2</u>
<b>Net current (liabilities)/assets .</b>	<u>(21.6)</u>	<u>58.8</u>	<u>203.5</u>	<u>506.9</u>	<u>526.0</u>

As of September 30, 2010, we had net current assets of RMB526.0 million. The key components of our current assets as of such date included trade and bill receivables of RMB243.1 million, prepayments, deposits and other receivables of RMB186.5 million and cash and cash equivalents of RMB153.2 million. The key components of our current liabilities included other payables and accrued expenses of RMB50.6 million and current income tax liabilities of RMB42.9 million. Our net current assets increased slightly by 3.8% from RMB506.9 million as of June 30, 2010 to RMB526.0 million as of as of September 30, 2010, primarily due to an increase in trade and bill receivables of RMB30.9 million, settlement of borrowings of RMB35.0 million and decrease of amounts due to related parties of RMB15.5 million. Such increase was partially offset by a decrease in cash and cash equivalents of RMB36.9 million, which was mainly for the aforesaid settlement of borrowings and amounts due to related parties.

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### TRADE AND OTHER RECEIVABLES ANALYSIS

#### Trade receivables

Our trade receivables primarily relate to receivables from our advertising customers and our newspaper partners, Southeast Express and Lifestyle Express. As of December 31, 2007, 2008 and 2009 and June 30, 2010, our trade receivables amounted to RMB52.5 million, RMB114.6 million, RMB154.3 million and RMB212.2 million, respectively. In particular, our trade receivables from Southeast Express and Lifestyle Express amounted to RMB28.4 million, RMB45.7 million, RMB38.9 million and RMB50.3 million as of the same dates, and accounted for 54%, 40%, 25% and 24% of our total trade receivables, respectively.

We generally grant to our advertising customers a credit period ranging from one month to one year after publication of the relevant advertisements. The length of the credit period we grant to our customers varies by industry and is driven by credit periods granted by our competitors. We grant customers from industries such as real estate, automotive and telecommunications as well as those with national brand names and our long-term customers with large orders longer credit periods. For short-term customers with small orders, out-of-province customers that do not have well-known brand names, classified advertising customers and secondary advertising agents (excluding 4A companies), we usually request that the contractual amount be paid in full prior to publication. As our distribution consultation and management and printing services are provided to Southeast Express and Lifestyle Express pursuant to our 30-year cooperation contracts with them, they are granted our maximum credit period of one year. For our online services customers, we usually grant them a credit period of six months to one year, which is in line with industry practice.

We have a credit policy with established procedures in place, which we review from time to time. Our credit management team assigns internal credit ratings to customers after evaluation of their creditworthiness through assessment of their particulars including business licenses, certifications and credit rating reports and considering factors such as operating status, business condition, profitability, indebtedness and assets. These internal credit ratings are used to determine the credit-related clauses in our sales contracts with customers. We also prepare regular credit reports to update our understanding of their operating conditions and business information for better risk management in relation to bad debts. In the event the credit rating of a particular customer drops after our review, we may adopt measures such as settlement of our fees through barter transactions, requesting the customer to provide or procure a guarantor to provide security or reducing the customer's advertisement publication volume.

Based on the foregoing, we are able to better manage our working capital. In the event cash flow from our operations is insufficient to provide capital for expansion of our business or cooperation opportunities with new newspaper partners, we intend to obtain external financing from various sources, including bank borrowings.

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The following table sets out the aging analysis of our trade and bills receivables for the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
<b>Trade and bills receivables</b>				
1 - 30 days . . . . .	10.0	21.4	32.1	35.0
31 - 60 days . . . . .	4.7	14.7	19.2	21.9
61 - 90 days . . . . .	7.7	10.3	9.5	24.8
91 - 365 days . . . . .	30.1	63.3	80.3	100.6
Over 1 year . . . . .	—	5.8	14.9	37.3
	52.5	115.5	156.0	219.6
Less: provision for impairment of trade receivables . . . . .	—	(0.9)	(1.7)	(7.4)
<b>Total trade and bills receivables, net. . .</b>	<b>52.5</b>	<b>114.6</b>	<b>154.3</b>	<b>212.2</b>

The following table sets out our trade receivables turnover days for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
Trade receivables turnover days <sup>(1)</sup> . . . . .	70.7	84.3	106.0	137.0

*Note:*

<sup>(1)</sup> Trade receivables turnover days equals the average of trade and bills receivables at the beginning and end of a given period divided by revenue and multiplied by 365 days for the years ended December 31, 2007, 2008 and 2009 and 181 days for the six months ended June 30, 2010.

Our trade receivables increased by 37.5%, from RMB154.3 million as of December 31, 2009 to RMB212.2 million as of June 30, 2010, mainly because of our increased revenue from newspaper advertising and online services as well as our new business component, television advertising. Trade receivables turnover days increased for the six months ended June 30, 2010 from the year ended December 31, 2009, primarily due to an increase in sales to large customers and online services customers to whom we generally grant longer credit periods. Our trade receivables increased by 34.6%, from RMB114.6 million as of December 31, 2008 to RMB154.3 million as of December 31, 2009, mainly because of the increase in our advertising revenue. Trade receivables turnover days increased from the year ended December 31, 2008 to the year ended December 31, 2009, primarily due to longer credit terms granted to our long-term customers with whom we have established relationships and our online services customers for whom our costs are minimal. Our trade receivables increased by 118.3%, from RMB52.5 million as of December 31, 2007 to RMB114.6 million as of

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December 31, 2008, mainly because of a substantial increase in our advertising revenue. Trade receivables turnover days increased from the year ended December 31, 2007 to the year ended December 31, 2008, primarily due to delays in payments by customers as a result of the global financial crisis that began in 2008 and affected their ability to make timely payment.

Up to the Latest Practicable Date, the subsequent settlement of our receivables as of June 30, 2010 was RMB75.3 million of the balance as of June 30, 2010. We determine the impairment and bad debt write-off of trade receivables relating to each individual customer based on historical collection experience, known troubled accounts and other currently available evidence. As of June 30, 2010, considering that only approximately 22% of our trade receivables were past due but not provided for (RMB46.2 million out of RMB212.2 million) and we are not aware of any indication that the individual balance may not be recoverable based on the subsequent settlement status as of September 30, 2010 or other currently available evidence, therefore, we are of the view that the provision as of June 30, 2010 is sufficient.

### *Prepayments, deposits and other receivables*

When we enter into contracts with our newspaper and television partners, we are required to prepay a portion of the monthly print media fees that we have to make to the newspaper or the television station throughout the term of the contract. The prepayments, deposits and other receivables balance item primarily consists of these prepayments to the newspapers and television stations. Please refer to note 10 to the Accountant's Report in Appendix I to this prospectus.

### *Assets held for sale*

One of our principal industry focuses for advertising sales is the real estate sector. Many of our real estate customers contract with us to place advertisements with our newspaper partners for properties that they are developing over a period of one or more years. During this development period, real estate companies often keep their cash outflow at low levels, as property development is capital intensive, and capital expenditures are made much in advance of the receipt of proceeds from sale of the properties under development. We have therefore agreed in our contracts with certain property developers to accept the rights to sell units in their properties as consideration for the advertising services we provide to such developers.

We determine the market price for the advertising we sell to these customers in a manner consistent with the manner in which we determine prices for our advertising sales to customers who pay cash, and then identify properties under development that have an anticipated market value adequate to offset the price of the advertising services we provide. As the properties we accept are new and not resale properties, their selling prices are relatively easy to estimate with reasonable accuracy. We estimate their market values based on the selling prices of similar properties in comparable developments in the same geographic area or, where units in the same development have been sold, on the selling prices of such units. We generally value the units at a discount to the anticipated selling price in order to manage our risk against fluctuations in the market values of such properties.

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We do not take legal title to these properties, but rather we are given the contractual right to sell the property and take the proceeds as compensation for our advertising services. Our PRC legal advisor has advised that such contractual arrangements are legal under PRC laws. We have not had any disputes or other adverse consequences arising from the fact that we do not take title to these properties. Further, we have not experienced circumstances where the actual sale proceeds were not sufficient to provide settlement for the market value of the advertising services we have provided. However, please refer to “We do not have legal titles to any of the properties given to us by certain of our real estate industry advertising customers in payment of our advertising fees and rely on our contracts with them for rights to sell such properties, the price of which are subject to the volatility of the property market, and obtain relevant proceeds.” under the section headed “Risk Factors” in this prospectus for risks that could arise under these contractual arrangements.

The properties we are given the contractual right to sell under these arrangements are held under the line item “assets held for sale”. The following table sets out the aging analysis of our assets held for sale for the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
<b>Assets held for sale</b>				
1 - 30 days . . . . .	1.9	0.0	0.6	0.4
31 - 90 days . . . . .	2.3	3.2	1.3	1.5
91 - 365 days . . . . .	1.6	9.8	5.5	8.1
Over 1 year . . . . .	—	5.5	15.5	21.5
<b>Total</b> . . . . .	5.8	18.5	22.9	31.5

*Notes:*

- (1) The “assets held for sale” are recognized on our combined balance sheet in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, which are stated at the lower of cost and net realizable value. If net realizable value is below the carrying value of the “asset held for sale”, we need to record impairment provision to write down the “assets held for sale” to net realizable value.
- (2) We recognize the revenue and the corresponding accounts receivable when the services are rendered. We reclassify the accounts receivable as “assets held for sale” when we have the right to sell, rent or use the properties according to the sales agreements we entered into with the customers.
- (3) We have considered the locations of the properties held and the market prices of similar properties, and have determined that no provision for impairment is necessary as of June 30, 2010.

We recognize revenue from sale of advertising services upon our obtaining the contractual rights to sell the relevant properties. We recognized such revenue from the relevant real estate customers in the amount of RMB5.8 million, RMB18.5 million, RMB22.9 million and RMB31.5 million for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively, which accounted for 3.8%, 5.1%, 4.9% and 13.1% of our total revenue, respectively. For the same periods, the amount of proceeds we received from the sale of such properties was RMB1.1 million, RMB3.6 million, RMB6.6 million and RMB4.8 million, respectively. The purchasers of these

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properties were Independent Third Parties. The prevailing market prices of these properties at the time of sale were only slightly higher than their historical cost and, as we were required to grant a certain discount to purchasers, we decided to base the selling prices on the historical cost of such properties. Accordingly, there were minimal gains or losses realised on the disposals of these properties. We did not lease any of the properties during the Track Record Period and as such, no rental income was received. Accepting contractual rights to sell units in real estate customers' properties as consideration for the advertising services which we provide to them is not a part of our official payment policy, although we believe it is a common industry practice in relevant cities in the PRC such as Shenyang, with respect to real estate customers. However, we intend to retain some flexibility in view of market conditions, which may include our continuing such arrangements with our real estate customers.

### TRADE AND OTHER PAYABLES ANALYSIS

#### Trade payables

Our trade payables primarily consist of newsprint paper fees and costs of consumables we pay to our suppliers. Our trade payables also include print media fees that we pay to our newspaper partners to obtain advertising spaces. In addition to the deposits and prepayments we pay at the time of entering into contracts with our newspaper partners, we also pay monthly fees for the advertising spaces we acquire under those contracts, generally within 30 days of placing of the advertisements.

The following table sets out the aging analysis of our trade payables for the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
<b>Trade payables</b>				
1 - 30 days . . . . .	0.8	4.4	1.8	2.1
31 - 90 days . . . . .	0.9	4.1	0.4	1.2
Over 90 days . . . . .	<u>24.9</u>	<u>17.8</u>	<u>1.5</u>	<u>2.2</u>
<b>Total</b> . . . . .	<u>26.6</u>	<u>26.3</u>	<u>3.7</u>	<u>5.5</u>

The following table sets out our trade payables turnover days for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
Trade payables turnover days <sup>(1)</sup> . . . . .	<u>140.6</u>	<u>41.7</u>	<u>22.6</u>	<u>7.0</u>

*Note:*

<sup>(1)</sup> Trade payables turnover days equals the average of trade payables at the beginning and end of a given period divided by cost of sales and multiplied by 365 days for the years ended December 31, 2007, 2008 and 2009 and 181 days for the six months ended June 30, 2010.

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Our trade payables decreased slightly by 1.1%, from RMB26.6 million as of December 31, 2007 to RMB26.3 million as of December 31, 2008 and then decreased significantly by 85.9% to RMB3.7 million as of December 31, 2009. We made a decision to use the increase in our cash flow that we experienced in 2009 to settle a substantial portion of the outstanding payables to our newsprint paper suppliers. As a result, our trade payables turnover days decreased from 41.7 days for the year ended December 31, 2008 to 22.6 days for the year ended December 31, 2009. The significant decrease in our trade payables turnover days from the year ended December 31, 2007 to the year ended December 31, 2008 was due to an increase in our cost of sales in respect of our advertising business with no corresponding increase in our trade payables. Our trade payables increased by 51.4%, from RMB3.7 million as of December 31, 2009 to RMB5.6 million as of June 30, 2010, mainly because of an increase in the print media fees we pay to our newspaper partners and our new television partners. The significant decrease in our trade payables turnover days for the six months ended June 30, 2010 was primarily because the amount of outstanding payables to our newsprint paper suppliers was substantially reduced due to the aforesaid settlement in 2009 and our decreased purchases of newsprint paper since 2008.

### Other payables and accrued expenses

The following table sets out our other payables and accrued expenses for the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Accrued utility expenses and other liabilities . . . . .	0.8	1.3	1.0	0.5
Accrued salaries and welfare . . . . .	2.4	6.7	5.1	3.9
Value added tax and other taxes payable . . . . .	10.8	15.4	25.1	25.3
Other payables . . . . .	0.4	3.7	2.1	3.0
Payable to a newspaper publisher . . . . .	12.0	—	—	—
Deposits from customers . . . . .	<u>0.8</u>	<u>6.9</u>	<u>9.1</u>	<u>8.2</u>
Receipt in advance . . . . .	<u>0.5</u>	<u>6.2</u>	<u>14.0</u>	<u>11.6</u>
<b>Total</b> . . . . .	<u><u>27.7</u></u>	<u><u>40.2</u></u>	<u><u>56.4</u></u>	<u><u>52.5</u></u>

Other payables and accrued expenses primarily consists of accrued utility expenses and other liabilities, accrued salaries and welfare, value added tax and other taxes payable, other payables, deposits from customers and receipt in advance.

Payable to a newspaper publisher represented the outstanding deposit amount to be paid to our newspaper partner, Southeast Express, pursuant to our cooperation contract with it. Deposits from customers and receipt in advance are primarily from advertising clients, and the increase over the Track Record Period corresponded with our increase in advertising revenue.

Accrued salaries and welfare was comparatively high in 2008 and 2009 as we postponed performance bonus payments to our senior management in light of our business expansion.

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### WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including internally generated funds, available banking facilities and the estimated net proceeds of the Global Offering, we have sufficient working capital for our requirements for at least the next 12 months commencing from the date of this prospectus.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

### INDEBTEDNESS

Our indebtedness consists of obligations to our lenders, including commercial banks and certain related party companies. The following table shows our total borrowings for the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2007	2008	2009	2010	2010
	(RMB in millions)				
Borrowings					
Short-term bank loans, secured . .	16.7	36.5	44.5	35.0	—
Other loans . . . . .	43.5	13.1	2.8	—	—
Finance lease liabilities secured .	5.7	—	—	—	—
Loan from a Director . . . . .	—	2.3	—	—	—
Loans from related parties . . . . .	<u>11.7</u>	<u>51.6</u>	<u>36.8</u>	<u>14.7</u>	<u>—</u>
<b>Total</b> . . . . .	<u><u>77.6</u></u>	<u><u>103.5</u></u>	<u><u>84.1</u></u>	<u><u>49.7</u></u>	<u><u>—</u></u>

Our total borrowings amounted to RMB77.6 million, RMB103.5 million, RMB84.1 million and RMB49.7 million, as of December 31, 2007, 2008, 2009 and June 30, 2010, respectively. As of September 30, 2010, being the latest practicable date for determining our indebtedness, we had no utilized banking facilities and had unutilized banking facilities of RMB35.0 million.

Bank borrowings consist of short term loans from commercial lenders at market rates. Other loans consist of loans from certain other third parties that were formerly related to our Company. Loans from related parties are unsecured. Except for certain loans from related parties in 2007, 2008 and 2009 which were interest-free, the weighted average effective interest rates of the remaining loans from related parties at December 31, 2007 and 2008 were 5.2% per annum and 5.0% per annum, respectively. The loan from a Director is unsecured and interest bearing at 8.96% per annum. All of these loans from a Director and related parties will be fully settled before the Listing. Total borrowings increased by RMB25.9 million, or 33.4%, from RMB77.6 million as of December 31, 2007 to RMB103.5 million as of December 31, 2008. The increase primarily related to the significant



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expansion of our business in Fuzhou, Kunming and Shenyang in 2008 as we made prepayments and deposits to our newspaper partners in those cities. Borrowings decreased by RMB19.4 million, or 18.7%, from RMB103.5 million as of December 31, 2008 to RMB84.1 million as of December 31, 2009, primarily due to the repayment of loans from related parties.

Our loans include borrowings secured by our inventories and properties with carrying value amounted to RMB16.7 million, RMB36.5 million, RMB44.5 million and RMB35.0 million for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. The loans are guaranteed by our suppliers, related parties and our Directors. The guarantees were released after full settlement of the loans in August 2010.

The table below sets forth the maturity profiles of our borrowings for the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Within 1 year . . . . .	<u>65.9</u>	<u>49.6</u>	<u>47.3</u>	<u>35.0</u>

All of our borrowings are denominated in RMB and the weighted average effective interest rates of our borrowings as of December 31, 2007, 2008, 2009 and June 30, 2010 were 11.5%, 9.4%, 5.3% and 3.0%, respectively. As of the Latest Practicable Date, we had no outstanding borrowings and we had not breached any of the covenants in any of our loan or banking facility agreements.

The following table sets out our gearing ratio for the Track Record Period:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
Gearing ratio <sup>(1)</sup> . . . . .	<u>31.5%</u>	<u>28.4%</u>	<u>16.8%</u>	<u>6.5%</u>

*Note:*

<sup>(1)</sup> The gearing ratio is calculated by dividing total borrowings by total assets as of the end of each respective period, multiplied by 100%.

Our gearing ratio decreased from 16.8% as of December 31, 2009 to 6.5% as of June 30, 2010, primarily due to increases in our cash and cash equivalents and trade and bills receivables. Our gearing ratio decreased from 28.4% as of December 31, 2008 to 16.8% as of December 31, 2009, primarily due to the repayment of loans from related parties. Our gearing ratio decreased from 31.5% as of December 31, 2007 to 28.4% as of December 31, 2008, primarily due to the increase in our total assets as a result of the expansion of our business.

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## FINANCIAL INFORMATION

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### CONTINGENT LIABILITIES

We had no material contingent liabilities as of December 31, 2007, 2008 and 2009 and June 30, 2010.

As of September 30, 2010, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debts securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

### QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

#### *Foreign Exchange Risk*

Substantially all of our revenue, assets and liabilities and most of our payments of expenses are denominated in Renminbi. As a result of our revenue being denominated in Renminbi, the conversion of the revenue into foreign currencies in connection with expense payments is subject to PRC regulatory restrictions on currency conversion. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposure to such risks by transferring the cash we hold into foreign currencies or established any other derivative financial instruments. On July 21, 2005, the PRC Government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. There remains significant international pressure on the PRC Government to adopt a flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. To the extent that we need to convert any U.S. dollars we receive in connection with our business into Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion.

#### *Interest rate risk*

Our exposure to interest rate risks comes from our bank and other borrowings. As of June 30, 2010, all of our debt was denominated in Renminbi at fixed interest rates that are subject to adjustment by our lenders in accordance with changes in relevant PBOC regulations. Upward fluctuations in interest rates will increase the costs of both our existing and new debt. We have not entered into any interest rate hedging contracts or any other derivative financial instruments in order to manage our interest rate exposure.

#### *Credit risk*

Our cash is deposited principally with banks in the PRC. Our credit risk is related to our trade and other receivables from our advertising customers. We have no other financial assets that carry significant exposure to credit risk. For a discussion of our credit policy, see the section headed "Business — Credit Policy and Payment Methods" in this prospectus. We have not experienced any material losses as a result of our customers' defaults in their payment obligations during the Track Record Period.

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## FINANCIAL INFORMATION

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### UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma basic forecast earnings per Share has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2010. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of our financial results for the year ending December 31, 2010 or any future period.

Forecast consolidated profit attributable to equity holders  
of the Company for the year ending December 31, 2010<sup>(1)</sup> . . . .Not less than RMB159.7 million  
(HK\$186.1 million)

Unaudited pro forma forecast earnings per Share  
for the year ending December 31, 2010<sup>(2)(3)</sup> . . . . .Not less than RMB0.219  
(HK\$0.255)

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*Notes:*

- (1) The forecast consolidated profit attributable to our equity holders for the year ending December 31, 2010 is extracted from the section headed “Financial Information — Profit Forecast For The Year Ending December 31, 2010” in this prospectus. The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are summarized in Appendix III to this prospectus. Our Directors have prepared the forecast consolidated profit attributable to our equity holders for the year ending December 31, 2010 based on our audited consolidated results for the six months ended June 30, 2010, the unaudited consolidated results based on management accounts for the three months ended September 30, 2010, and a forecast of our consolidated results for the remaining three months ending December 31, 2010. The profit forecast has been prepared on a basis consistent in all material respects with our accounting policies presently adopted as set out in Note 2 of Section II of the accountant’s report of our Company, the text of which is set out in Appendix I to this prospectus.
- (2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to equity holders for the year ending December 31, 2010, on the basis that 732,165,121 Shares were in issue assuming that the Global Offering has been completed on January 1, 2010 but takes no account of any shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (3) Forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010 and unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.1656.

### PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2010

We forecast that, in the absence of unforeseen circumstances and on the bases and assumptions set out in “Appendix III — Profit Forecast” to this prospectus, our forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010 will be not less than RMB159.7 million.

The forecast is presented on a basis consistent in all material respects with the accounting policies currently adopted by us as set out in the Accountant’s Report dated November 22, 2010 (the text of which is set out in Appendix I to this prospectus).

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## FINANCIAL INFORMATION

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### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets is based on our audited consolidated net tangible assets attributable to the equity holder of our Company as of June 30, 2010, as shown in the Accountant's Report set forth in Appendix I to this prospectus, adjusted as described below:

	Audited consolidated net tangible assets attributable to equity holder of our Company as of June 30, 2010 <sup>(1)</sup>	Estimated net proceeds from the Global Offering <sup>(2)</sup>	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted net tangible assets per Share <sup>(3)(4)</sup>	
	(RMB'000)	(RMB'000)	(RMB'000)	RMB	HK\$
Based on an Offer Price of HK\$3.03 per Share . . . . .	609,170	386,593	995,763	1.360	1.585
Based on an Offer Price of HK\$4.61 per Share . . . . .	609,170	621,065	1,230,235	1.680	1.958

*Notes:*

- (1) Our audited consolidated net tangible assets of our Group attributable to equity holders as at June 30, 2010 is extracted from the accountant's report of our Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders as at June 30, 2010 of RMB612,660,000 with an adjustment for the intangible assets as at June 30, 2010 of RMB3,490,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$3.03 and HK\$4.61 per Share, respectively, after deduction of estimated related fees, expenses and a 2.5% discretionary incentive fee (assuming such amount will be paid in full to the Underwriters) payable by the Company and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate. For the purpose of the estimated net proceeds from the Global Offering, the translation of Renminbi into HK dollars was made at the rate of RMB1.00 to HK\$1.1656.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 732,165,121 Shares were in issue assuming that the Global Offering has been completed on June 30, 2010 but takes no account of any shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate. The unaudited pro forma adjusted net tangible assets per share is converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.1656.

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## FINANCIAL INFORMATION

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- (4) In accordance with the Group's accounting policies, property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. The Group's properties interests as at September 30, 2010 were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set out in "Appendix IV — Property Valuation Report" in this prospectus. With reference to such valuation, the net revaluation surplus, representing the excess of market value of the properties over their book value, is approximately RMB237,000 as at September 30, 2010. Such revaluation surplus has not been included in the Group's consolidated financial information. Had the properties been stated at such valuation, an additional depreciation of approximately RMB6,000 per annum would be recorded.

### **DIVIDEND POLICY**

We may distribute dividends by way of cash or by other means that we consider appropriate. Subject to the Cayman Companies Law and our Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends may exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium. The Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient. All of the Shareholders have equal rights to dividends and distributions in the form of stock, cash or otherwise. The Board will review our dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial conditions;
- our shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors the Board may deem relevant.

Our Company was incorporated on December 9, 2009 and no dividend has been declared or paid by our Company as of the Latest Practicable Date.

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## FINANCIAL INFORMATION

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As a holding company, our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiaries in China. In particular, our PRC subsidiaries may pay dividends only out of their accumulated distributable profits, if any, determined in accordance with their articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, our PRC subsidiaries are required to set aside a certain amount of their accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. There can be no assurance that dividends of any amount will be declared or distributed in any year.

Under the EIT Law and implementation regulations issued by the PRC Government, PRC income tax at the rate of 10% is applicable to interest and dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. If we are deemed to be a PRC “resident enterprise”, dividends distributed from our PRC subsidiaries to our Company could be exempt from PRC dividend withholding tax, but dividends from our Company to the ultimate Shareholders would be subject to PRC withholding tax at 10% or a lower treaty rate.

In addition, a withholding tax of 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onward. Deferred income tax liabilities of RMB1.9 million, RMB10.2 million, RMB24.5 million and RMB31.8 million for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively, had not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain of our subsidiaries because we intend to permanently reinvest such unremitted earnings in our PRC subsidiaries.

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, the Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favorable to us than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole. For a discussion of related party transactions, see “Connected Transactions” in this prospectus, as well as note 31 to our Accountant’s Report in Appendix I to this prospectus.

### DISTRIBUTABLE RESERVES

Our Company’s reserves available for distribution represent the share premium which in aggregate amounted to RMB190,999,000 as of June 30, 2010.

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## FINANCIAL INFORMATION

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### PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as of September 30, 2010 and is of the opinion that the value of our property interests as of such date was an aggregate amount of approximately RMB2.8 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of property interests from our audited consolidated financial statements as of June 30, 2010 to the unaudited net book value of the property interests of our Group as of September 30, 2010:

	<u>RMB'000</u>
Net book value of property interests as of June 30, 2010 . . . . .	2,579
Additions . . . . .	—
Depreciation . . . . .	(17)
Disposal . . . . .	—
Net book value as of September 30, 2010 . . . . .	2,562
Valuation surplus as of September 30, 2010 . . . . .	237
Valuation as of September 30, 2010 . . . . .	2,799

### DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date in this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2010, and no event has occurred since June 30, 2010 which would materially affect the information shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Our business objective is to continue to be a rapidly growing and profitable integrated print media services company, and expand successfully into new media. Our specific future plans are as follows:

- **Enhance our market position as an integrated print media service provider.** We intend to enhance our market position by (i) increasing our advertising customer base by enhancing the breadth and depth of our design and content planning teams, increasing the quality and range of the value-added services that we can offer to these customers and to implement MAITS in all cities in which we operate; and (ii) expanding the relationships we have with newspaper partners by expanding our operations with the six newspaper partners that we have partial cooperation by providing content relevant to each newspaper's editorial focus, and conducting more research to understand each newspaper's circulation characteristics and targets.
- **Expand into new markets in the PRC, and develop relationships with new newspaper partners.** We plan to expand into cities in the PRC's Bohai Bay and Beibu Bay areas, the Northeast and Central regions, as well as the Southeast coastal region where consumer spending, demographics or other metrics indicate that our business model is likely to be successful. We also expect to develop relationships by entering into long term cooperation contracts with potential newspaper partners that we believe can enhance our current market position in the PRC while providing an attractive return on investment.
- **Explore diversification into advertising services focusing on television or other media.** We intend to explore opportunities to become an integrated media services provider by diversifying our advertising services business away from newsprint paper into other media, including television.
- **Increase revenue from our digital media services.** We are expanding the content, functions and features available on our website *www.duk.cn*, including hosting content from a variety of new sources, and aiming to make the website attractive to a younger demographic segment that is used to getting news and other information online rather than through newspapers. Further, we intend to replicate the exclusive partnerships we have with our newspaper partners for the newspapers, magazines and other publications hosted on our website, so that we are able to offer to advertisers a suite of digital media advertising services similar to our print media services.

We plan to introduce upgraded versions of our online publication software to newspapers, publishing houses, advertisers and other customers interested in commissioning us to create electronic versions of their publications such as coffee table books and newsletters. We also intend to develop mobile applications for our website *www.duk.cn* and the newspapers, magazines, novels and advertisements we host electronically.



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## FUTURE PLANS AND USE OF PROCEEDS

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- **Recruit additional talented personnel.** We plan to focus on recruiting additional employees for our creative and service teams. We intend to improve our incentive schemes and to provide successful employees with better advancement opportunities. We intend to invest in educational and training programs. In addition to offering market competitive packages to potential employees, we seek to further enhance our corporate culture and growth as we believe this is key to our continued success in attracting new talent.
- **Grow through making acquisitions of existing operations and forming joint ventures with new strategic partners.** In addition to seeking organic growth, we intend to grow our business by evaluating selective acquisition opportunities and opportunities to enter into joint ventures with strategic partners. We plan to selectively acquire niche players whose businesses, products and sales networks are complementary to ours, thereby expanding the portfolio and geographic scope of services we offer to our customers. In particular, we expect to target local print media companies with quality service teams and strong customer resources for acquisitions.

Please refer to the section headed “Business — Our Strategies” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$3.82 per Share (which is the mid-point of the indicative Offer Price range), we estimate that we will receive net proceeds of approximately HK\$587.3 million from the Global Offering after deducting the underwriting commissions and other estimated expenses payable by us, if the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds to us from the offering of these additional Shares will be approximately HK\$99.1 million, after deducting the underwriting commissions and other estimated expenses payable by us, assuming an Offer Price of HK\$3.82 per Share.

In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 30%, or HK\$176.2 million, to be used in relation to entering into long-term cooperation agreements with new newspaper partners primarily located in second-tier cities in the Bohai Bay and Beibu Bay areas, Northeast region, Central region and Southeast coastal region of the PRC. We estimate that approximately 50% or HK\$88.1 million of such funds will be used to pay deposits upon entering into agreements with these new partners, 45% or HK\$79.3 million will be used to cover print media fees for our purchase of advertising spaces in their publications and 5% or HK\$8.8 million will be used as general working capital to cover additional office and operating expenses arising from these new relationships. Please refer to the section headed “Business — Our Strategies” for more details;
- approximately 30%, or HK\$176.2 million, to be used to expand into other media complementary with our current print media services business by entering into new cooperation contracts with television stations, radio stations or other media service providers, such as internet website operators, mobile phone service providers or outdoor advertisement providers, that are similar to our current cooperation with Nanning Television Station and Dalian Television Station. We estimate that approximately 40% or

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## FUTURE PLANS AND USE OF PROCEEDS

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HK\$70.4 million of such funds will be used for our new cooperation with television stations, 30% or HK\$52.9 million for radio stations and 30% or HK\$52.9 million for other media service providers. Similar to the arrangements with our new newspaper partners, we estimate that approximately 50% or HK\$88.1 million of the funds will be used to pay deposits upon entering into agreements with these new partners. Please refer to “Explore diversification into advertising services focusing on television or other media” under the section headed “Business — Our Strategies” for more details;

- approximately 20%, or HK\$117.5 million, to be used to undertake selective acquisitions and joint ventures. Please refer to “Grow through making acquisitions of existing operations and forming joint ventures with new strategic partners” under the section headed “Business — Our Strategies” for more details;
- approximately 10%, or HK\$58.7 million, to be used to enhance our print media services business through increasing the quality of our services and deepening our relationships with our media partners. Please refer to the section headed “Business — Our Strategies” for more details; and
- approximately 10%, HK\$58.7 million, to be used for our working capital requirements.

The allocation of the net proceeds used for the above purposes will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range. Assuming the Over-allotment Option is not exercised, if the Offer Price is fixed at HK\$4.61 per Share, being the high end of the Offer Price range, the net proceeds will be increased by approximately HK\$136.6 million. In such circumstances, we presently intend to use such additional proceeds to increase the net proceeds applied to the same purposes above (other than as general working capital) on a pro rata basis. If the Offer Price is fixed at HK\$3.03 per Share, being the low end of the Offer Price range, the net proceeds will be decreased by approximately HK\$136.6 million. In such circumstances, we presently intend to reduce the net proceeds applied to our general working capital.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$99.1 million (assuming the Offer Price is determined at the mid-point of the Offer Price range), approximately HK\$119.6 million (assuming the Offer Price is determined at the high end of the stated Offer Price range) or approximately HK\$78.6 million (assuming the Offer Price is determined at the low end of the stated Offer Price range) will be applied by our Company for the same above purposes (other than as general working capital) on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, our Directors currently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong or the PRC.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

#### *Joint Lead Managers*

CCB International Capital Limited  
China Merchants Securities (HK) Co., Limited

#### *Co-Lead Manager*

First Shanghai Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### *Hong Kong Public Offering*

##### **Hong Kong Underwriting Agreement**

The Hong Kong Underwriting Agreement was entered into on November 19, 2010. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be allotted and issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### **Grounds for termination**

The respective obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing from the Sole Global Coordinator, for itself and on behalf of the Hong Kong Underwriters, if any of the following events occurs prior to 8:00 a.m. on the Listing Date:

- (i) there shall have developed, occurred or come into effect any event or series of events, matters or circumstances concerning or relating to:
  - (a) any new law or regulation or any change or development involving a prospective 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 United States, the PRC, the Cayman Islands, the European Union, the United Kingdom or Japan (collectively, the “**Relevant Jurisdictions**”); or

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## UNDERWRITING

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- (b) any change or development, or any event or series of events reasonably expected to result in any change or development, or prospective change or development, in local, regional, national or international financial, political, legal, military, industrial, economic, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) or equity securities or stock or other financial market conditions or any monetary or trading settlement system (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the United States or a re-valuation of the Renminbi against any foreign currencies) in or affecting any of the Relevant Jurisdictions; or
- (c) any major disruption or general moratorium in commercial banking or securities settlement, payment or clearing services or procedures in any of the Relevant Jurisdictions; or
- (d) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or the London Stock Exchange, by any of the said exchanges or by such system or by order of any regulatory or governmental authority; or
- (e) a change, or development involving a prospective change, in taxation, exchange control (or the implementation of any exchange control) or currency exchange rates in any of the Relevant Jurisdictions; or
- (f) any event or a series of events, in the nature of force majeure, including but not limited to any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, earthquake, explosion, epidemic, outbreak of an infectious disease, terrorism (whether or not responsibility has been claimed), labor dispute, strike or lock-out and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis (whether or not covered by insurance) or political or social crisis involving or affecting any of the Relevant Jurisdictions; or
- (g) any director of the Company being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; the chairman or chief executive officer of the Company vacating his or her office in circumstances where the operations of the Group may be adversely affected; the commencement by any regulatory or political body or organization of any action against a director of the Company or member of the Group or an announcement by any regulatory or political body or organization that it intends to take any such action; or
- (h) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus,

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## UNDERWRITING

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which in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Joint Sponsors and the Hong Kong Underwriters):

- (1) is or may be, or is likely to be, materially adverse to or materially or prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (taken as a whole); or
  - (2) has or will have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering or the Global Offering or the level of Offer Shares being applied for, accepted, subscribed for or purchased or the distribution of Offer Shares or dealings in our Shares in the secondary market; or
  - (3) makes it inadvisable, impracticable or inexpedient to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus,
- (ii) there has come to the notice of the Sole Global Coordinator:
- (a) any matter, circumstance or event showing any of the representations, warranties and undertakings given by our Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or in the International Underwriting Agreement to be untrue, incorrect, inaccurate or misleading when given or repeated; or
  - (b) any breach on the part of our Company or the Controlling Shareholders of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
  - (c) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom; or
  - (d) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by our Company in connection with the Hong Kong Public Offering, was or has become or been discovered to be untrue, incorrect or misleading; or
  - (e) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities referred to in Clause 7 of the Hong Kong Underwriting Agreement; or
  - (f) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Company or our Company and our subsidiaries taken as a whole; or

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## UNDERWRITING

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- (g) a petition is presented for the winding-up or liquidation of our Company or any of our subsidiaries, or our Company or any of our subsidiaries makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (h) any material adverse change or development involving a material adverse change or prospective material adverse change in the condition, business, financial or otherwise in the earnings, business affairs, business prospects or trading prospects of our Group, including any litigation, claim or arbitral proceedings of material importance being threatened or instigated against any member of our Group; or
- (i) approval by the Listing Committee of the listing of, and permission to deal in, our Shares to be allotted and issued (including any additional Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

then the Sole Global Coordinator, in its absolute discretion, may, for itself and on behalf of the Joint Sponsors and the Hong Kong Underwriters, upon giving notice in writing to our Company on or prior to 8:00 a.m. on the Listing Date (with a copy of such notice to each of the Controlling Shareholders, the Joint Sponsors and the Hong Kong Underwriters), terminate the Hong Kong Underwriting Agreement with immediate effect.

### *Undertakings to the Stock Exchange pursuant to the Listing Rules*

#### **Undertakings by Our Company**

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering (including the exercise of the Over-allotment Option and the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme) or for the circumstances prescribed by Rule 10.08 of the Listing Rules, our Company will not, at any time within six months from the Listing Date, allot and issue any shares or other securities convertible into equity securities of our Company or enter into any agreement or arrangement to allot and issue such shares or securities (whether or not such allotment and issue of shares or securities will be completed within six months from the Listing Date).

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## UNDERWRITING

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### Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Stock Borrowing Agreement, that he or it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (i) in the period commencing on the Latest Practicable Date and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (ii) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a Controlling Shareholder of our Company.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he or it will:

- (i) if he or it pledges or charges any of our securities beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

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## UNDERWRITING

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### *Undertakings pursuant to the Hong Kong Underwriting Agreement*

#### **Undertakings by Our Company**

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, and the Controlling Shareholders have agreed to procure that, except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option and the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme) and unless in compliance with the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement and until the expiry of the First Six-month Period, our Company will not, without the prior written consent of the Joint Sponsors and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters):

- (a) offer, pledge, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of our share capital or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) publicly disclose that our Company will or may enter into any such transaction described in paragraphs (a), (b) or (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Shares or other securities, in cash or otherwise.



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## UNDERWRITING

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### Undertakings by Our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to us, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the stock borrowing arrangement that may be entered into with the Stabilizing Manager or any of its affiliates or any person acting for it, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters), the Joint Sponsors, the Joint Bookrunners and the Joint Lead Managers and unless in compliance with the Listing Rules:

- (i) during the First Six-month Period:
  - (a) he or it will not offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of our share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or
  - (b) he or it will not enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
  - (c) he or it will not enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
  - (d) he or it will not publicly disclose that he or it will or may enter into any transaction described in (a), (b) or (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such capital or securities, in cash or otherwise; and

- (ii) during the Second Six-month Period, he or it will not enter into any of the foregoing transactions in paragraphs (i)(a), (b) or (c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal, any Controlling Shareholder will cease to be a Controlling Shareholder of our Company; and
- (iii) until the expiry of the Second Six-month Period, in the event that he or it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company.

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## UNDERWRITING

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Each of our Controlling Shareholders has further undertaken to us, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, if at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve months from the Listing Date, he or it shall:

- (a) if and when he or it pledges or charges any securities or interests in our securities beneficially owned by he or it, immediately inform our Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners and the Joint Lead Managers in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in our securities will be disposed of, immediately inform our Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners and the Joint Lead Managers in writing of such indications.

We agree and undertake that upon receiving such information in writing from any of the Controlling Shareholders, we shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement.

### *The International Offering*

In connection with the International Offering, it is expected that we and the Controlling Shareholders will enter into the International Underwriting Agreement with the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until Saturday, December 25, 2010, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 27,456,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price solely to cover over-allocations in the International Offering, if any.

### *Commission and expenses*

Under the terms and conditions of the Underwriting Agreements, the Hong Kong Underwriters will receive a gross underwriting commission of 3% on the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to

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## UNDERWRITING

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the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, we may, at our sole discretion, pay a total incentive fee of up to 2.5% of the Offer Price of the total Offer Shares offered in the Global Offering to any of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and/or the Joint Sponsors.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$3.82 per Share (being the mid-point of the indicative Offer Price range of HK\$3.03 to HK\$4.61 per Share), the aggregate commissions and fees (exclusive of any discretionary incentive fee), together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, sponsorship fees, legal and other professional fees and printing, roadshow and other expenses relating to the Global Offering to be borne by our Company are estimated to amount to approximately HK\$94.5 million in aggregate.

### *Indemnity*

We have agreed to indemnify each of the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

### *Hong Kong Underwriters' interests in our Company*

Except for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in the paragraph headed "Sponsors' independence" below and the section headed "History and Corporate Structure" in this prospectus, and, if applicable, the stock borrowing arrangement that may be entered into by the Stabilizing Manager or any of its affiliates, none of the Hong Kong Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### *Sponsors' independence*

Macquarie satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

CCBI does not satisfy the independence test set out in Rule 3A.07 of the Listing Rules, as it and its related entities have other business relationships with our Group as of the date of this prospectus. In particular, as disclosed in the section headed "History and Corporate Structure" in this prospectus, as of the Latest Practicable Date, Pride Sky Holdings Limited, a wholly-owned subsidiary of CCB International Asset Management Limited and an associate of CCBI, owned approximately 7.7% of the issued share capital of our Company, and upon completion of the Global Offering, will hold approximately 5.8% of the enlarged issued share capital of our Company (assuming the Over-allotment Option is not exercised).

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## UNDERWRITING

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### RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose 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.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 18,306,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section headed “The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of 164,736,000 Offer Shares (subject to adjustment as mentioned below) outside the United States (in reliance on Regulation S).

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph below headed “Over-allotment Option”.

### THE HONG KONG PUBLIC OFFERING

#### *Number of Offer Shares initially offered*

Our Company is initially offering 18,306,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Offer Shares will represent approximately 25 % of our Company’s authorized share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph below headed “Conditions of the Hong Kong Public Offering”.

#### **Allocation**

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by

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## STRUCTURE OF THE GLOBAL OFFERING

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applicants, but, subject to that, will be made strictly on a pro-rata basis. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into 2 pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 9,153,000 Offer Shares are liable to be rejected.

### **Reallocation**

The allocation of the Offer Shares between (i) the Hong Kong Public Offering and (ii) the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 54,918,000 Offer Shares (in the case of (i)), 73,224,000 Offer Shares (in the case of (ii)) and 91,530,000 Offer Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may, at its sole discretion, allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$4.61 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Pricing of the Global Offering" below, is less than the maximum price of HK\$4.61 per Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply For Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### **THE INTERNATIONAL OFFERING**

#### *Number of Offer Shares offered*

Subject to reallocation as described above, the International Offering will consist of an aggregate of 164,736,000 Offer Shares.

#### **Allocation**

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the 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 relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

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## STRUCTURE OF THE GLOBAL OFFERING

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The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Sole Global Coordinator have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 27,456,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

### PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing of the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, November 25, 2010, and in any event on or before Monday, November 29, 2010, by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$4.61 per Share and is expected to be not less than HK\$3.03 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

**Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.**



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## STRUCTURE OF THE GLOBAL OFFERING

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The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our 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 Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the profit forecast for the year ending December 31, 2010 and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. **Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the offer price range is so reduced.** In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the offer price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$723.9 million, assuming an Offer Price of HK\$4.61 per Share, or approximately HK\$450.6 million, assuming an Offer Price of HK\$3.03 per Share (or if the Over-allotment Option is exercised in full, approximately HK\$843.5 million, assuming an Offer Price of HK\$4.61 per Share, or approximately HK\$529.2 million, assuming an Offer Price of HK\$3.03 per Share).

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, December 2, 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

### HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

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## STRUCTURE OF THE GLOBAL OFFERING

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These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting” in this prospectus.

### DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 3, 2010, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:30 a.m. on Friday, December 3, 2010.

### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued upon the exercise of the options under the 2010 Share Option Scheme and the Share Option Scheme) (subject only to allotment);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Friday, December 3, 2010.

***If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed.***

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in

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## STRUCTURE OF THE GLOBAL OFFERING

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the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for our Shares are expected to be issued on Thursday, December 2, 2010 but will only become valid certificates of title at 8:00 a.m. on Friday, December 3, 2010 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Grounds for termination” in this prospectus has not been exercised.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three ways to make an application for Hong Kong Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the HK eIPO White Form Service Provider, referred to herein as the “**HK eIPO White Form**” service; or (iii) **electronically instruct** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC.

### WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form, or if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States;
- are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)), in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If an application is made by a person duly authorized under a valid power of attorney, our Company and the Sole Global Coordinator (or its agents or nominees) may accept it at our or its discretion, and subject to any conditions we or they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Sole Global Coordinator or the designated HK eIPO White Form Service Provider (where applicable) or our or their respective agents and nominees have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing legal and beneficial owners of Shares, our Directors or chief executive officer, the directors or chief executive officer of any of our subsidiaries, or their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

### 1. APPLYING BY USING AN APPLICATION FORM

#### WHICH APPLICATION FORM TO USE

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name.

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **HK eIPO White Form** by submitting applications online through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). Use **HK eIPO White Form** if you want the Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. from Monday, November 22, 2010 to Wednesday, November 24, 2010 and between 9:00 a.m. to 12:00 noon on Thursday, November 25, 2010 from:

- (1) Any of the following addresses of the Hong Kong Underwriters

CCB International Capital Limited	34/F, Two Pacific Place, 88 Queensway Admiralty, Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square, Central, Hong Kong
First Shanghai Securities Limited	19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong

- (2) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island:	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	North Point Centre Branch	North Point Centre, 284 King's Road, North Point
	Causeway Bay Branch	G/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon:	Kwun Tong Branch	1A Yue Man Square, Kwun Tong
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan
	Yaumatei Branch	G/F - 1/F, Ming Fong Bldg., 564 Nathan Road, Yaumatei
	Lok Fu Shopping Centre Branch	Shop G101, G/F., Lok Fu Shopping Centre

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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	<u>Branch Name</u>	<u>Address</u>
	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories:	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	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
	Tai Po Branch	23 & 25 Kwong Fuk Road, Tai Po Market, Tai Po
	New Town Plaza Branch	Shop 215 to 223, Phase 1, New Town Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, November 22, 2010 until 12:00 noon on Thursday, November 25, 2010 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

### HOW TO COMPLETE THE WHITE OR YELLOW APPLICATION FORM

Obtain an Application Form as described in the paragraph headed “Where to Collect the Application Forms” above.

Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these 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 at the address stated in the Application Form. Each Application Form must be accompanied by payment, in the form of either one cheque or one banker’s cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker’s cashier order does not meet the requirements set out on the Application Form.

Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in the paragraph headed “Members of the Public — Time for Applying for Hong Kong Offer Shares” below.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You should note that by completing and submitting the **WHITE** and **YELLOW** Application Form, among other things:

- (i) you agree with our Company, for itself and for each Shareholder of our Company, to observe and comply with the Cayman Companies Law and the Articles of Association;
- (ii) you agree with our Company and each of our Shareholders that the Shares in our Company are freely transferable by the holders thereof;
- (iii) you authorize our Company to enter into a contract on your behalf with each of our Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders as stipulated in Articles of Association;
- (iv) you confirm that you have received a copy of this prospectus and 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 concerning our Company;
- (v) you agree that none of our Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, other parties involved in the Global Offering or any of their respective directors, officers, employees, partners, agents or advisors is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);
- (vi) you undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in or received or been placed, allotted or allocated (including conditionally and/or provisionally), and will not apply for or take up, or indicate any interest in any International Offer Shares nor otherwise participated in the International Offering;
- (vii) you agree to disclose to our Company, and/or our Hong Kong Branch Share Registrar, receiving banker, advisors and agents and the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective advisors and agents any information about you which they require or the person(s) for whose benefit you have made the application;
- (viii) you instruct our Company and the Sole Global Coordinator (or its respective agents or nominees) as agent for our Company to do on your behalf all things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- (ix) you agree that the processing of your application may be done by any of our Company's receiving banker and is not restricted to the bank at which your application was lodged;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (x) you represent and warrant that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph h(3) of Rule 902 of Regulation S;
- (xi) you agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- (xii) you warrant the truth and accuracy of the information contained in your application;
- (xiii) you agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xiv) confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
- (xv) you undertake and agree to accept the Shares applied for, or any lesser number allocated to you under the application; and
- (xvi) if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus.

In order for the **YELLOW** Application Forms to be valid, you, as an applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form.

Only written signatures will be accepted:

- (i) **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 participant I.D. in the appropriate box in the Application Form.

- (ii) **If the application is made by an individual CCASS Investor Participant:**

- (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

- (a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and
- (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

- (a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
- (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

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. Failure to provide the account number(s) or other identification code(s) for the beneficial owner(s) will result in the application being deemed to be submitted for the benefit of the nominee(s) in question.

If your application is made through a duly authorized attorney, we and the Sole Global Coordinator, (or its agents or nominees) may accept it at our or its discretion, and subject to any conditions we or they think fit, including evidence of the authority of your attorney. We and the Sole Global Coordinator (or its agents or nominees) will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

## 2. HOW TO APPLY THROUGH HK eIPO WHITE FORM

### General

If you are an individual and meet the criteria set out in the paragraph headed "Who can apply for the Hong Kong Offer Shares" above, you may apply through **HK eIPO White Form** by submitting an application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated HK eIPO White Form Service Provider and may not be submitted to our Company.

If you give **electronic application instructions** through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk), you will have authorized the designated HK eIPO White Form Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.

In addition to the terms and conditions set out in this prospectus, the designated HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated HK eIPO White Form Service Provider through the **HK eIPO White Form** service, you are deemed to have authorized the designated HK eIPO White Form Service Provider to transfer the details of your application to our Company and our Hong Kong Branch Share Registrar.

You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

**Warning:** The application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. Our Company, our Directors, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

### Conditions of the HK eIPO White Form service

In using the **HK eIPO White Form** service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- (i) applies for the desired number of Hong Kong Offer Shares on the terms and conditions of this prospectus and the **HK eIPO White Form** designated website at [www.hkeipo.hk](http://www.hkeipo.hk) subject to the Articles of Association;
- (ii) undertakes and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (iii) declares that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or the HK eIPO White Form Service Provider under the **HK eIPO White Form** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- (iv) undertakes and confirms that the applicant and the person for whose benefit the applicant is applying have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allotted (including conditionally and/or provisionally) any Offer Shares under the International Offering, nor otherwise participated in the International Offering;
- (v) understands that this declaration and representation will be relied upon by our Company and the Sole Global Coordinator in deciding whether or not to make any allotment of Hong Kong Offer Shares in response to such application;
- (vi) authorizes our Company to place the applicant's name on the register of members of our Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set forth in this prospectus) to send any share certificates (where applicable) by ordinary post at the applicant's own risk to the address given on the **HK eIPO White Form** application except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and that applicant collects any share certificate(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and this prospectus;
- (vii) requests that any refund cheque(s) be made payable to the applicant who had used multiple bank accounts to pay the application monies; and (subject to the terms and conditions set forth in this prospectus) to send any refund cheques by ordinary post and at the applicant's own risk to the address given on the **HK eIPO White Form** application (except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and this prospectus;
- (viii) request that any e-Auto Refund payment instructions be dispatched to the application payment bank account where the applicant had paid the application monies from a single bank account;
- (ix) has read the terms and conditions and application procedures set forth on the **HK eIPO White Form** designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and this prospectus and agrees to be bound by them;
- (x) represents, warrants and undertakes that the applicant, and any persons for whose benefit the applicant is applying are non-US person(s) outside the United States (as defined in Regulation S under the U.S. Securities Act) when completing and submitting the Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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S under the U.S. Securities Act or the allotment of or application for the Hong Kong Offer Shares to or by whom or for whose benefit this application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and

- (xi) agrees that such application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

### **Supplemental information**

If any supplement to this prospectus is issued, applicant(s) who have already submitted electronic application instructions through the **HK eIPO White Form** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

### **Effect of completing and submitting an application through the HK eIPO White Form service**

By completing and submitting an application through the **HK eIPO White Form** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- (i) instruct and authorize our Company and the Sole Global Coordinator as agent for our Company (or its respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **HK eIPO White Form** designated website at [www.hkeipo.hk](http://www.hkeipo.hk);
- (ii) confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to this prospectus;
- (iii) agree that our Company, our Directors and any person who has authorized this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iv) agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (v) (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service;
- (vi) (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 has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service, and that you are duly authorized to submit the application as that other person's agent;
- (vii) undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this 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 Offer Shares under the International Offering nor otherwise participate in the International Offering;
- (viii) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (ix) agree to disclose to our Company, the Sole Global Coordinator, the Joint Sponsors, the Underwriters, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Branch Share Registrar, the receiving banker and/or their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- (x) agree with our Company and each Shareholder of our Company, and our Company agrees with each of its Shareholders, to observe and comply with the Cayman Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- (xi) agree with our Company and each Shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
- (xii) represent and warrant that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of rule 902 of Regulation S;
- (xiii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and the **HK eIPO White Form** designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and agree to be bound by them;
- (xiv) undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(xv) if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **HK eIPO White Form** designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Our Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other parties involved in the Global Offering and their respective directors, officers, employees, partners, agents, advisors are entitled to rely on any warranty, representation or declaration made by you in such application.

### **Power of attorney**

If your application is made by a duly authorized attorney, our Company and the Sole Global Coordinator (or its agents or nominees), may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

### **Additional information**

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **HK eIPO White Form** service to the HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated HK eIPO White Form Service Provider, the designated HK eIPO White Form Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated HK eIPO White Form Service Provider on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph entitled “Refund of Application Monies”.

### **3. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

#### **General**

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong 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.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using 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 Center  
2/F Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

Prospectuses 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 the Hong Kong 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 our Company and our registrar.

### **Giving electronic application instructions to HKSCC to apply for Hong Kong 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 Hong Kong 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;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
  - agrees that the Hong Kong 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 inputted **electronic application instructions** on that person’s behalf or that person’s CCASS Investor Participant stock account;
  - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- undertakes and confirms that that person has not indicated an interest for, applied for or taken up or indicated an interest for, and has not received or been placed or allocated (including conditionally or provisionally) any Offer Shares under the International Offering nor otherwise participated in the International Offering;
- (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 our Company and the Sole Global Coordinator in deciding whether or not to make any allotment of Hong Kong 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 our Company to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong 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 us 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 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 save as set out in any supplement to this prospectus;
- agrees that our Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company, the Sole Global Coordinator and/or its respective agents and the Hong Kong Branch Share Registrar 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 has been accepted, the application cannot be rescinded for innocent misrepresentation;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before Friday, December 3, 2010, such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before Friday, December 3, 2010, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before Friday, December 3, 2010 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 instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our 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 Hong Kong Offer Shares;
- agrees with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Law, the Companies Ordinance and the Articles of Association; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

### Effect of giving electronic application instructions to HKSCC via CCASS

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, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our 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 relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and the Stock Exchange trading fee, by crediting your designated bank account; and
- 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 numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

For the purposes of allocating Hong Kong 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.

### Section 40 of the Companies Ordinance

For the avoidance of doubt, our 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 (as applied by section 342E of the Companies Ordinance).

### Personal data

The section of the Application Form entitled “Personal Data” applies to any personal data held by us and our Hong Kong Branch Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the 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 the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, November 25, 2010.

#### 4. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Offer Shares if, and only if:

You are a nominee, in which case you may give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners.

In the box on the Application Form marked "For nominees" 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 made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated HK eIPO White Form Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving **electronic application instructions** through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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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 the Hong Kong 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.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction** you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)); or
- (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 has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) and that you are duly authorized to sign the Application Form or give **electronic application instructions** as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)); or
- apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)); or
- apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) for more than 9,153,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the section entitled "Structure of the Global Offering — The Hong Kong Public Offering"; or

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- 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) Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). 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.

**Unlisted company** means a company with no equity securities listed on the Stock Exchange.

**Statutory control** means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the 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).

### 5. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK\$4.61 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. This means that for every board lot of 1,000 Shares you will pay HK\$4,656.47. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of Shares up to 9,153,000 Shares. Your application must be for a minimum of 1,000 Shares. Applications must be in one of the numbers set forth in the tables in the Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms (if you apply by an Application Form) or this prospectus.

If your application is successful, brokerage is paid to participants of the Stock Exchange, the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 6. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, together with a cheque attached and marked payable to “Horsford Nominees Limited — ShiFang Holding Public Offer” for the payment, must be lodged by 12:00 noon on Thursday, November 25, 2010, 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” below.

Your completed Application Form, together with a cheque attached and marked payable to “Horsford Nominees Limited — ShiFang Holding Public Offer” for the payment, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited listed under the paragraph headed “Applying by Using an Application Form — Where to Collect the Application Forms” above at the following times:

Monday, November 22, 2010 — 9:00 a.m. to 5:00 p.m.

Tuesday, November 23, 2010 — 9:00 a.m. to 5:00 p.m.

Wednesday, November 24, 2010 — 9:00 a.m. to 5:00 p.m.

Thursday, November 25, 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, November 25, 2010. No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

#### **HK eIPO White Form**

You may submit your application to the designated HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) from 9:00 a.m. on Monday, November 22, 2010 until 11:30 a.m. on Thursday, November 25, 2010 or such later time as described under the paragraph headed “Effect of Bad Weather on the Opening of the Applications Lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, November 25, 2010, the last application day, 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 Applications Lists” below.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for lodging applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, November



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25, 2010, or such later time as described under the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

### Time for inputting electronic application instructions

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing/Custodian Participants to give **electronic application instructions** to HKSCC via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, November 22, 2010 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>

Tuesday, November 23, 2010 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>

Wednesday, November 24, 2010 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>

Thursday, November 25, 2010 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon

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*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 Monday, November 22, 2010 until 12:00 noon on Thursday, November 25, 2010 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, November 25, 2010, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” below.

## 7. 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



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 25, 2010. Instead the last application day will be postponed and the application lists will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

**Business Day** means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

### 8. PUBLICATION OF RESULTS

We expect to announce the Offer Price, the level of indication of interest in the International Offering, the level of indication of interest in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, December 2, 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our Company's website at [www.shifangholding.com](http://www.shifangholding.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering can be found in our announcement to be posted on our Company's website at [www.shifangholding.com](http://www.shifangholding.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Thursday, December 2, 2010.
- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) on a 24-hour basis from 8:00 a.m. on Thursday, December 2, 2010 to 12:00 midnight on Wednesday, December 8, 2010. Search by ID function will be available on our Hong Kong Public Offering results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result), or via a hyperlink from our website at [www.shifangholding.com](http://www.shifangholding.com) to our Hong Kong Public Offering results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result). The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/ its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, December 2, 2010 to Tuesday, December 7, 2010 (excluding Saturday, Sunday and public holidays);
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, December 2, 2010 to Monday, December 6, 2010 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed "Applying by Using an Application Form — Where to Collect the Application Forms" above.

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### 9. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or through the **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC or the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)), you agree that your application or the application made by HKSCC Nominees on your behalf or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) cannot be revoked on or before Friday, December 3, 2010. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to HKSCC or the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) 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 Hong Kong Offer Shares to any person on or before Friday, December 3, 2010 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees or the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) on your behalf may only be revoked on or before Friday, December 3, 2010 if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E 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, applicant(s) 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 applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted 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 or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) has been accepted, it cannot be revoked. For this purpose, acceptance of

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applications which are not rejected will be constituted by notification in the press 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 the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of our Company or our agents to reject or accept your application:**

Our Company, the Sole Global Coordinator (or its respective agents and nominees) or the designated HK eIPO White Form Service Provider (where applicable), or our respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company, the Sole Global Coordinator (or its respective agents and nominees) and the designated HK eIPO White Form Service Provider (where applicable), in their capacity as our agents, and our agents and nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allotment if:**

- you make multiple applications or suspected multiple applications;
- 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) Hong Kong Offer Shares and/or Offer Shares in the International Offering. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving **electronic application instructions** to HKSCC or to the designated HK eIPO White Form Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)), you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;

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- your application is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form) or on the **HK eIPO White Form** website ([www.hkeipo.hk](http://www.hkeipo.hk));
- 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 dishonored upon its first presentation;
- the Hong Kong Underwriting Agreement and the International Underwriting Agreement do not become unconditional;
- the Hong Kong Underwriting Agreement and the International Underwriting Agreement are terminated in accordance with their respective terms;
- the Company and/or the Sole Global Coordinator believes that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed; or
- your application is for more than 9,153,000 Hong Kong Offer Shares, representing 50% of the Hong Kong Offer Shares initially offered for public subscription under the Hong Kong Public Offering.

### 10. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price of HK\$4.61 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

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No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

- (a) for applications on **WHITE** Application Form or by giving **electronic application instructions** through the **HK eIPO White Form** service:
  - (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or
  - (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms: share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but 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 your 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 your 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.
- (c) for applications by giving **electronic application instructions** to HKSCC and if your application is wholly or partially successful, share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Thursday, December 2, 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees. Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 2, 2010. No interest will be paid thereon.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms; and share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **electronic application instructions** through the **HK eIPO White Form** service are expected to be posted on or around Thursday, December 2, 2010. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, December 3, 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination” has not been exercised.

**(a) if you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 2, 2010 or such other date as notified by us in the newspapers as the date of collection/dispatch of refund cheques/e-Auto Refund payment instructions/share certificates. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, December 2, 2010, by ordinary post and at your own risk.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### (b) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your **YELLOW** Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on Thursday, December 2, 2010, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, December 2, 2010, 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):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offering on Thursday, December 2, 2010 in the manner described in the paragraph headed “Publication of Results” above. You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 2, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**(c) If you are applying through HK eIPO White Form**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated HK eIPO White Form Service Provider through the designated website [www.hkeipo.hk](http://www.hkeipo.hk) and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 2, 2010, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) on Thursday, December 2, 2010 by ordinary post and at your own risk.

If you apply through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (if any) will be dispatched to your payment bank account in the form of e-Auto Refund payment instructions. If you apply through **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (if any) will be dispatched to the address as specified on your **HK eIPO White Form** application in the form of refund cheque(s), by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated HK eIPO White Form Service Provider set out in the paragraph headed "How to Apply Through HK eIPO White Form — Additional information" above.

**(d) If you apply by giving electronic application instructions to HKSCC**

*Deposit of Share certificates into CCASS and refund of application monies*

We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, December 2, 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 2, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 2, 2010. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

### 11. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of e-Auto Refund payment instructions/refund cheques will be retained for our benefit.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$4.61 per Offer Share, appropriate refund payments, including the brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% attributable to the surplus application monies will be made to successful applicants, without interest. Details of the procedure for refund are set out in the paragraph headed "Dispatch/Collection of Share Certificates and Refund Monies" above.

All such interest accrued prior to the date of dispatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Sole Global Coordinator, cheques for applications for certain small denominations of Hong Kong Offer Shares on Application Forms (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Thursday, December 2, 2010 in accordance with the various arrangements as described in this section.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 12. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Friday, December 3, 2010. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 1831.

### 13. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Listing Committee grants the listing of, and permission to deal in, the Shares and we comply 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.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to CCB International Capital Limited and Macquarie Capital Securities Limited pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

November 22, 2010

The Directors  
ShiFang Holding Limited

CCB International Capital Limited  
Macquarie Capital Securities Limited

Dear Sirs,

We report on the financial information of ShiFang Holding Limited (the "**Company**") and its subsidiaries (together, the "**Group**") which comprises the consolidated balance sheets as at December 31, 2007, 2008, 2009 and June 30, 2010, the balance sheet of the Company as at June 30, 2010, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2007, 2008 and 2009, and the six months ended June 30, 2010 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated November 22, 2010 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on December 9, 2009 as an exempted company with limited liability under the Companies Law (2009 Revision) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1 of Section II headed "General information and group reorganization" below, which was completed on January 18, 2010, the Company became the holding company of the subsidiaries comprising the Group (the "**Reorganization**").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All of these companies are private companies.

All companies comprising the Group have adopted December 31 as their financial year end date. No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than the Reorganization and there is no statutory requirement to do so. The statutory audited financial statements during the Relevant Periods of the companies comprising the Group for which there is a statutory audit requirement have been prepared in accordance with accounting principles applicable to their respective places of incorporation. Details of the financial statements of the companies comprising the Group that are subject to audit and the name of respective auditors are set out in Note 1(b) of Section II below.

The directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods, in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) (the “**Underlying Financial Statements**”). We have audited the Underlying Financial Statements in accordance with the International Standards on Auditing (the “**ISA**”) issued by the International Auditing and Assurance Standards Board (the “**IAASB**”) pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1 of Section II below.

#### **Directors' responsibility for the financial information**

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with the basis of preparation set out in Note 1 of Section II below and in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are 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.

#### **Reporting accountant's responsibility**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

#### **Opinion**

In our opinion, the financial information gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Company as at June 30, 2010 and of the state of affairs of the Group as at December 31, 2007, 2008 and 2009, and June 30, 2010 and of the Group's results and cash flows for the relevant periods then ended.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information set out in Sections I to III below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2009 and a summary of significant accounting policies and other explanatory notes (the “**Stub Period Comparative Financial Information**”).

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRSs.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB. A review consists of making inquiries, 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 the ISA 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.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the Prospectus, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRSs.

## I. FINANCIAL INFORMATION

The following is the financial information of the Group as at December 31, 2007, 2008 and 2009, and June 30, 2010, and for each of the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010 and the Company as at June 30, 2010, prepared by the directors of the Company:

## (A) CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,			As at June 30,
		2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment . . . . .	7	39,255	37,889	34,550	42,637
Intangible assets . . . . .	8	86	4,319	3,769	3,490
Deposits to newspaper publishers . . . . .	10	60,000	60,000	60,000	60,000
		99,341	102,208	98,319	106,127
<b>Current assets</b>					
Inventories . . . . .	12	11,937	1,973	3,954	4,315
Assets held for sale . . . . .	11	5,817	18,515	22,885	31,537
Trade and bill receivables . . . . .	9	52,480	114,592	154,302	212,207
Prepayments, deposits and other receivables . . . . .	10	66,553	93,676	145,817	182,037
Amounts due from immediate holding company . . . . .	31(c)	—	3,572	12,891	15,086
Amounts due from related parties . . . . .	31(c)	642	19,329	20,777	18,363
Restricted cash . . . . .	14(a)	3,150	—	—	—
Cash and cash equivalents . . . . .	13	5,735	10,734	40,643	190,100
		146,314	262,391	401,269	653,645
<b>Total assets . . . . .</b>		<b>245,655</b>	<b>364,599</b>	<b>499,588</b>	<b>759,772</b>

	Note	As at December 31,			As at June 30,
		2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
<b>EQUITY</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share Capital . . . . .	18	—	—	—	48,284
Share premium . . . . .	18	—	—	—	190,999
Capital reserves . . . . .	19	58,081	62,081	62,081	60,454
Share option reserves . . . . .		—	—	—	2,119
Statutory reserves . . . . .	19	2,971	9,277	19,042	22,737
Retained earnings . . . . .		15,647	89,116	220,170	288,067
		<u>76,699</u>	<u>160,474</u>	<u>301,293</u>	<u>612,660</u>
Non-controlling interest . . . . .		<u>1,071</u>	<u>526</u>	<u>487</u>	<u>480</u>
<b>Total equity . . . . .</b>		<u><b>77,770</b></u>	<u><b>161,000</b></u>	<u><b>301,780</b></u>	<u><b>613,140</b></u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables . . . . .	16	26,583	26,332	3,722	5,561
Other payables and accrued expenses . . . . .	16	27,758	40,228	56,445	52,476
Current income tax liabilities . . . . .		4,670	11,363	28,065	34,130
Borrowings . . . . .	15	65,887	49,600	47,260	35,000
Amounts due to directors . . . . .	31(c)	4,473	6,705	1,374	1,053
Amounts due to related parties . . . . .	31(c)	38,514	69,371	60,942	18,412
		<u>167,885</u>	<u>203,599</u>	<u>197,808</u>	<u>146,632</u>
<b>Total liabilities . . . . .</b>		<u><b>167,885</b></u>	<u><b>203,599</b></u>	<u><b>197,808</b></u>	<u><b>146,632</b></u>
<b>Total equity and liabilities . . . . .</b>		<u><b>245,655</b></u>	<u><b>364,599</b></u>	<u><b>499,588</b></u>	<u><b>759,772</b></u>
<b>Net current (liabilities)/ assets . . . . .</b>		<u><b>(21,571)</b></u>	<u><b>58,792</b></u>	<u><b>203,461</b></u>	<u><b>507,013</b></u>
<b>Total assets less current liabilities . . . . .</b>		<u><b>77,770</b></u>	<u><b>161,000</b></u>	<u><b>301,780</b></u>	<u><b>613,140</b></u>

**(B) BALANCE SHEET**

	<u>Note</u>	<u>As at June 30,</u> <u>2010</u>
		<u>RMB'000</u>
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investment in a subsidiary .....	20	342
<b>Current asset</b>		
Amount due from a subsidiary .....	21	<u>238,941</u>
<b>Total assets</b> .....		<u><u>239,283</u></u>
<b>Equity attributable to equity holders of the Company</b>		
Share capital .....	18	48,284
Share premium .....	18	<u>190,999</u>
<b>Total equity</b> .....		<u><u>239,283</u></u>



## (C) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Six months ended June 30,	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Revenue . . . . .	5	151,189	361,706	462,967	198,310	240,728
Cost of sales . . . . .	23	(92,048)	(231,502)	(243,090)	(100,341)	(118,882)
<b>Gross profit</b> . . . . .		59,141	130,204	219,877	97,969	121,846
Selling and marketing expenses . .	23	(7,574)	(16,695)	(22,565)	(9,596)	(11,956)
General and administrative expenses . . . . .	23	(16,618)	(32,035)	(34,776)	(16,192)	(26,284)
Other income . . . . .	22	5,756	12,471	6,113	2,307	5,226
<b>Operating profit</b> . . . . .		40,705	93,945	168,649	74,488	88,832
Finance income . . . . .	25	430	149	46	11	85
Finance costs . . . . .	25	(3,887)	(3,044)	(3,270)	(1,691)	(1,124)
Finance costs - net . . . . .	25	(3,457)	(2,895)	(3,224)	(1,680)	(1,039)
<b>Profit before income tax</b> . . . . .		37,248	91,050	165,425	72,808	87,793
Income tax expenses . . . . .	26	(5,088)	(11,820)	(24,645)	(10,059)	(16,208)
<b>Profit for the year</b> . . . . .		32,160	79,230	140,780	62,749	71,585
Other comprehensive income						
- Currency translation difference . . . . .		—	—	—	—	—
<b>Total comprehensive income for the year</b> . . . . .		32,160	79,230	140,780	62,749	71,585
<b>Profit / (loss) attributable to:</b>						
- Equity holders of the Company . . . . .		31,588	79,775	140,819	62,770	71,592
- Non-controlling interests . . . .		572	(545)	(39)	(21)	(7)
		32,160	79,230	140,780	62,749	71,585
<b>Total comprehensive income / (loss) attributable to:</b>						
- Equity holders of the Company . . . . .		31,588	79,775	140,819	62,770	71,592
- Non-controlling interests . . . .		572	(545)	(39)	(21)	(7)
		32,160	79,230	140,780	62,749	71,585
Earnings per share for profit attributable to equity holders of the Company						
- Basic (RMB per share) . . . . .	27	0.0575	0.1453	0.2564	0.1143	0.1304
- Diluted (RMB per share) . . . .	27	0.0575	0.1453	0.2564	0.1143	0.1304
Dividends . . . . .	28	17,174	—	—	—	—

## (D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Capital reserves	Currency Translation reserves	Share- option reserves	Statutory reserves	Retained earnings	Total	Non- controlling interest	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2007 . . .	19(b)	—	—	46,081	—	—	847	3,357	50,285	46	50,331
<b>Comprehensive income</b>											
Profit for the year . . . . .		—	—	—	—	—	—	31,588	31,588	572	32,160
Total comprehensive income . .		—	—	—	—	—	—	31,588	31,588	572	32,160
<b>Transactions with owners</b>											
Appropriation to statutory reserves . . . . .		—	—	—	—	—	2,124	(2,124)	—	—	—
Contributions from equity holders . . . . .	19(b)	—	—	12,000	—	—	—	—	12,000	—	12,000
Disposal of a subsidiary . . . . .		—	—	—	—	—	—	—	—	(37)	(37)
Dividends . . . . .	28	—	—	—	—	—	—	(17,174)	(17,174)	—	(17,174)
Capital injection from non-controlling interest . . . . .		—	—	—	—	—	—	—	—	490	490
Total transactions with owners . .		—	—	12,000	—	—	2,124	(19,298)	(5,174)	453	(4,721)
Balance at December 31, 2007 . .		—	—	58,081	—	—	2,971	15,647	76,699	1,071	77,770
<b>Comprehensive income</b>											
Profit / (loss) for the year . . . . .		—	—	—	—	—	—	79,775	79,775	(545)	79,230
Total comprehensive income . . .		—	—	—	—	—	—	79,775	79,775	(545)	79,230
<b>Transactions with owners</b>											
Appropriation to statutory reserves . . . . .		—	—	—	—	—	6,306	(6,306)	—	—	—
Contributions from equity holders . . . . .	19(b)	—	—	4,000	—	—	—	—	4,000	—	4,000
Total transactions with owners . . .		—	—	4,000	—	—	6,306	(6,306)	4,000	—	4,000
Balance at December 31, 2008 . . .		—	—	62,081	—	—	9,277	89,116	160,474	526	161,000
<b>Comprehensive income</b>											
Profit / (loss) for the year . . . . .		—	—	—	—	—	—	140,819	140,819	(39)	140,780
Total comprehensive income . . . .		—	—	—	—	—	—	140,819	141,819	(39)	140,780
<b>Transactions with owners</b>											
Appropriation to statutory reserves . . . . .		—	—	—	—	—	9,765	(9,765)	—	—	—
Total transactions with owners . . . .		—	—	—	—	—	9,765	(9,765)	—	—	—
Balance at December 31, 2009 . . . .		—	—	62,081	—	—	19,042	220,170	301,293	487	301,780

**APPENDIX I**

**ACCOUNTANT'S REPORT**

	Note	Share capital	Share premium	Capital reserves	Currency Translation reserves	Share-option reserves	Statutory reserves	Retained earnings	Total	Non-controlling interest	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2009 (Continued) . . . . .		—	—	62,081	—	—	19,042	220,170	301,293	487	301,780
<b>Comprehensive income</b>											
Profit/(loss) for the period . . . . .		—	—	—	—	—	—	71,592	71,592	(7)	71,585
Currency translation difference . . . . .		—	—	—	—	—	—	—	—	—	—
Total comprehensive income . . . . .		—	—	—	—	—	—	71,592	71,592	(7)	71,585
<b>Transactions with owners</b>											
Appropriation to statutory reserves . . . . .		—	—	—	—	—	3,695	(3,695)	—	—	—
Contributions from equity holders . . . . .	19(b)	48,284	190,657	—	—	—	—	—	238,941	—	238,941
Issuance of share capital . . . . .		—	342	(342)	—	—	—	—	—	—	—
Cost relating to Group re-organisation . . . . .		—	—	(1,285)	—	—	—	—	(1,285)	—	(1,285)
Equity-based compensation . . . . .	34	—	—	—	—	2,119	—	—	2,119	—	2,119
Total transactions with owners . . . . .		48,284	190,999	(1,627)	—	2,119	3,695	(3,695)	239,775	—	239,775
Balance at June 30, 2010 . . . . .		<u>48,284</u>	<u>190,999</u>	<u>60,454</u>	<u>—</u>	<u>2,119</u>	<u>22,737</u>	<u>288,067</u>	<u>612,660</u>	<u>480</u>	<u>613,140</u>
<b>Unaudited:</b>											
Balance at January 1, 2009 . . . . .		—	—	62,081	—	—	9,277	89,116	160,474	526	161,000
<b>Comprehensive income</b>											
Profit / (loss) for the period . . . . .		—	—	—	—	—	—	62,770	62,770	(21)	62,749
Total comprehensive income . . . . .		—	—	—	—	—	—	62,770	62,770	(21)	62,749
<b>Transactions with owners</b>											
Appropriation to statutory reserves . . . . .		—	—	—	—	—	4,277	(4,277)	—	—	—
Total transactions with owners . . . . .		—	—	—	—	—	4,277	(4,277)	—	—	—
Balance at June 30, 2009 . . . . .		<u>—</u>	<u>—</u>	<u>62,081</u>	<u>—</u>	<u>—</u>	<u>13,554</u>	<u>147,609</u>	<u>223,244</u>	<u>505</u>	<u>223,749</u>

## (E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Six months ended June 30,	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>						
Cash (used in)/generated from						
operations . . . . .	29	(26,179)	(16,348)	59,431	12,001	4,987
Interest received . . . . .	25	430	149	46	11	85
Interest paid . . . . .	25	(3,887)	(3,044)	(3,270)	(1,691)	(1,124)
Income tax paid . . . . .		(1,478)	(5,127)	(7,943)	(701)	(10,143)
Net cash (used in)/generated from operating activities . . . . .		(31,114)	(24,370)	48,264	9,620	(6,195)
<b>Cash flows from investing activities</b>						
Proceeds from disposal of a subsidiary, net of cash disposed . . . . .	29(b)	1,416	—	—	—	—
Additions of property, plant and equipment . . . . .	7	(7,084)	(3,928)	(1,973)	(1,114)	(10,980)
Additions of intangible assets . . . . .	8	(46)	(4,334)	(15)	(14)	(10)
Deposits to newspaper publishers . . . . .		(5,000)	—	—	—	—
Proceeds from disposal of property, plant and equipment . . . . .	29(c)	3	91	3	3	151
Net cash used in investing activities . . . . .		(10,711)	(8,171)	(1,985)	(1,125)	(10,839)
<b>Cash flows from financing activities</b>						
Decrease in restricted cash . . . . .		13,150	3,150	—	—	—
Capital injection from equity holders of the Company . . . . .		12,000	4,000	—	—	238,941
Proceeds in borrowings . . . . .		59,648	47,900	64,520	28,320	—
Repayments of borrowings . . . . .		(23,000)	(53,948)	(63,860)	(20,500)	(12,260)
Proceeds of loans from related parties . . . . .		12,300	53,897	46,837	23,094	8,400
Repayment of loans from related parties . . . . .		(5,600)	(11,720)	(63,867)	(41,171)	(50,596)
Repayment of finance lease liabilities . . . . .		(9,521)	(5,739)	—	—	—
Dividends paid . . . . .	28	(17,174)	—	—	—	—
Capital injection from non-controlling interest shareholders . . . . .		490	—	—	—	—
Prepayment of issuance cost . . . . .		—	—	—	—	(17,994)
Net cash generated from/(used in) financing activities . . . . .		42,293	37,540	(16,370)	(10,257)	166,491
<b>Net increase in cash and cash equivalents . . . . .</b>						
Cash and cash equivalents at beginning of the year/period . . . . .	13	5,267	5,735	10,734	10,734	40,643
Cash and cash equivalents at end of the year/period . . . . .	13	5,735	10,734	40,643	8,972	190,100

## II. NOTES TO THE FINANCIAL INFORMATION

### 1 General information and group reorganization

#### (a) General information

The Company was incorporated in the Cayman Islands on December 9, 2009 as an exempted company with limited liability under the Companies Law, (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"). The address of its registered office is PO Box 309, Uglan House, Grand Cayman, KY 1-1104, Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in the business of publishing and advertising (the "**Publishing and Advertising Businesses**") in the People's Republic of China (the "**PRC**") The immediate holding company of the Company is China TopReach Inc. ("**China TopReach**"), a company whose shares are quoted on the Over the Counter Bulletin Board ("**OTC**") in the United States of America. Prior to the establishment of the Company, China TopReach is the sole shareholder of Olympia Media Holdings Limited ("**Olympia Media**"). Olympia Media controls Fujian ShiFang Culture Communication Co., Ltd. ("**Fujian ShiFang**") and Beijing HongXinTu Culture Communication Co., Ltd. ("**Beijing HongXinTu**") and these companies together with their respective subsidiaries operated the Publishing and Advertising Businesses in the PRC through various subsidiaries during the Relevant Periods.

#### (b) Reorganization

The Publishing and Advertising Businesses were controlled by the underlying shareholders of Olympia Media, Fujian ShiFang and Beijing HongXinTu, including Mr. Chen Zhi, Mr. Hong Pei Feng, Mr. Lin Yu Tong, Mr. Chen Zi Quan, Ms. Lv Ying and Ms. Shi Chan Juan (together, the "**Underlying Shareholders**") at the beginning of the Relevant Periods. Olympia Media became the direct holding company of the Publishing and Advertising Business in July 2008 pursuant to the transfer of the entire equity interests in Fujian Shifang from the Underlying Shareholders to Olympia Media and the execution of the Structural Agreements (as defined in note 2.2(b) below) (the "**July 2008 Combination**").

In preparation for the Listing, the Publishing and Advertising Businesses underwent a group reorganization (the "**Reorganization**"), pursuant to which the companies engaged in the Publishing and Advertising Businesses were transferred to the Company. The Reorganization involved the followings:

- On December 9, 2009, the Company was incorporated with one issued share capital of HK\$0.10 allotted and issued to China TopReach.
- Pursuant to an agreement on January 14, 2010, certain shareholders of China TopReach, namely: TopBig International Development Limited ("**TopBig International**"), Blazing Sun Holdings Ltd. ("**Blazing Sun**") and Keep Profit International Capital Limited ("**Keep Profit**") transferred its equity interest in China TopReach to the Company in exchange for 80,000,000 new shares allotted by the Company.

- On the same date, 319,999,999 shares are allotted and issued to China TopReach and they are credited as fully paid pursuant to the capitalization issue immediately following the allotment and issue of new shares to TopBig International, Blazing Sun and Keep Profit.
- Pursuant to an agreement dated January 18, 2010 China TopReach transferred its entire equity interests in Olympia Media to the Company in exchange for US\$50,000. Thereafter, the Company became the holding company of the Group.

Upon the completion of the Reorganization and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries and a special purpose entity:

Name	Place and date of incorporation/establishment	Principal activities	Legal status	Issued or registered/paid up capital	Effective interest held as at					Note
					December 31,			June 30,		
					2007	2008	2009	2010		
<b>Directly owned subsidiary:</b>										
Olympia Media Holdings Limited (“ <b>Olympia Media</b> ”)	The British Virgin Islands, December 13, 2005	Investment holding	Limited liability company	US\$50,000	100%	100%	100%	100%	100%	(a)
<b>Indirectly owned subsidiaries:</b>										
Beijing BaiChuanDuKe Science and Technology Co., Ltd. (北京百傳讀客科技有限公司)	Beijing, the PRC, November 14, 2006	Provision of technology promotion and consultancy services	Limited liability company	RMB1,000,000	—	100%	100%	100%	100%	(a)
Beijing HanDing Advertisement Co., Ltd. (北京漢鼎廣告有限公司)	Beijing, the PRC, August 8, 2007	Provision of full-line advertising services	Limited liability company	HK\$2,500,000	100%	100%	100%	100%	100%	(f)
Chongqing ShiFang Culture Communication Co., Ltd. (重慶十方文化傳播有限公司) (“ <b>Chongqing ShiFang</b> ”)	Chongqing, the PRC, January 19, 2006	Provision of full-line advertising services	Limited liability company	RMB2,000,000	100%	100%	100%	100%	100%	(i)
Dalian ShiFang Media Co., Ltd. (大連十方傳媒有限公司) (“ <b>Dalian ShiFang</b> ”)	Dalian, the PRC, February 8, 2007	Provision of advertising services	Limited liability company	RMB2,000,000	100%	100%	100%	100%	100%	(a)

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ACCOUNTANT'S REPORT

Name	Place and date of incorporation/ establishment	Principal activities	Legal status	Issued or registered/paid up capital	Effective interest held as at				Note
					December 31,			June 30,	
					2007	2008	2009	2010	
Dongkuai (Fuzhou) Investment Consultancy Services Co., Ltd. (東快(福州)投資諮詢服務有限公司)	Fuzhou, the PRC July 13, 2007	Provision of investment consultancy services	Limited liability company	RMB500,000	100%	100%	100%	100%	(a), (g)
Fujian ShiFang Culture Communication Co., Ltd. (福建十方文化傳播有限公司) (“Fujian ShiFang”)	Fuzhou, the PRC November 1, 2000	Provision of full-line advertising agency services	Limited liability company	RMB46,000,000	100%	100%	100%	100%	(a),(b)
Fujian ZhiYuan Media Co., Ltd. (福建之緣傳媒有限公司)	Fuzhou, the PRC September 3, 2002	Provision of newspaper advertising agency services	Limited liability company	RMB3,030,000	100%	100%	100%	100%	(a)
Fuzhou AoHai Advertisement Co., Ltd. (福州奧海廣告有限公司)	Fuzhou, the PRC February 19, 2008	Provision of full-line advertising agency services	Limited liability company	RMB1,000,000	—	100%	100%	100%	(d)
Fuzhou DongKuai Media Co., Ltd. (福州東快傳媒有限公司)	Fuzhou, the PRC June 9, 2005	Provision of full-line advertising agency services	Limited liability company	RMB500,000	100%	100%	100%	100%	(a), (j)
Fuzhou HanDing Network Science & Technology Co., Ltd. (福州漢鼎網絡科技有限公司)	Fuzhou, the PRC April 30, 2008	Investment holding	Limited liability company	RMB190,000,000	—	100%	100%	100%	(a), (k)
Fuzhou HongXinTu Printing Co., Ltd. (福州鴻馨圖印務有限公司) (“Fuzhou HongXinTu”)	Fuzhou, the PRC September 21, 2006	Provision of printing services	Limited liability company	RMB10,000,000	100%	100%	100%	100%	(a)
Gloria Fair Limited (香港漢鼎有限公司)	Hong Kong, November 2, 2001	Provision of advertising, investment and internet services	Limited liability company	HK\$10,000	100%	100%	100%	100%	(h)
Hung Hing To Publishing Limited (鴻馨圖總發行有限公司)	The British Virgin Islands, December 13, 2005	Provision of publishing and advertising services	Limited liability company	US\$622,500	100%	100%	100%	100%	(a)

## APPENDIX I

## ACCOUNTANT'S REPORT

Name	Place and date of incorporation/establishment	Principal activities	Legal status	Issued or registered/paid up capital	Effective interest held as at				Note
					December 31,			June 30,	
					2007	2008	2009	2010	
Kunming AoHai Advertising Co., Ltd. (昆明奧海廣告有限公司)	Kunming, the PRC March 3, 2008	Provision of full-line advertising services	Limited liability company	RMB1,000,000	—	100%	100%	100%	(c)
Kunming HongLianXin Printing Co., Ltd. (昆明弘聯欣印務有限公司) (“Kunming HongLianXin”)	Kunming, the PRC July 22, 2005	Provision of publishing and printing services	Limited liability company	RMB23,000,000	100%	100%	100%	100%	(a)
Liaoning AoHai TianYi Media Advertisement Co., Ltd. (遼寧奧海天一傳媒廣告有限公司)	Shenyang, the PRC March 17, 2008	Provision of full-line advertising services	Limited liability company	RMB5,000,000	—	100%	100%	100%	(a)
Shenyang ZhuQin ShiFang Media Development Co., Ltd. (沈陽祝秦十方傳媒發展有限公司) (“Shenyang ShiFang”)	Shenyang, the PRC September 10, 2007	Provision of full-line advertising services	Limited liability company	RMB1,000,000	51%	51%	51%	51%	(a)
Shifang YaQi Culture Communication (Xiamen) Co. Ltd (十方亞祺文化傳播(廈門)有限公司)	Xiamen, the PRC December 27, 2004	Provision of full-line advertising services	Limited liability company	RMB2,000,000	100%	100%	100%	100%	(a)
Tianjin ShiFang Advertisement Media Co., Ltd. (天津十方廣告傳媒有限公司) (“Tianjin ShiFang”)	Tianjin, the PRC February 13, 2007	Provision of full-line advertising services	Limited liability company	RMB1,000,000	100%	100%	100%	100%	(l)
Xiamen DuKe Information Science & Technology Co., Ltd. (廈門讀客信息科技有限公司) (“Xiamen DuKe”)	Xiamen, the PRC February 24, 2006	Provision of technology promotion and consultancy services	Limited liability company	RMB11,000,000	—	100%	100%	100%	(a)
ZhiYuan Fuzhou Culture Communication Co. Ltd (之緣(福州)文化傳播有限公司)	Fuzhou, the PRC November 2, 2006	Provision of full-line advertising services	Limited liability company	RMB1,030,000	100%	100%	100%	100%	(a) (m)



Name	Place and date of incorporation/establishment	Principal activities	Legal status	Issued or registered/paid up capital	Effective interest held as at				Note
					December 31,			June 30,	
					2007	2008	2009	2010	
ZhiYuan (Xiamen) Culture Communication Co. Ltd (之緣(廈門)文化傳播有限公司)	Xiamen, the PRC January 12, 2005	Provision of full-line advertising services	Limited liability company	RMB1,000,000	100%	100%	100%	100%	(a)
<b>Special purpose entity:</b>									
Beijing HongXinTu Culture Communication Co., Ltd. (北京鴻馨圖文化傳播有限公司) ("Beijing HongXinTu")	Beijing, the PRC July 2, 2004	Provision of publishing services	Limited liability company	RMB30,000,000	100%	100%	100%	100%	(a), (e)

## Notes:

- (a) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
- (b) Audited by Fuzhou Development Zone LanTian Certified Tax Affairs Co., Ltd. (福州開發區藍天稅務師事務所有限公司) for the year ended December 31, 2008 and 2009.
- (c) Audited by Yunnan Yunxin Certified Public Accountants Co., Ltd (雲南雲信會計師事務所有限公司) for the period from March 3, 2008 (date of incorporation) to December 31, 2008.
- (d) Audited by Fujian Jonchern Public Accounting Firm, Ltd. (福建眾誠有限責任會計師事務所) for the period from February 19, 2008 (date of incorporation) to December 31, 2009.
- (e) Audited by Beijing ZhongShuiQiao Certified Tax Affairs Firm, Ltd. (北京中稅橋稅務師事務所有限公司) for the year ended December 31, 2008.
- (f) Audited by Beijing ZhongShuiQiao Certified Tax Affairs Firm, Ltd. (北京中稅橋稅務師事務所有限公司) for the year ended December 31, 2007, and Fujian Haixia Certified Public Accountants Co. Ltd. (福建海峽會計師事務所有限責任公司) for the year ended December 31, 2008 and 2009.
- (g) Audited by Fujian Jonchern Public Accounting Firm, Ltd. (福建眾誠有限責任會計師事務所) for the year ended December 31, 2008.
- (h) Audited by UHY Vocation HK CPA Limited for the years ended December 31, 2007, 2008 and 2009.
- (i) Audited by Chongqing HongLing Public Accounting Firm, Ltd. (重慶宏嶺會計師事務所) for the year ended December 31, 2007, 2008 and 2009.
- (j) Audited by Fuzhou DongXiang Certified Public Accountants Firm Ltd. (福州東祥會計師事務所有限公司) for the year ended December 31, 2008.
- (k) Audited by Fujian Jonchern Public Accounting Firm, Ltd. (福建眾誠有限責任會計師事務所) for the year ended December 31, 2009.
- (l) Audited by Tianjin BoRong XinYi Certified Tax Affairs Firm., Ltd. (天津博嶸信義稅務師事務所有限公司) for the year ended December 31, 2007, 2008 and 2009.
- (m) Audited by Fujian Jonchern Public Accounting Firm, Ltd. (福建眾誠有限責任會計師事務所) for the year ended December 31, 2008.

The English names of certain subsidiaries and auditors represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

All companies established in the PRC have adopted December 31 as their accounting date for statutory reporting purpose.

*(c) Basis of presentation*

For the purpose of this report, the financial information of the Group have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” issued by the HKICPA. The July 2008 Combination has been accounted for as a business combination of entities under common control on the basis of the following factors:

- the Underlying Shareholders operated and controlled the Publishing and Advertising business owned by Olympia Media, Fujian Shifang and Beijing HongXinTu as a single integrated business;
- Olympia Media, Fujian Shifang and Beijing HongXinTu shared the same resources for its integrated business, including human resources, working capital, industry knowhow, customers and suppliers relationships, to operate and develop the Publishing and Advertising Business;
- Management decisions with respect to the strategic development, finance and operations of the Publishing and Advertising Business were determined by the Underlying Shareholders;
- the Underlying Shareholders have acted in concert since the beginning of track record period and throughout the completion of the July 2008 Combination; and
- the Underlying Shareholders continued to control Olympia Media immediately after it became the holding company of the Publishing and Advertising Business in July 2008.

The Reorganization has also been accounted for as a reorganization of businesses under common control as there has been no change in control immediately before and after the Reorganization. The July 2008 Combination and the Reorganization has been accounted for in a manner similar to pooling-of-interests and the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations”. The financial information includes the consolidated financial position, results and cash flows of the Group as if the current group structure had been in existence throughout the Relevant Periods.

## 2 Summary of significant accounting policies

The financial information has been prepared in accordance with IFRSs, using the historical cost convention.

### 2.1 Basis of preparation

The preparation of financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

#### *Change in accounting policy and disclosures*

##### (a) New and amended standards effective in 2010

The Group has adopted the following new and amended standards and interpretation as at January 1, 2010:

- |                      |  |
|----------------------|--|
| • IFRIC 17           | Distribution of non-cash assets to owners  |
| • IAS 27 (revised)   | Consolidated and separate financial statements                                     |
| • IFRS 3 (revised)   | Business combinations  |
| • IAS 38 (amendment) | Intangible assets  |
| • IFRS 5 (amendment) | Measurement of non-current assets (or disposal groups) classified as held for sale |
| • IAS 1 (amendment)  | Presentation of financial statements   |
| • IFRS 2 (amendment) | Share-based payment  |

#### *IFRIC 17 'Distribution of non-cash assets to owners'*

The interpretation is part of the IASB's annual improvements project published in May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The interpretation does not have a material impact on the Group's or Company's financial statements.

*IAS 27 (revised) 'Consolidated and separate financial statements'*

The revised standard requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. In this respect, it does not change the existing accounting policy of the Group. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interest from January 1, 2010. It does not have a material impact on the Group's or Company's financial statements.

*IFRS 3 (revised) 'Business combinations'*

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. It does not have a material impact on the Group's or Company's financial statements.

*IAS 38 (amendment) 'Intangible Assets'*

The amendment is part of the IASB's annual improvements project published in May 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment does not have a material impact on the Group's or Company's financial statements.

*IFRS 5 (amendment) 'Measurement of non-current assets (or disposal groups) classified as held for sale'*

The amendment is part of the IASB's annual improvements project published in May 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. This amendment does not have a material impact on the Group's or Company's financial statements.

*IAS 1 (amendment) 'Presentation of financial statements'*

The amendment is part of the IASB's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current

liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. This amendment does not have a material impact on the Group's or Company's financial statements.

*IFRS 2 (amendment) 'Share-based Payment'*

IFRS 2 (amendments) clarify the scope of IFRS 2 and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The amendments also incorporate the guidance contained in currently effective IFRIC 11 and hence once the amendments are effective these two interpretations will be withdrawn.

Improvements to IFRS 2009 were issued in May 2009. The effective dates vary standard by standard but most are effective from January 1, 2010.

Improvements to IFRS 2010 published in May 2010. This improvements contain amendments to IFRS 1, IFRS 3, IFRS 7 and IAS 1, IAS 27, IAS 34 and IFRIC — Int 13 which are effective from annual periods beginning on or after January 1, 2011. Earlier application is permitted.

The adoption of new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared. Accordingly, no prior year period adjustment has been required.

- (b) New and amended standards that are not yet effective and have not been adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory and relevant for the Group's accounting periods beginning on or after July 1, 2010, or later periods, but the Group has not early adopted them:

IAS 24 'Related party disclosures' primarily amends the disclosure requirements applicable to government-related entities and, more generally, the definition of a related party. Government-related entities are defined as those entities which are controlled, jointly controlled or significantly influenced by a government (which term includes government agencies and similar bodies, whether local, national or international). The amendments aim to provide relief from disclosure of information by government-related entities in respect of transactions with the government-related entities to which the reporting entity is related, or transactions with other entities related to the same government, where the information may be costly to gather and of less value to users. In respect of the definition of a related party, the amendments aim to simplify the definition and remove inconsistencies.

The source of IFRS 9 “Financial Instruments”, IFRS 9, is the first finalized part of a wider project being undertaken by the IASB to reduce the complexity of the current requirements and to replace IAS 39, Financial instruments: recognition and measurement. IFRS 9 deals with classification and measurement of financial assets only. The Standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value, with the basis of classification dependent on the entity’s business model and the contractual cash flow characteristics of the financial assets. Further parts of the project, which are expected to be completed by the end of 2010, will deal with impairment of financial assets, measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, but may be applied earlier. An early adopter of IFRS 9 continues to apply IAS 39 for other accounting requirements for financial instruments within its scope that are not covered by IFRS 9. In general, the Standard requires retrospective adoption (i.e. the comparatives should be restated in the first year of adoption) unless it is adopted for a period beginning before January 1, 2012 (in which case adjustments are required to opening balances in first period of adoption). There are several other exceptions to this principal where extensive transitional provisions have been set out.

The Group has already commenced an assessment of the impact of above new standards, revised standards and amendments to existing standards and interpretations but is not yet in a position to state whether the new standards, revised standards and amendments to existing standards and interpretations would have a significant impact to its results of operations and financial position.

## **2.2 Consolidated Financial Information**

### *(a) Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Apart from the Reorganization, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(b) Special purpose entities*

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and special purpose entities (“SPEs”) where the Company is deemed the primary beneficiary. Fujian ShiFang, one of the Company’s wholly owned subsidiaries, entered into contractual agreements with Beijing HongXinTu (the “**Structural Agreements**”), where Fujian ShiFang provides consulting services to Beijing HongXinTu and is entitled to (1) receive a substantial portion of the economic benefits from Beijing HongXinTu; (2) exercise effective control over Beijing HongXinTu, and (3) have an exclusive option to purchase all or part of the equity interests in Beijing HongXinTu when and to the extent permitted by the PRC laws.

By virtue of the contractual arrangements, Beijing HongXinTu is a SPE and deemed as a subsidiary of the Company under the requirements of Standing Interpretations Committee No.12 (“SIC-12”), “Consolidation - Special Purpose Entities”.

When assessing whether to combine an SPE, the Group evaluates a range of factors, including whether (1) the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains the benefits from the SPE’s operations, (2) the Group has decision-making powers to obtain the majority of the benefits, (3) the Group obtains the majority of the benefits of the activities of the SPE, and (4) the Group retains the majority of the residual ownership risks related to the assets in order to obtain the benefits from its activities. The Group consolidates an SPE if an assessment of the relevant factors indicates that it controls the SPE.

Based on the contractual arrangements, the Company consolidated Beijing HongXinTu’s results, assets and liabilities in financial statements of ShiFang Holding Limited.

*(c) Business combinations under common control*

The financial information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties’ perspective. No amount is recognized in respect of goodwill or excess of acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party’s interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognized directly in equity as part of the capital reserve.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the financial information are presented as if the entities or business had been consolidated at the earliest balance sheet date presented or when they first came under common control, whichever is the later.

Inter-company transactions, balances and unrealized gains on transactions between the combining entities or businesses are eliminated. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(d) Transactions with non-controlling interest*

The Group treats transactions with non-controlling interest as transactions with equity holders of the Company. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

**2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors (the “**Board**”) that makes strategic decisions.

**2.4 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The financial information is presented in Renminbi (“**RMB**”), which is the Company’s functional and the Group’s presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.



Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within 'Finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within 'other gains/(losses) - net'.

*(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statements of comprehensive income as part of the gain or loss on sale.

**2.5 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Leasehold improvements	5 years or the remaining term of any non-renewable lease, whichever is shorter
Machinery	5 - 10 years
Fixture, furniture and equipment	5 years
Motor vehicles	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'General and administrative expenses' in the consolidated statements of comprehensive income.

## **2.6 Intangible assets**

### *Computer software and web site*

Costs associated with maintaining computer software program and web site are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique computer software and web site controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software and web site so that it will be available for use;
- Management intends to complete the software and web site, and use or sell it;
- There is an ability to use or sell the software and web site;
- It can be demonstrated how the software and web site will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the computer software and web site are available; and
- The expenditure attributable to the computer software and web site during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software and web site cost include the development employee costs.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Acquired computer software and web sites are initially capitalized at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of the computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognized as an expense when incurred.

Computer software and web site costs recognized as assets are amortized over their estimated useful lives, which are between 3 and 10 years.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### ***2.7 Impairment of non-financial assets***

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### ***2.8 Assets held for sale***

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

### ***2.9 Financial assets***

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities

greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 2.12 and 2.13).

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

### *2.10 Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

### ***2.11 Inventories***

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods comprises newsprint paper and printing consumables. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### ***2.12 Trade, bills and other receivables***

Trade and bills receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade, bills and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

### ***2.13 Cash and cash equivalents***

Cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

### ***2.14 Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### ***2.15 Trade payables***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### ***2.16 Borrowings***

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

### ***2.17 Current and deferred income tax***

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### *2.18 Employee benefits*

#### *(a) Pension obligations*

Full time employees of the PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Company to accrue for these benefits based on certain percentages of the employees' salaries. Management believes full time employees who have passed the probation period are entitled to such benefits.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### *(b) Employee leaves entitlement*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

#### *(c) Bonus plans*

The Group recognizes a liability and an expense for bonuses, based on performance and takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *(d) Share-based compensation*

The Group operates an equity-settled, share-based compensation scheme, under which the entity receives the services from eligible participants as consideration for equity instruments (options).

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares allotted and issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

### ***2.19 Provisions***

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### ***2.20 Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.



*(a) Publishing and advertising*

The Group's role in the provision of services on publishing and advertising is that of a principal. When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Hence, revenue from publishing and advertising services is recognized on a gross basis when services are rendered for the creation, production and placement of advertising materials through all media.

*(b) Barter transaction*

When services are exchanged or swapped for services which are of a similar nature and value, the exchange is not regarded as a revenue generating transaction.

When services are rendered in exchange for dissimilar services, the exchange is regarded as a revenue generating transaction. The revenue is measured at the fair value of the services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided in a barter transaction, by reference to non-barter transaction involving similar services, adjusted by the amount of any cash or cash equivalents transferred.

*(c) Online Services*

Revenue from online services is recognized when the services, including electronic publications, online advertisements and website maintenance and technical services, are rendered. Revenue from online services provided over fixed periods is recognized on straight-line basis over the respective period.

*(d) Distribution management, consulting and printing services*

Revenue from distribution management and printing services is recognized as the services are delivered to the customers.

*(e) Government grant*

Grants from the government are recognized at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants receivable are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

### *2.21 Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

### *2.22 Dividend distribution*

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders and directors, where appropriate.

## **3 Financial risk management**

### *3.1 Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group has not used any derivative financial instruments to hedge its risk exposures.

#### *(a) Market risk*

##### *(i) Foreign exchange risk*

The Group operates principally in the PRC. Majority of recognized assets and liabilities are denominated in RMB and majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk.

As at 30 June, 2010, the Group has cash deposit denominated in US dollar. Should RMB be weakened/strengthened by 2% against USD with all other variables held constant, pre-tax results for the period ended 30 June, 2010 would have been approximately RMB 3,200,000 higher/lower, mainly as a result of foreign exchange differences and translation of the US dollar denominated cash deposit.

(ii) Price risk

The Group is not exposed to any equity securities price risk or commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises mainly from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

During the Relevant Periods, the Group had the following types of borrowings:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Fixed rate:</b>				
Short-term bank loans,				
secured . . . . .	15,150	10,000	4,000	—
Other loan . . . . .	43,458	13,100	2,740	—
Amount due to a director				
(Note 31 (c)) . . . . .	—	2,300	—	—
Amount due to related parties				
(Note 31 (c)) . . . . .	<u>11,700</u>	<u>51,577</u>	<u>36,847</u>	<u>14,651</u>
	<u>70,308</u>	<u>76,977</u>	<u>43,587</u>	<u>14,651</u>
<b>Variable rate:</b>				
Short-term bank loans,				
secured . . . . .	1,540	26,500	40,520	35,000
Finance lease liabilities,				
secured . . . . .	<u>5,739</u>	—	—	—
	<u>7,279</u>	<u>26,500</u>	<u>40,520</u>	<u>35,000</u>

The sensitivity analysis below has been determined based on the exposure to interest rate risk on its variable rate bank deposits and borrowings at the balance sheet date and prepared assuming the amount of bank deposits and borrowings outstanding at each balance sheet date was outstanding for the whole year.

At December 31, 2007, 2008 and 2009, and at June 30, 2009 and 2010, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010 would have been RMB 73,000, RMB 265,000, RMB 405,000 and RMB 127,600 and RMB 175,000 lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

*(b) Credit risk*

Credit risk is managed on group basis. Credit risk primarily arises from trade receivables, deposits and other receivables, amounts due from immediate holding company and related parties and cash and cash equivalents including pledged bank deposits included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognized for irrecoverable debts.

Amounts due from immediate holding company and related parties are continuously monitored by assessed the credit quality of counterparty, taking into account its financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at December 31, 2007, 2008 and 2009, the amount due from immediate holding company and related parties are fully performing.

Trade receivables from the Group's five largest customers in aggregate to the Group's total trade receivables are 66.5%, 42.6%, 38.3% and 35.3% at December 31, 2007, 2008, 2009, and June 30, 2010 respectively.

The credit risk on liquid funds is limited because cash and bank and restricted cash are placed with reputable financial institutions which management believes are of sound credit quality and without significant credit risk.

*(c) Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements for maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>Group</u>
	<u>Less than 1 year</u>
	<u>RMB'000</u>
<b>At December 31, 2007</b>	
Trade and other payables . . . . .	51,471
Borrowings . . . . .	66,673
Amounts due to directors . . . . .	4,473
Amounts due to related parties . . . . .	<u>38,514</u>
	<u>161,131</u>
<b>At December 31, 2008</b>	
Trade and other payables . . . . .	53,628
Borrowings . . . . .	50,788
Amounts due to directors . . . . .	6,705
Amounts due to related parties . . . . .	<u>69,371</u>
	<u>180,492</u>
<b>At December 31, 2009</b>	
Trade and other payables . . . . .	41,048
Borrowings . . . . .	48,534
Amounts due to directors . . . . .	1,374
Amounts due to related parties . . . . .	<u>60,942</u>
	<u>151,898</u>
<b>At June 30, 2010</b>	
Trade and other payables . . . . .	42,572
Borrowings . . . . .	35,132
Amounts due to directors . . . . .	1,053
Amounts due to related parties . . . . .	<u>18,412</u>
	<u>97,169</u>

(d) *Fair value estimation*

The carrying amounts of the Group's financial assets and financial liabilities including cash and cash equivalents, trade and bills receivables, other receivables, amounts due from immediate holding company and related parties, trade and other payables, borrowings and amounts due to related parties approximate their respective fair values.

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, allot and issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated balance sheets. During the Relevant Periods, the Group's strategy was to maintain a gearing ratio below 40%. The gearing ratios as at December 31, 2007, 2008 and 2009, and as at June 30, 2010 were as follows:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings . . . . .	65,887	49,600	47,260	35,000
Amounts due to a director. . . . .	—	2,300	—	—
Amounts due to related parties . . . . .	11,700	51,577	36,847	14,651
Total borrowings. . . . .	<u>77,587</u>	<u>103,477</u>	<u>84,107</u>	<u>49,651</u>
Total assets. . . . .	<u>245,655</u>	<u>364,599</u>	<u>499,588</u>	<u>759,772</u>
Gearing ratio. . . . .	<u>32%</u>	<u>28%</u>	<u>17%</u>	<u>7%</u>

## 4 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Revenue recognition for barter transactions

When services are rendered in exchange for dissimilar goods or services, such as when the Group receives the rights to sell or receive the proceeds of a sale of real estate properties in exchange for advertising services the Group provide to certain of our real estate industry customers, the exchange is regarded as a revenue-generating transaction. The revenue from such barter transactions is measured at the fair value of the related real estate properties received, adjusted by the amount of any cash or

cash equivalents transferred. When the fair value of the rights to the real estate properties received cannot be measured reliably, the revenue is measured at the fair value of the goods or services provided in the barter transactions, by reference to non-barter transaction involving similar goods or services, adjusted by the amount of any cash or cash equivalents transferred.

As at December 31, 2007, 2008 and 2009, and as at June 30, 2010, the Group has these assets held for sale in the PRC of RMB 5,817,000, RMB 18,515,000, RMB 22,885,000 and RMB 31,537,000, respectively, and these were included in 'assets held for sale' on the consolidated balance sheet. Should the fair value of the real estate properties increase/fall by 10%, the Group's post-tax profit would have been RMB 502,000, RMB 1,611,000, RMB 1,948,000, and RMB 1,866,000 and RMB 2,601,000 higher/lower respectively, for the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010.

***(b) Allowance for doubtful accounts***

The Group makes allowance for doubtful accounts based on assessments of the recoverability of the trade, bills and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade, bills and other receivables and bad and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Details of allowance for doubtful accounts is described in Note 9.

***(c) Income taxes***

The Group is principally subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax provision and deferred income tax assets and liabilities in the period in which such determination is made.

***(d) Impairment of assets***

The Group follows the guidance of IAS 36 "Impairment of Assets" to determine when assets are impaired, which requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the recoverable amount of assets is less than their carrying balance, including factors such as the industry performance and changes in operational and financing cash flows. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (a CGU). The recoverable amount of the CGU has been determined based on value-in-use calculations. These calculations require the use of estimates, including operating results, income and expenses of the business, future economic conditions on growth rates and future returns.

Changes in the key assumptions on which the recoverable amount of the assets is based could significantly affect the Group's financial condition and results of operations.

*(e) Engaging in the business of internet publication*

The Group is providing the electronic dissemination services through its website *www.duk.cn*. However, according to the Interim Provisions for the Administration of Internet Publication (the “**Interim Provisions**”), which was jointly promulgated by the Ministry of Industry and Information Technology and General Administration of Press and Publication of the PRC (“**GAPP**”) on June 27, 2002, a company may not engage in the business of internet publication without obtaining an internet publication license. As at the balance sheet dates, the Group did not obtain the internet publication license as required by the Interim Provisions. Management considers that the Group can continue to provide these electronic dissemination services as the Company's PRC legal counsel has advised that the Group has not breached any requirements stipulated by the Interim Provisions in respect of its application for the license.

As advised by the Company's PRC legal advisor, in April 2010, the Group applied to GAPP the license pursuant to the Interim Provisions to provide electronic dissemination services to newspapers, magazines and other publishers through the Group's website *www.duk.cn* and obtained a written confirmation from the Press and Publication Bureau (Copyright Bureau) of Fujian Province that they have approved the Group's application and will submit onward to GAPP for final review and approval. The Group had not been subject to any administrative penalties imposed by the relevant authorities. The Company's PRC legal advisor has advised that subject to GAPP's review and approval, there is no material legal impediment to the Group's obtaining the internet publication license. However, there can be no assurance that the Group will receive the license, and prior to the Group's obtaining the license, the Group would face the risk of penalties and sanctions, including confiscation of publication equipment and any relevant illegal profit, being ordered to cease operations and a fine of an amount up to ten times of the Group's relevant income generated from such business. As advised by the Company's PRC legal advisor, the Group's risk of being subject to such penalties for its current lack of an internet publication license is minimal.



## 5 Revenue

Revenues from external customers are derived from the provision of newspaper advertising services to advertisers in the PRC, online services, including electronic dissemination of publication and provision of online system development services to newspaper publishers, and the provision of distribution management, consulting, printing services, television advertising services, outdoor advertising services and activities. The amount of the Group's five largest customers in aggregate to the Group's total sales are RMB36,581,000, RMB63,613,000, RMB68,330,000, RMB42,020,000 and RMB33,915,000 at December 31, 2007, 2008, 2009, and June 30, 2009 and 2010, respectively.

Analysis of the revenue by category is as follows:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Newspaper advertising . . . . .	111,570	314,337	371,772	150,673	181,312
Online services . . . . .	8,000	14,881	47,061	21,877	32,154
Distribution management, consulting and printing services .	31,619	32,488	44,134	25,760	19,822
Television advertising . . . . .	—	—	—	—	7,440
	<u>151,189</u>	<u>361,706</u>	<u>462,967</u>	<u>198,310</u>	<u>240,728</u>

## 6 Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

The Board assesses the performance of the Publishing and Advertising Businesses from both geographic and product perspectives. Geographically, management considers the Group's Publishing and Advertising Businesses are primarily operated in the PRC. All the Publishing and Advertising Businesses activities are included in a single reportable segment in accordance with IFRS 8 "Operating segments". No segment information is presented.

## 7 Property, plant and equipment - Group

	Buildings	Leasehold improvement	Machinery	Fixture, furniture and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2007</b>						
Cost . . . . .	1,021	1,232	22,405	2,221	1,729	28,608
Accumulated depreciation . . . . .	(52)	(244)	(1,940)	(605)	(316)	(3,157)
Net carrying amount . . . . .	<u>969</u>	<u>988</u>	<u>20,465</u>	<u>1,616</u>	<u>1,413</u>	<u>25,451</u>
<b>Year ended December 31, 2007</b>						
Opening net carrying amount . . .	969	988	20,465	1,616	1,413	25,451
Additions . . . . .	1,801	42	13,042	1,481	1,718	18,084
Disposals . . . . .	—	(2)	—	(18)	—	(20)
Disposal of a subsidiary . . . . .	—	—	—	(98)	(566)	(664)
Depreciation (Note 23) . . . . .	(23)	(300)	(2,616)	(440)	(217)	(3,596)
Closing net carrying amount . . .	<u>2,747</u>	<u>728</u>	<u>30,891</u>	<u>2,541</u>	<u>2,348</u>	<u>39,255</u>
<b>At December 31, 2007</b>						
Cost . . . . .	2,822	1,272	35,447	3,586	2,881	46,008
Accumulated depreciation . . . . .	(75)	(544)	(4,556)	(1,045)	(533)	(6,753)
Net carrying amount . . . . .	<u>2,747</u>	<u>728</u>	<u>30,891</u>	<u>2,541</u>	<u>2,348</u>	<u>39,255</u>
<b>Year ended December 31, 2008</b>						
Opening net carrying amount . . .	2,747	728	30,891	2,541	2,348	39,255
Additions . . . . .	—	117	—	1,865	1,946	3,928
Disposals . . . . .	—	(51)	—	(101)	—	(152)
Depreciation (Note 23) . . . . .	(67)	(351)	(3,414)	(940)	(370)	(5,142)
Closing net carrying amount . . .	<u>2,680</u>	<u>443</u>	<u>27,477</u>	<u>3,365</u>	<u>3,924</u>	<u>37,889</u>
<b>At December 31, 2008</b>						
Cost . . . . .	2,822	1,338	35,447	5,350	4,827	49,784
Accumulated depreciation . . . . .	(142)	(895)	(7,970)	(1,985)	(903)	(11,895)
Net carrying amount . . . . .	<u>2,680</u>	<u>443</u>	<u>27,477</u>	<u>3,365</u>	<u>3,924</u>	<u>37,889</u>
<b>Year ended December 31, 2009</b>						
Opening net carrying amount . . .	2,680	443	27,477	3,365	3,924	37,889
Additions . . . . .	—	48	—	693	1,232	1,973
Disposals . . . . .	—	—	—	(20)	—	(20)
Depreciation (Note 23) . . . . .	(67)	(167)	(3,414)	(1,050)	(594)	(5,292)
Closing net carrying amount . . .	<u>2,613</u>	<u>324</u>	<u>24,063</u>	<u>2,988</u>	<u>4,562</u>	<u>34,550</u>
<b>At December 31, 2009</b>						
Cost . . . . .	2,822	1,386	35,447	6,023	6,059	51,737
Accumulated depreciation . . . . .	(209)	(1,062)	(11,384)	(3,035)	(1,497)	(17,187)
Net carrying amount . . . . .	<u>2,613</u>	<u>324</u>	<u>24,063</u>	<u>2,988</u>	<u>4,562</u>	<u>34,550</u>

	Buildings	Leasehold improvement	Machinery	Fixture, furniture and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended June 30, 2010</b>						
Opening net carrying amount . . .	2,613	324	24,063	2,988	4,562	34,550
Additions . . . . .	—	8,112	—	545	2,323	10,980
Disposals . . . . .	—	—	—	(2)	(208)	(210)
Depreciation (Note 23) . . . . .	<u>(34)</u>	<u>(73)</u>	<u>(1,700)</u>	<u>(523)</u>	<u>(353)</u>	<u>(2,683)</u>
Closing net carrying amount . . .	<u>2,579</u>	<u>8,363</u>	<u>22,363</u>	<u>3,008</u>	<u>6,324</u>	<u>42,637</u>
<b>At June 30, 2010</b>						
Cost . . . . .	2,822	9,498	35,447	6,566	8,174	62,507
Accumulated depreciation . . . . .	<u>(243)</u>	<u>(1,135)</u>	<u>(13,084)</u>	<u>(3,558)</u>	<u>(1,850)</u>	<u>(19,870)</u>
Net carrying amount . . . . .	<u>2,579</u>	<u>8,363</u>	<u>22,363</u>	<u>3,008</u>	<u>6,324</u>	<u>42,637</u>

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales . . . . .	2,978	3,856	3,674	1,750
General and administrative expenses . . . . .	<u>618</u>	<u>1,286</u>	<u>1,618</u>	<u>933</u>
Total . . . . .	<u>3,596</u>	<u>5,142</u>	<u>5,292</u>	<u>2,683</u>

Machinery includes the following amounts where the Group is a lessee under a finance lease:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cost - capitalized finance leases . . . . .	13,515	—	—	—
Accumulated depreciation . . . . .	<u>(1,070)</u>	—	—	—
Net book amount . . . . .	<u>12,445</u>	<u>—</u>	<u>—</u>	<u>—</u>

The Group's buildings at their carrying amounts are analyzed as follows:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings in the PRC . . . . .	<u>2,747</u>	<u>2,680</u>	<u>2,613</u>	<u>2,579</u>

As at December 31, 2008, 2009 and June 30, 2010, buildings with net book value of approximately RMB 922,000, RMB 898,000 and RMB 886,000 were pledged as collateral for the Group's borrowings, respectively (Notes 14 and 15). As at December 31, 2008, 2009 and June 30, 2010, machinery with net book values of approximately RMB 15,731,000, RMB 23,479,000 and RMB 9,519,000 were pledged as collateral for the Group's borrowings (Note 14 and 15).

Depreciation on building of RMB 23,000, RMB 67,000, RMB 67,000, RMB 34,000 and RMB 34,000 for the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010 respectively, have been charged to "General and administrative expenses".

## 8 Intangible assets - Group

	Computer software	Web site	Total
	RMB'000	RMB'000	RMB'000
<b>At January 1, 2007</b>			
Cost . . . . .	276	—	276
Accumulated amortization . . . . .	<u>(148)</u>	<u>—</u>	<u>(148)</u>
Net carrying amount . . . . .	<u>128</u>	<u>—</u>	<u>128</u>
<b>Year ended December 31, 2007</b>			
Opening net carrying amount . . . . .	128	—	128
Additions . . . . .	46	—	46
Disposal of a subsidiary . . . . .	(8)	—	(8)
Amortization (Note 23) . . . . .	<u>(80)</u>	<u>—</u>	<u>(80)</u>
Closing net carrying amount . . . . .	<u>86</u>	<u>—</u>	<u>86</u>
<b>At December 31, 2007</b>			
Cost . . . . .	314	—	314
Accumulated amortization . . . . .	<u>(228)</u>	<u>—</u>	<u>(228)</u>
Net carrying amount . . . . .	<u>86</u>	<u>—</u>	<u>86</u>
<b>Year ended December 31, 2008</b>			
Opening net carrying amount . . . . .	86	—	86
Additions . . . . .	1,228	3,106	4,334
Amortization (Note 23) . . . . .	<u>(101)</u>	<u>—</u>	<u>(101)</u>
Closing net carrying amount . . . . .	<u>1,213</u>	<u>3,106</u>	<u>4,319</u>

	Computer software	Web site	Total
	RMB'000	RMB'000	RMB'000
<b>At December 31, 2008</b>			
Cost . . . . .	1,542	3,106	4,648
Accumulated amortization . . . . .	(329)	—	(329)
Net carrying amount . . . . .	<u>1,213</u>	<u>3,106</u>	<u>4,319</u>
<b>Year ended December 31, 2009</b>			
Opening net carrying amount . . . . .	1,213	3,106	4,319
Additions . . . . .	15	—	15
Amortization (Note 23) . . . . .	(254)	(311)	(565)
Closing net carrying amount . . . . .	<u>974</u>	<u>2,795</u>	<u>3,769</u>
<b>At December 31, 2009</b>			
Cost . . . . .	1,557	3,106	4,663
Accumulated amortization . . . . .	(583)	(311)	(894)
Net carrying amount . . . . .	<u>974</u>	<u>2,795</u>	<u>3,769</u>
<b>Six months ended June 30, 2010</b>			
Opening net carrying amount . . . . .	974	2,795	3,769
Additions . . . . .	10	—	10
Amortization (Note 23) . . . . .	(134)	(155)	(289)
Closing net carrying amount . . . . .	<u>850</u>	<u>2,640</u>	<u>3,490</u>
<b>At June 30, 2010</b>			
Cost . . . . .	1,567	3,106	4,673
Accumulated amortization . . . . .	(717)	(466)	(1,183)
Net carrying amount . . . . .	<u>850</u>	<u>2,640</u>	<u>3,490</u>

The amortization of intangible assets has been charged to "General and administrative expenses".

## 9 Trade and bills receivables - Group

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables . . . . .	52,496	115,466	156,034	219,526
Bills receivables . . . . .	—	—	—	35
Less: provision for impairment of trade receivables . . . . .	(16)	(874)	(1,732)	(7,354)
Trade and bills receivables - net . . . . .	<u>52,480</u>	<u>114,592</u>	<u>154,302</u>	<u>212,207</u>

The fair values of trade and bills receivables approximate their carrying values.

The payment terms with customers are mainly on cash on delivery and on credit. The credit periods ranging from 30 days to 365 days after end of the month in which the relevant sales occurred. As at December 31, 2007, 2008 and 2009, and June 30, 2010, the aging analysis of the trade receivables based on invoice date is as follows:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 30 days . . . . .	10,013	21,389	32,102	34,958
31 - 60 days . . . . .	4,690	14,679	19,180	21,857
61 - 90 days . . . . .	7,683	10,264	9,451	24,816
91 - 365 days . . . . .	30,110	63,290	80,306	100,574
Over 1 year. . . . .	—	5,844	14,995	37,321
	<u>52,496</u>	<u>115,466</u>	<u>156,034</u>	<u>219,526</u>
Bills receivable. . . . .	—	—	—	35
Less: provision for impairment of trade receivables. . . . .	<u>(16)</u>	<u>(874)</u>	<u>(1,732)</u>	<u>(7,354)</u>
Trade and bills receivables, net . . . . .	<u>52,480</u>	<u>114,592</u>	<u>154,302</u>	<u>212,207</u>

The carrying amounts of the Group's trade and bills receivables are denominated in RMB.

As at December 31, 2007, 2008 and 2009, and June 30, 2010, trade receivables of Nil, RMB 13,275,000, RMB 24,601,000 and RMB 46,224,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and the repayment period is consistent with the Group's practice. The aging analysis of these trade receivables is as follows:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Past due 1 - 30 days . . . . .	—	399	3,081	14,510
Past due 31 - 60 days . . . . .	—	2,608	2,919	9,824
Past due 61 - 90 days . . . . .	—	615	2,837	6,115
Past due over 91 days . . . . .	—	9,653	15,764	15,775
	<u>—</u>	<u>13,275</u>	<u>24,601</u>	<u>46,224</u>

As at December 31, 2007, 2008 and 2009, and June 30, 2010, trade receivables of RMB 16,000, RMB 874,000, RMB 1,732,000 and RMB 7,354,000 were impaired and provided for. The amounts of the provision were RMB 16,000, RMB 874,000, RMB 1,732,000 and RMB 7,354,000, respectively. The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
91-365 days . . . . .	—	20	277	277
Over 1 year. . . . .	16	854	1,455	7,077
	<u>16</u>	<u>874</u>	<u>1,732</u>	<u>7,354</u>

Movements on the Group's provision for impairment on trade receivables are as follows:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period . . . . .	—	16	874	1,732
Provision for impairment on trade receivables. . . . .	16	858	858	5,622
At end of year/period . . . . .	<u>16</u>	<u>874</u>	<u>1,732</u>	<u>7,354</u>

The creation and release of provision for impaired receivables have been included in "General and administrative expenses" in the statement of comprehensive income (Note 23). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade receivables do not contain impaired assets.

The maximum exposures of the Group to credit risk as at December 31, 2007, 2008 and 2009, and June 30, 2010 were the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

**10 Prepayments, deposits and other receivables - Group**

	As at December 31,			Six months as at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits to newspaper publishers . . . . .	60,000	60,000	60,000	60,000
Prepayments . . . . .	41,972	44,729	98,488	130,337
Deposits and other receivables . . . . .	24,581	48,947	47,329	51,700
	<u>66,553</u>	<u>93,676</u>	<u>145,817</u>	<u>182,037</u>
Deposits to newspaper publishers, prepayments, deposits and other receivables - total . . . . .	126,553	153,676	205,817	242,037
Less: Non-current portion . . . . .	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>
Current portion . . . . .	<u>66,553</u>	<u>93,676</u>	<u>145,817</u>	<u>182,037</u>

The carrying amounts of the Group's deposits and other receivables are dominated in RMB.

***Deposits to newspaper publishers***

Deposits to newspaper publishers represented cash paid by the Group to certain metropolitan newspaper publishers in the PRC pursuant to exclusive agreements between the Group and newspaper publishers. Under the terms of the agreements, the Group has obtained the exclusive rights to sell advertising spaces of the respective newspapers for a fixed term of 30 years and it has to transfer specified amount of cash to the newspaper publishers. The cash held by the newspaper publishers will be repayable to the Group upon the expiry of the agreements. The Group assesses the recoverable amount of the deposits on each balance sheet date and the carrying values of these amounts are written down immediately to their recoverable amounts if recoverable amounts are less than the carrying values.

***Prepayments***

Under the terms of the exclusive advertising agreements with metropolitan newspaper's contract, the Group also has to make prepayments for print media advertising to the newspaper publishers, the amounts prepaid to newspaper publishers can be used to offset the fee amounts payable where the amount of prepayment available. During the six months ended 30 June, 2010, the Group has entered



into co-operative arrangements with television operators and has to make prepayment to the television operator in accordance with the contract. The future aggregate minimum advertising payments under non-cancellable exclusive advertising agreements are as follows:

	Group			
	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than 1 year . . . . .	149,658	255,729	254,939	203,462
Later than 1 year and not later than 5 years . . . . .	565,446	613,157	499,098	586,938
Later than 5 years . . . . .	2,376,440	2,268,000	2,160,000	1,998,000
	<u>3,091,544</u>	<u>3,136,886</u>	<u>2,914,037</u>	<u>2,788,400</u>

#### *Deposits and other receivables*

Deposits and other receivables primarily comprised cash paid to contracted newspaper and television partners as deposits for operation rights. The deposits are interest free and are refundable at the end of each year or on request under mutual consent.

#### **11 Assets held for sale**

The Group's assets held for sale includes the following:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Properties held for sale . . . . .	<u>5,817</u>	<u>18,515</u>	<u>22,885</u>	<u>31,537</u>

The properties in the PRC were received in exchange of advertising services to real estates developers in the PRC. The Group's intention is to sell these properties and accordingly, the rights are recognized as assets held for sale upon the completion of the advertising sales transaction if the related property is ready to be sold.

Cash flows associated with the disposal of assets held for sale are presented within "operating activities" in the consolidated statements of cash flows. The gain/loss on disposal of assets held for sale are recorded in "other income" and "general and administrative expenses" in the consolidated statements of comprehensive income, respectively.

**12 Inventories - Group**

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Newsprint paper and printing consumables . . . . .	11,937	1,973	3,954	4,315

As at December 31, 2007 and 2008, newsprint paper with net book values of approximately RMB 9,217,000 and RMB 168,000 were pledged as collateral for the Group's borrowings (Notes 14 and 15).

**13 Cash and cash equivalents - Group**

As at December 31, 2007, 2008 and 2009, and June 30, 2010, cash and cash equivalents are all denominated in the following currencies:

	Group			
	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand				
Denominated in RMB . . . . .	5,724	10,702	39,394	28,693
Denominated in HKD . . . . .	11	19	838	625
Denominated in USD . . . . .	—	13	411	160,782
	<u>5,735</u>	<u>10,734</u>	<u>40,643</u>	<u>190,100</u>

Cash in bank earns interest at floating rates based on daily bank deposits rate. The carrying amounts of the cash and cash equivalents approximate their fair values.

Bank and cash balances and pledged bank deposits amounted to approximately RMB 5,735,000, RMB 10,734,000, RMB 40,643,000 and RMB 190,100,000 as at December 31, 2007, 2008, 2009 and as at June 30, 2010 respectively, were denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

**14 Pledge of assets**

During the Relevant Periods, the Group had the following pledge of assets as collateral to secure the Group's borrowings (Note 15):

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At net book value:				
Buildings in the PRC (Note 7) . . . . .	—	922	898	886
Machinery (Note 7). . . . .	—	15,731	23,479	9,519
Newsprint paper (Note 12) . . . . .	9,217	168	—	—
Restricted cash (Note 14(a)) . . . . .	3,150	—	—	—
	<u>12,367</u>	<u>16,821</u>	<u>24,377</u>	<u>10,405</u>

**(a) Pledged bank deposits - Group**

The pledged bank deposit for the year ended December 31, 2007 is RMB3,150,000 and carries weighted average interest rate of 1.04% per annum. There is no pledged bank deposit for the years ended December 31, 2008, 2009 and the six months ended June 30, 2010.

**15 Borrowings - Group**

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term bank loans, secured . . . . .	16,690	36,500	44,520	35,000
Other loans . . . . .	43,458	13,100	2,740	—
Finance lease liabilities, secured . . . . .	5,739	—	—	—
	<u>65,887</u>	<u>49,600</u>	<u>47,260</u>	<u>35,000</u>

Borrowings of RMB16,690,000, RMB36,500,000, RMB44,520,000 and RMB35,000,000 as at December 31, 2007, 2008 and 2009 and June 30, 2009 and 2010, respectively, were secured by Group's equipment and inventories. Certain loans are guaranteed by suppliers, related parties and directors (Note 31). These loans are used to finance daily operations.

The weighted average effective interest rates at December 31, 2007, 2008 and 2009 and June 30, 2010, were 11.5%, 9.4%, 5.3% and 3.0% per annum respectively.

The carrying amounts of the Group's borrowings are dominated in RMB and approximate to their fair values.

As at December 31, 2007, 2008 and 2009 and June 30, 2010, the Group's borrowings were all repayable within one year.

(a) *Finance lease liabilities*

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Gross finance lease liabilities - minimum lease payments				
No later than 1 year . . . . .	5,960	—	—	—
Future finance charges on finance leases	(221)	—	—	—
<b>Present value of finance lease liabilities</b> . . . . .	<u>5,739</u>	<u>—</u>	<u>—</u>	<u>—</u>
The present value of finance lease liabilities is as follows:				
No later than 1 year . . . . .	<u>5,739</u>	<u>—</u>	<u>—</u>	<u>—</u>

16 Trade, other payables and accrued expenses - Group

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables . . . . .	26,583	26,332	3,722	5,561
Other payables and accrued expenses:				
Accrued utility expenses and other liabilities . . . . .	767	1,332	992	563
Accrued salaries and welfare . . . . .	2,412	6,720	5,064	3,883
Value added tax and other taxes payable . . . . .	10,822	15,399	25,100	25,259
Other payables . . . . .	495	3,661	2,144	3,003
Payable to a newspaper publisher . . . . .	11,995	—	—	—
Deposits from customers . . . . .	809	6,904	9,090	8,186
Receipts in advance . . . . .	458	6,212	14,055	11,582
	<u>27,758</u>	<u>40,228</u>	<u>56,445</u>	<u>52,476</u>
	<u>54,341</u>	<u>66,560</u>	<u>60,167</u>	<u>58,037</u>

Payment terms granted by suppliers are mainly on cash on delivery and on credit. The credit periods ranging from 30 days to 365 days after end of the month in which the relevant purchase occurred.

As at December 31, 2007, 2008 and 2009, and June 30, 2010, the aging analysis of the trade payables based on the date of receipt of goods, are as follows:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 30 days . . . . .	812	4,423	1,751	2,098
31 - 90 days . . . . .	927	4,125	441	1,232
Over 90 days . . . . .	24,844	17,784	1,530	2,231
	<u>26,583</u>	<u>26,332</u>	<u>3,722</u>	<u>5,561</u>

The carrying amounts of the Group's trade payables are all dominated in RMB.

#### 17 Deferred income tax

No deferred tax income asset has been recognized in respect of the RMB5,322,000, RMB6,470,000, RMB2,792,000 and RMB8,284,000 of tax losses as at December 31, 2007, 2008 and 2009, and as at June 30, 2010 as it is not probable that the relevant subsidiaries of the Group will generate taxable profits to utilize the tax loss in the foreseeable future. Such tax losses have an expiry period of five years.

Under the ELT Law and implementation regulations issued by the PRC Government, withholding tax of 10% or a lower treaty rate is imposed on dividends declared in respect of profits earned by PRC Subsidiaries from January 1, 2008 onward. Deferred income tax liabilities of RMB 1,862,000, RMB 10,156,000, RMB 24,499,000 and RMB 31,842,000 for the years ended December 31, 2007, 2008 and 2009 and for six months ended June 30, 2010, respectively, have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries because the Group has no intention to remit such unremitted earnings in these subsidiaries in the PRC in the foreseeable future. As at December 2007, 2008 and 2009 and as at June 30, 2010, unremitted earnings of certain subsidiaries amounted to RMB 18,618,000, RMB101,558,000 and RMB 244,987,000 and RMB 318,416,000 respectively.

## 18 Share capital

	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
Ordinary shares of HK\$0.1 each at December 9, 2009 and December 31, 2009 and June 30, 2010 (Note (a)) . . . . .	<u>2,000,000,000</u>	<u>0.1</u>	
Issued:			
Ordinary shares of HK\$0.1 each issued on December 9, 2009 and December 31, 2009 and June 30, 2010 (Note (a)) . . . . .	1	0.1	—
Allotment of new ordinary shares of HK\$0.1 each (Note (b)) . . . . .	<u>549,123,120</u>	<u>54,912,312</u>	<u>48,284</u>
Ordinary shares of HK\$0.1 each at June 30, 2010 . . . . .	<u>549,123,121</u>	<u>54,912,312</u>	<u>48,284</u>

*Notes:*

- (a) The Company was incorporated in the Cayman Islands on December 9, 2009 with an authorized share capital of HK\$ 200 million divided into 2,000,000,000 shares of HK\$0.1 each. On the same date, the Company allotted and issued one share, credited as fully paid at par, to China TopReach.
- (b) Pursuant to a resolution dated January 18, 2010 and a share subscription agreement on February 5, 2010, the Company's issued share capital was increased from RMB0.1 to RMB 48,284,000, by the issuance of 549,123,120 shares of HK\$0.1 each.

Since the Company had not been legally incorporated as at December 31, 2007 and 2008, there was no share capital presented as at December 31, 2007 and 2008.

**19 Reserves***(a) Statutory reserves*

The statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purpose in accordance with the regulations in the PRC. The allocation is based on certain percentages of these companies' profit for the year, as reported in their statutory financial statements.

Pursuant to the PRC regulations and the companies' respective Articles of Association, each of the Group companies is required to transfer 10% of its profit for the year, as determined under the PRC Accounting Regulations, to a statutory common reserve fund until the fund balance exceeds 50% of the Group company's registered capital. The statutory common reserve fund can be used to make good previous years' losses, if any, and to allot and issue new shares to shareholders in proportion to their existing shareholdings or to increase the par value of the shares currently held by them, provided that the balance after such allotment and issue is not less than 25% of the registered capital.

Each of the Group companies is also permitted to transfer a certain percentage of its profit for the year as determined under the PRC Accounting Regulations, to a discretionary common reserve fund. The transfer to this reserve is subject to approval at shareholders' meetings.

*(b) Capital reserves*

Capital reserves represent cash contribution to Olympia Media, Fujian ShiFang and Beijing HongXinTu by the Underlying Shareholders.

**20 Investment in a subsidiary - Company**

	As at <u>June 30, 2010</u>
	RMB'000
Unlisted shares, at cost .....	<u>342</u>

Details of the subsidiary at June 30, 2010 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activity	Particulars of issued share capital	Direct interest held
Olympia Media Holdings Limited . .	The British Virgin Islands, limited liability company	Investment holding	50,000 Ordinary shares of US\$1 each	100%

## 21 Amount due from a subsidiary - Company

The amount is unsecured, interest-free and repayable on demand.

## 22 Other income

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Sale of newsprint papers . . . . .	1,873	5,601	1,724	708	798
Sale of scrap material . . . . .	2,713	2,706	1,734	672	1,299
Government grant . . . . .	305	1,295	1,945	398	2,446
Compensation . . . . .	—	1,917	—	—	—
Sundry income . . . . .	865	952	710	529	683
	<u>5,756</u>	<u>12,471</u>	<u>6,113</u>	<u>2,307</u>	<u>5,226</u>

The Group received government grants of RMB 305,000, RMB 1,295,000, RMB 1,945,000 RMB 398,000 and RMB 2,446,000 from the Fujian government authority for the year ended December 31, 2007, 2008, 2009 and for the six months ended June 30, 2009 and 2010, respectively, as an incentive to expand the business and develop the economy in the PRC. The grant received is non-refundable.

For the year ended December 31 2008, compensation of RMB 1,917,000 was received by the Group from a newspaper publisher for the early termination of exclusive advertising right. No such compensation was received for the year ended December 31, 2007, 2009 and for the six months ended June 30, 2009 and 2010.



## 23 Profit before income tax

Profit before income tax is stated after charging and (crediting) the following:

	Year ended December 31,			Six months ended	
				June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Auditors' remuneration. . . . .	326	332	62	39	72
Cost of newspaper advertising -					
Media costs . . . . .	75,210	209,846	209,283	85,612	97,510
Cost of online services. . . . .	—	—	1,123	—	818
Cost of television advertising -					
Media costs . . . . .	—	—	—	—	4,770
Cost of distribution management, consulting and printing services:					
- Raw material . . . . .	4,474	4,070	3,630	1,442	1,525
- Media costs . . . . .	500	23	4,188	1,852	1,175
- Other costs. . . . .	1,846	842	1,003	583	666
Depreciation (Note 7) . . . . .	3,596	5,142	5,292	2,604	2,683
Amortization (Note 8) . . . . .	80	101	565	296	289
Operating lease charges in respect of land and building . . . . .	2,532	2,941	3,696	1,775	1,821
Net loss on disposals of property, plant and equipment . . . . .	17	61	17	17	59
Provision for impairment on trade receivables (Note 9) . . . . .	16	858	858	—	5,622
Net foreign exchange gain . . . . .	(229)	(243)	(178)	(24)	477
Employee benefit expenses (including director's emoluments) (Note 24) . . . . .	15,327	33,490	38,746	17,991	23,496
Business tax. . . . .	<u>4,160</u>	<u>9,963</u>	<u>17,487</u>	<u>7,691</u>	<u>9,626</u>

## 24 Employee benefit expenses (including directors' emoluments)

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries and other allowances . . . .	14,489	30,479	35,458	16,704	19,466
Shared-based compensation expense . . . . .	—	—	—	—	2,119
Discretionary bonus . . . . .	259	1,493	797	324	327
Social security costs . . . . .	579	1,518	2,491	963	1,584
	<u>15,327</u>	<u>33,490</u>	<u>38,746</u>	<u>17,991</u>	<u>23,496</u>

## (a) Directors' emoluments

The remuneration of every director of the Company paid/payable by the companies now comprising the Group for the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010 is set out below:

	Year ended December 31, 2007					
	Fees	Salaries and other allowances	Discretionary bonus	Social Security cost	Share-based compensation (Note 34)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors:</b>						
Mr. Chen Zhi . . . . .	—	1,800	—	—	—	1,800
Mr. Hong Pei Feng . . . . .	—	—	—	—	—	—
Mr. Zhang Tie Zhu . . . . .	—	—	—	—	—	—
<b>Non-executive director:</b>						
Mr. Wang Ping . . . . .	—	—	—	—	—	—
<b>Independent non-executive directors:</b>						
Mr. Zhou Chang Ren . . . .	—	—	—	—	—	—
Mr. Wong Heung Ming, Henry . . . . .	—	—	—	—	—	—
Mr. Zhou Ze Yuan . . . . .	—	—	—	—	—	—
Total . . . . .	<u>—</u>	<u>1,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,800</u>

## Year ended December 31, 2008

	Fees	Salaries and other allowances	Discretionary bonus	Social security cost	Share-based compensation (Note 34)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors:</b>						
Mr. Chen Zhi . . . . .	—	1,800	—	—	—	1,800
Mr. Hong Pei Feng . . . . .	—	720	—	—	—	720
Mr. Zhang Tie Zhu . . . . .	—	—	—	—	—	—
<b>Non-executive director:</b>						
Mr. Wang Ping . . . . .	—	—	—	—	—	—
<b>Independent</b>						
<b>Non-executive directors:</b>						
Mr. Zhou Chang Ren . . . . .	—	—	—	—	—	—
Mr. Wong Heung Ming, Henry . . . . .	—	—	—	—	—	—
Mr. Zhou Ze Yuan . . . . .	—	—	—	—	—	—
Total . . . . .	—	2,520	—	—	—	2,520

## Year ended December 31, 2009

	Fees	Salaries and other allowances	Discretionary bonus	Social security cost	Share-based compensation (Note 34)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors:</b>						
Mr. Chen Zhi . . . . .	—	600	—	—	—	600
Mr. Hong Pei Feng . . . . .	—	600	—	—	—	600
Mr. Zhang Tie Zhu . . . . .	—	150	—	—	—	150
<b>Non-executive director:</b>						
Mr. Wang Ping . . . . .	—	—	—	—	—	—
<b>Independent</b>						
<b>Non-executive directors:</b>						
Mr. Zhou Chang Ren . . . . .	—	—	—	—	—	—
Mr. Wong Heung Ming, Henry . . . . .	—	—	—	—	—	—
Mr. Zhou Ze Yuan . . . . .	—	—	—	—	—	—
Total . . . . .	—	1,350	—	—	—	1,350

## Six months ended June 30, 2009 (Unaudited)

	Fees	Salaries and other allowances	Discretionary bonus	Social security cost	Share-based compensation (Note 34)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors:</b>						
Mr. Chen Zhi . . . . .	—	300	—	—	—	300
Mr. Hong Pei Feng . . . . .	—	300	—	—	—	300
Mr. Zhang Tie Zhu . . . . .	—	—	—	—	—	—
<b>Non-executive director:</b>						
Mr. Wang Ping . . . . .	—	—	—	—	—	—
<b>Independent</b>						
<b>Non-executive directors:</b>						
Mr. Zhou Chang Ren . . . . .	—	—	—	—	—	—
Mr. Wong Heung Ming, Henry . . . . .	—	—	—	—	—	—
Mr. Zhou Ze Yuan . . . . .	—	—	—	—	—	—
Total . . . . .	—	600	—	—	—	600

## Six months ended June 30, 2010

	Fees	Salaries and other allowances	Discretionary bonus	Social security cost	Share-based compensation (Note 34)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors:</b>						
Mr. Chen Zhi . . . . .	—	300	—	—	805	1,105
Mr. Hong Pei Feng . . . . .	—	300	—	—	212	512
Mr. Zhang Tie Zhu . . . . .	—	300	1	—	720	1,021
<b>Non-executive director:</b>						
Mr. Wang Ping . . . . .	—	—	—	—	42	42
<b>Independent</b>						
<b>Non-executive directors:</b>						
Mr. Zhou Chang Ren . . . . .	—	—	—	—	—	—
Mr. Wong Heung Ming, Henry . . . . .	—	—	—	—	—	—
Mr. Zhou Ze Yuan . . . . .	—	—	—	—	—	—
Total . . . . .	—	900	1	—	1,779	2,680

During the Relevant Periods, none of the directors of the Company (i) received any emolument from the Group as an inducement to join or upon joining the Group; or (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

**(b) Five highest paid individuals**

For the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010, the five individuals whose emoluments were the highest in the Group include one, two, two, two and three director(s), whose emoluments were reflected in the analysis presented above. The emoluments paid/payable to the remaining four, three, three, three and two individuals during the Relevant Periods and the six months ended June 30, 2009 were as follows:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries and other allowances . . . .	407	2,401	962	580	222
Share-based compensation expense.	—	—	—	—	85
Discretionary bonus . . . . .	20	—	—	—	—
Social security costs . . . . .	14	3	7	2	4
	<u>441</u>	<u>2,404</u>	<u>969</u>	<u>582</u>	<u>311</u>

For the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010, none of the five highest paid individuals received compensation for loss of office or inducement to join the Group.

For the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010, the emoluments of the highest paid individuals of the Group fall within the following bands:

	Number of individuals				
	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
				(Unaudited)	
Nil to HK\$1,000,000 . . . . .	4	2	3	3	2
HK\$1,000,001 to HK\$1,500,000. . .	—	—	—	—	—
HK\$1,500,001 to HK\$2,000,000. . .	—	1	—	—	—
	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

*(c) Key management compensation*

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries and other allowances . . . .	2,207	5,318	2,997	1,546	1,506
Share-based compensation expense.	—	—	—	—	2,119
Discretionary bonus . . . . .	20	—	—	—	—
Social security costs . . . . .	14	14	18	9	9
	<u>2,241</u>	<u>5,332</u>	<u>3,015</u>	<u>1,555</u>	<u>3,634</u>

**25 Finance income and costs**

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Finance income:					
- Interest income on short-term bank deposits . . . . .	430	149	46	11	85
Interest expense on:					
- Bank borrowings . . . . .	(2,311)	(2,386)	(3,117)	(1,614)	(1,124)
- Loans from related parties (Note 31 (b)) . . . . .	(575)	(183)	—	—	—
- Other loans . . . . .	(182)	(254)	(153)	(77)	—
- Finance lease liabilities . . . . .	(819)	(221)	—	—	—
	<u>(3,887)</u>	<u>(3,044)</u>	<u>(3,270)</u>	<u>(1,691)</u>	<u>(1,124)</u>
Finance costs, net . . . . .	<u>(3,457)</u>	<u>(2,895)</u>	<u>(3,224)</u>	<u>(1,680)</u>	<u>(1,039)</u>

## 26 Income tax expenses

	Year ended December 31,			Six months ended	
				June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Mainland China EIT					
- Current tax . . . . .	4,741	11,833	24,956	10,059	16,208
- Under/(over) provision in prior years . . . . .	347	(13)	(311)	—	—
Total current tax . . . . .	<u>5,088</u>	<u>11,820</u>	<u>24,645</u>	<u>10,059</u>	<u>16,208</u>

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the Relevant Periods and the six months ended June 30, 2009.

During the year ended December 31, 2007, PRC taxation has been provided on the profits of the companies now comprising the Group operating in the PRC and subject to Enterprise Income Tax (“EIT”) at a rate of 33%, unless preferential rates are applicable.

Effective from January 1, 2008, the companies now comprising the Group are subject to the corporate income tax in accordance with the new China Income Tax (“CIT”) Law as approved by the National People’s Congress on March 16, 2007. According to the new CIT Law and the relevant regulations, the new CIT rate applicable to the subsidiaries now comprising of the Group is 25% unless preferential rates are applicable.

Prior to the effective date of the new CIT Law, each of Kunming HongLianXin, Fuzhou HongXinTu, Shifang YaQi, Shenyang ShiFang, Chongqing ShiFang and Dalian ShiFang, Beijing HongxinTu and Tianjin ShiFang was entitled to preferential EIT rates or treatments. Kunming HongLianXin was entitled to a three-year tax exemption period with a follow-on two year 50% tax reduction commencing from January 1, 2006. Fuzhou HongXinTu was entitled to a two-year tax exemption period with a follow-on three-year 50% tax reduction commencing from January 1, 2007. Shifang YaQi was entitled to a preferential EIT rate of 15% in 2007. Each of Shenyang ShiFang and Chongqing ShiFang, Dalian ShiFang, Beijing HongxinTu and Tianjin ShiFang was exempted from EIT in 2007.

Commencing from the effective date of the new CIT Law on January 1, 2008, Kunming HongLianXin will continue to enjoy its three-year tax exemption period with a follow-on two-year 50% tax reduction through 2011. Fuzhou HongXinTu will continue to enjoy its two-year tax exemption period with a follow-on three-year 50% tax reduction through 2012. Shifang YaQi was entitled to the grandfathering treatment where the applicable CIT rate will be phased-in from 18% to 25% over a period of 5 years through 2013. Xiamen DuKe accredited as an approved High and New Technology

Enterprise (“**HNTE**”) located in the High Technology Development Zone, was entitled to a two-year tax exemption which was included as one of the transitional preferential treatments stipulated in Circular 39. Xiamen DuKe was then re-assessed as a HNTE under the new CIT law regime and would be eligible to enjoy a reduced CIT rate of 15% upon the expiry of CIT holiday in 2009.

Hong Kong profits tax has been provided at the rate of 17.5%, 16.5%, 16.5%, 16.5% and 16.5% on the estimated assessable profit for the years ended 31 December 2007, 2008 and 2009 and for the six months ended June 30, 2009 and 2010, respectively. In June 2008, the Hong Kong government enacted a change in the profits tax rate from 17.5% to 16.5% commencing from the fiscal year 2008/2009. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities in the respective jurisdictions as follows:

	Year ended December 31,			Six months ended	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax . . . . .	<u>37,248</u>	<u>91,050</u>	<u>165,425</u>	<u>72,808</u>	<u>87,793</u>
Tax calculated at domestic rates applicable to profits of the entities in the respective jurisdictions . . . . .	12,467	21,684	39,993	14,487	14,369
Tax effects of:					
- Income not subject to tax . . . . .	(49)	(18)	(36)	(29)	—
- Expenses not deductible for tax purposes . . . . .	899	926	515	347	492
- Tax losses for which no deferred income tax asset was recognized.	472	1,145	119	387	1,389
- Utilization of previously unrecognized tax losses . . . . .	(131)	(336)	(1,039)	(210)	(16)
- Effect of tax holiday . . . . .	(8,926)	(11,468)	(14,639)	(4,336)	—
- Under/(over) provision in prior years income tax expenses . . . . .	347	(13)	(311)	—	—
- Others . . . . .	9	(100)	43	(587)	(26)
	<u>5,088</u>	<u>11,820</u>	<u>24,645</u>	<u>10,059</u>	<u>16,208</u>

The effective tax rate was 13.7%, 13.0%, 14.9%, 13.8% and 18.5% for the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010, respectively.



**27 Earnings per share***(a) Basic*

Basic earnings per share for the year ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010 is calculated by dividing the profit attributable to the equity holders of the Company by the deemed weighted average number of ordinary shares in issue during the period.

The number of ordinary shares used for the calculation of earnings per share for the year ended December 31, 2007, 2008 and 2009, and for the six months ended June 30, 2009 and 2010, is the aggregate number of shares which are outstanding as at June 30, 2010 which included the ordinary shares allotted and issued as part of the Reorganization of the Group as disclosed in Note 1.

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
				(Unaudited)	
Profit attributable to equity holders of the Company (RMB'000) . . . .	31,588	79,775	140,819	62,770	71,592
Weight average number of shares in issue (thousands) . . . . .	549,123	549,123	549,123	549,123	549,123
Basic earnings per share (RMB per share) . . . . .	<u>0.0575</u>	<u>0.1453</u>	<u>0.2564</u>	<u>0.1143</u>	<u>0.1304</u>

*(b) Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, as the exercise price in respect of each share allotted and issued pursuant to the exercise of options granted shall not be less than 100% of the fair market value of the shares on the date of grant of the option, the effect of the assumed conversion of the share options was not dilutive.

**28 Dividends**

No dividend has been declared by the Company since its incorporation.

During the year ended December 31, 2007, dividends were declared by Olympia Media and Beijing HongXinTu out of their retained earnings to their then respective shareholders of which were wholly owned by Mr. Hong Peifeng (“**Mr. Hong**”), Mr. Chen Zhi (“**Mr. Chen**”), Mr. Qiang Peiyang, Mr. Lin Yutong, Mr. Zhang Jingui, Mr. Lin Yulin, Mr. Qiang Yibin. Pursuant to a Director’s Resolution issued by Olympia Media and Beijing HongXinTu on January 11, 2008, the shareholders of Olympia Media and Beijing HongXinTu approved Olympia Media and Beijing HongXinTu to declare a total dividend of RMB 17,174,000.

## 29 Note to the statements of cash flows

### (a) Cash (used in)/generated from operation

	Note	Year ended December 31,			Six months ended June 30,	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Profit before tax . . . . .		37,248	91,050	165,425	72,808	87,793
Adjustments for:						
Depreciation . . . . .	7	3,596	5,142	5,292	2,604	2,683
Amortization . . . . .	8	80	101	565	296	289
Loss on disposal of property, plant and equipment. . . . .	29(c)	17	61	17	17	59
Provision for impairment of trade receivables . . . . .	9	16	858	858	—	5,622
Interest income. . . . .	25	(430)	(149)	(46)	(11)	(85)
Finance cost. . . . .	25	3,887	3,044	3,270	1,691	1,124
Share-based compensation expense . . . . .	24	—	—	—	—	2,119
Changes in working capital:						
- Trade and bills receivables		(52,292)	(81,283)	(50,396)	(45,425)	(72,179)
- Inventories . . . . .		25,065	9,964	(1,981)	(1,121)	(361)
- Prepayments, deposits and other receivables . . . . .		(41,649)	(31,147)	(53,261)	(8,089)	(19,511)
- Amounts due from related parties . . . . .		1,736	(9,235)	(10,767)	(4,588)	219
- Trade payables . . . . .		(17,765)	(251)	(22,610)	(8,144)	1,839
- Other payables and accrued expenses . . . . .		7,149	4,585	19,795	13,017	(3,969)
- Amounts due to related parties . . . . .		7,163	(9,088)	3,270	(11,054)	(655)
Cash (used in)/generated from operations . . . . .		<u>(26,179)</u>	<u>(16,348)</u>	<u>59,431</u>	<u>12,001</u>	<u>4,987</u>

*(b) Disposal of a subsidiary*

On March 31, 2007, the Group disposed its entire 97.5% interest in Quan Zhou Shifang Advertising Company Ltd. (“**Quan Zhou ShiFang**”), for a total consideration of RMB 1,426,000 to Fujian ShiFang Digital Technology Co., Ltd., a related party. (Note 31b(ii))

Net assets at the date of disposal were as follows:

	<u>RMB'000</u>
Cash and cash equivalents . . . . .	10
Net assets of Quan Zhou ShiFang disposed . . . . .	1,426
Loss on disposal . . . . .	—
Total consideration - satisfied by cash . . . . .	1,436
Net cash outflow arising from disposal:	
Cash received . . . . .	1,426
Cash and cash equivalents in Quan Zhou ShiFang disposed . . . . .	<u>(10)</u>
	<u>1,416</u>

*(c) Disposal of property, plant and equipment*

In the statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	<u>Year ended December 31,</u>			<u>Six months ended</u>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>June 30,</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>2009</u>	<u>2010</u>
				<u>(Unaudited)</u>	
				<u>RMB'000</u>	<u>RMB'000</u>
Net book amount (Note 7) . . . . .	20	152	20	20	210
Loss on disposal of property, plant and equipment . . . . .	<u>(17)</u>	<u>(61)</u>	<u>(17)</u>	<u>(17)</u>	<u>(59)</u>
Proceeds from disposal of property, plant and equipment . .	<u>3</u>	<u>91</u>	<u>3</u>	<u>3</u>	<u>151</u>

**30 Commitments***(a) Operating lease commitments - Group*

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than 1 year . . . . .	1,666	3,214	3,168	3,022
Later than 1 year and not later than 5 years . . . . .	4,105	9,968	9,790	9,946
Later than 5 years . . . . .	1,743	8,019	6,937	5,898
	<u>7,514</u>	<u>21,201</u>	<u>19,895</u>	<u>18,866</u>

**31 Related-party transactions**

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

- (a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Name	Relationship with the Group
Mr. Chen 陳志	Executive director of the Company/Chief Executive Officer of the Group
Fujian JinDi Mining Industry Co., Ltd. 福建金地礦業有限公司	Controlled by the Chief Executive Officer of the Group
Fujian ShiFang Digital Technology Co., Ltd. 福建十方數碼技術有限公司	Controlled by the Chief Executive Officer of the Group
TopBig International 昇平國際發展有限公司	Controlled by the Chief Executive Officer of the Group
Shenyang Si Ling Ling Gou Trading Co., Ltd. 瀋陽四零零購商貿有限公司	Controlled by the Chief Executive Officer of the Group from November 27, 2009 to June 18, 2010

Name	Relationship with the Group
Guangxi Nanning Ha Le Tao Trading Co., Ltd. 廣西南寧哈樂淘商貿有限公司	Controlled by the Chief Executive Officer of the Group from December 22, 2009 to June 18, 2010
Beijing Ha Le Tao Electronic Trading Co., Ltd. 北京哈樂淘電子商務有限公司	Controlled by the Chief Executive Officer of the Group from September 3, 2009 to June 18, 2010
Fuzhou Development Zone Xuanhua Industry & Trade Co., Ltd. 福州開發區玄擘工貿有限公司	Controlled by a close family of a director of the Company
Mr. Qiang Yibing 強亦彬	A close family member of a director of the Company
Fujian Jinyi Asia Paper Co., Ltd. 福建金宜亞洲紙業有限公司	Controlled by a close family member of a director of the Company
Shenzhen TianXun Information Technology Co., Ltd. 深圳天訊信息技術有限公司	A significant shareholder of a subsidiary of the Group from May 14, 2007 to May 8, 2008
Mr. Li Gang 李剛	Key management of the Group
Mr. Xu Kaining 許開寧	Key management of the Group
Xiamen Hongnian Venture Investment Co., Ltd. 廈門宏年創業投資有限公司	Controlled by a director of the Company
Shenzhen Longbai Investment and Management Co., Ltd. 深圳市龍柏投資管理有限公司	Controlled by a director of the Company
Shenzhen Zhongke Hongyi Venture Investment Management Co., Ltd. 深圳市中科宏易創業投資管理有限公司	Controlled by a director of the Company
Quan Zhou Shifang Advertising Company Ltd. 泉州十方廣告有限公司	Controlled by the Chief Executive Officer of the Group
Mr. Hong 洪培峰	Executive director of the Company
Mr. Zhang Tiezhu 張鐵柱	Director of the Company / Chief Financial Officer of the Group
Mr. Nakamura Toshihiro 中村俊廣	A former director of a subsidiary until September 1, 2008

Name	Relationship with the Group
Liandi Wisdom Star Electronic Science and Technology (Shanghai) Ltd. 聯迪恆星電子科技(上海)有限公司	A fellow subsidiary of significant shareholder of a subsidiary of the Group until May 14, 2007
China TopReach	Immediate holding company
Xiamen Zhishang Trading Co., Ltd. 廈門至上商貿有限公司	Controlled by a close family member of a director of the Company
Xiamen YuanTong Communication Co., Ltd 廈門元通傳播有限公司	Controlled by a close family member of a director of the Company
Xiamen Yuanliu Cultural Communication Co., Ltd. 廈門遠流文化傳播有限公司	Controlled by a member of key management of the Group
Ms. Zheng Shouling 鄭守齡	Spouse of the Chief Executive Officer of the Group
Mr. Chen Ziquan 陳梓泉	Key management of the Group
Fuzhou Yaqi Art Originality Co. Ltd. 福州亞祺藝術創意有限公司	Controlled by a member of key management of the Group
Mr. Qin Guo Jun 秦國君	A significant shareholder of a subsidiary of the Group
Mr. Zhu Sheng Nan 祝勝楠	A significant shareholder of a subsidiary of the Group
Shenyang Jinyutang Real Estate Agency Co., Ltd. 瀋陽金玉堂房地產代理有限公司	Controlled by a significant shareholder of a subsidiary of the Group

The above names of certain related parties companies represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

## (b) Transactions with related parties:

The following transactions were undertaken by the Group with related parties during the Relevant Periods:

## (i) Continuing transactions

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Key management compensation (Note 24(c)) . . . . .	<u>2,241</u>	<u>5,332</u>	<u>3,015</u>	<u>1,555</u>	<u>3,634</u>

## (ii) Non-continuing transactions

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Newspaper advertising and online services revenue from related parties:</b>					
Companies controlled by a close family member of a director . . . . .	—	1,380	1,590	—	—
Company controlled by a member of key management of the Group . .	75	1,335	2,931	104	452
Company controlled by the Chief Executive Officer of the Company . . . . .	<u>—</u>	<u>—</u>	<u>2,087</u>	<u>—</u>	<u>3,129</u>
	<u>75</u>	<u>2,715</u>	<u>6,608</u>	<u>104</u>	<u>3,581</u>

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
<b>Interest expense to related parties (Note 25):</b>					
Company controlled by the Chief Executive Officer of the Company . . . . .	421	115	—	—	—
A significant shareholder of a subsidiary of the Group from May 14, 2007 to May 8, 2008. . . . .	51	—	—	—	—
A fellow subsidiary of significant shareholder of a subsidiary of the Group until May 14, 2007. . . . .	103	—	—	—	—
Chief Executive Officer of the Group . . . . .	—	68	—	—	—
	<u>575</u>	<u>183</u>	<u>—</u>	<u>—</u>	<u>—</u>

The Group disposed its entire 97.5% interest in Quan Zhou ShiFang on March 31, 2007, details is described in Note 29(b).

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
<b>Expense paid on behalf of related party:</b>					
Immediate holding company . . . . .	—	3,572	9,319	8,898	2,195
	<u>—</u>	<u>3,572</u>	<u>9,319</u>	<u>8,898</u>	<u>2,195</u>

The amounts above represent expenses paid by the Group on behalf of China TopReach.



## (c) Balances with related parties:

The Group had the following material trade and non-trade balances with related parties:

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Amount due from immediate holding company — non-trade .</b>	<u>—</u>	<u>3,572</u>	<u>12,891</u>	<u>15,086</u>
<b>Amounts due from related parties — trade</b>				
Companies controlled by a close family of a director of the Company . . . . .	—	1,380	1,590	1,590
Companies controlled by a member of key management of the Group.	39	1,859	1,293	1,287
Company controlled by the Chief Executive Officer of the Group . .	<u>—</u>	<u>—</u>	<u>1,403</u>	<u>—</u>
	<u>39</u>	<u>3,239</u>	<u>4,286</u>	<u>2,877</u>
<b>Amounts due from related parties — non-trade</b>				
Companies controlled by a close family of a director of the Company . . . . .	—	13,023	13,024	12,000
Companies controlled by a member of key management of the Group.	563	838	798	1,169
Spouse of the Chief Executive Officer of the Company . . . . .	—	878	879	739
Key management of the Group . . . .	—	1,327	1,767	1,485
A former director of a subsidiary until September 1, 2008. . . . .	40	24	23	23
Company controlled by the chief executive officer of the Group. . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>70</u>
	<u>603</u>	<u>16,090</u>	<u>16,491</u>	<u>15,486</u>
	<u>642</u>	<u>19,329</u>	<u>20,777</u>	<u>18,363</u>

For the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010, no outstanding balance was due from any director.

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Amounts due to directors:</b>				
Short-term borrowing				
Mr. Chen (Note) . . . . .	—	2,300	—	—
Mr. Chen . . . . .	4,473	3,685	194	90
Mr. Hong . . . . .	—	720	1,030	963
Mr. Zhang Tiezhu . . . . .	—	—	150	—
	<u>4,473</u>	<u>4,405</u>	<u>1,374</u>	<u>1,053</u>
	<u>4,473</u>	<u>6,705</u>	<u>1,374</u>	<u>1,053</u>

*Note:* The borrowing was unsecured and was used to finance daily operations. The balance borne interest rate at 8.96% per annum.

Other than the borrowing from Mr. Chen, the other balances with directors are unsecured, interest-free and are repayable on demand.

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Amounts due to related parties:</b>				
Short-term borrowings				
Companies controlled by the				
Chief Executive Officer of				
the Company . . . . .	<u>11,700</u>	<u>51,577</u>	<u>36,847</u>	<u>14,651</u>

Borrowings from companies controlled by the Chief Executive Officer of the Company are unsecured and they are used to finance daily operations. Except for certain borrowings from companies controlled by the Chief Executive Officer as at December 31, 2007, 2008, 2009 and June 30, 2010 were interest-free, the weighted average effective interest rates of the remaining borrowings at December 31, 2007 and 2008 were 5.2% per annum and 5.0% per annum, respectively.

	As at December 31,			As at June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Amounts due to related parties</b>				
— non-trade				
Companies controlled by the Chief Executive Officer of the Group . .	695	809	329	—
Companies controlled by a close family member of a director of the Company . . . . .	18,847	1,998	316	311
Companies controlled by a director of the Company . . . . .	—	—	20,000	—
Key management of the Group . . . .	3,171	2,727	—	—
Significant shareholders of subsidiaries of the Group . . . . .	2,891	11,050	2,240	2,240
Company controlled by a significant shareholder of the Group . . . . .	1,210	1,210	1,210	1,210
	<u>26,814</u>	<u>17,794</u>	<u>24,095</u>	<u>3,761</u>
	<u>38,514</u>	<u>69,371</u>	<u>60,942</u>	<u>18,412</u>

All the above balances were unsecured, non-interests bearing and repayable on demand.

All other receivables due from related parties and all other payables due to related parties were fully settled before listing.

### 32 Retirement benefits scheme

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The total contributions incurred in this connection for the years ended December 31, 2007, 2008 and 2009, and each of the six months ended June 30, 2009 and 2010 were approximately RMB 303,000, RMB 1,052,000, RMB 1,333,000, RMB 567,000 and RMB 766,000 respectively. No forfeited contributions are available to reduce the contribution payable by the Group in the future years.

**33 Contingencies**

Save as disclosed elsewhere in this report, the Group and the Company had no other significant contingent liabilities at December 31, 2007, 2008 and 2009, and June 30, 2010.

**34 Stock options scheme***2010 Share Option Scheme*

Pursuant to a resolution in writing passed by all the shareholders of the Company on February 26, 2010, the Company conditionally approved and adopted a Pre-IPO Option Scheme (the “**Pre-IPO Option Scheme**”). By the same resolution, the Company granted 27,456,156 share options to its directors and employees which are exercisable under the following terms:

- (i) The exercise price of the option should not be less than 100% of the fair market value of the shares as at the grant date as determined by valuer appointed by the Company;
- (ii) 40% of total options granted become exercisable a year after grant date, another 30% also become exercisable 2 years after grant date and remaining 30% become exercisable 3 years after grant date

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense, with a corresponding adjustment to share-based compensation reserve, over the vesting period. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. For the six months ended June 30, 2010, the amount share-based compensation expenses amounted to RMB 2,119,000.

Each share option gives the holder the right to subscribe for one ordinary share of the Company.

- (a) Movement of 2010 Share Option Scheme during the period as follows:

	<u>Period ended June 30, 2010</u>	
	Exercise Price (HK\$)	Number of Option
At January 1, 2010 . . . . .	—	—
Granted on February 26, 2010 . . . . .	<u>1.82</u>	<u>27,456,156</u>
At June 30, 2010 . . . . .	<u>1.82</u>	<u>27,456,156</u>

As at June 30, 2010, no options were exercisable. All of the outstanding share options will be expired by July 31, 2014.

The weighted average fair value per share option granted during the period is determined by using the binomial option pricing model and it was HK\$0.57 per option. The significant inputs into the Binomial option pricing model in determining the fair value of the share options granted by the Company are: the fair market value at the grant date of HK\$1.79 per option, exercise price of HK\$1.82, volatility of 40.66%, expected option life of 4.4 years, dividend yield of 0%, and risk-free annual interest rate of 1.493%. Expected volatility is estimated to be based on historical volatility of the comparable companies over the period that has the same length as the expected life of each grant.

	Held at 31 December 2009	Granted during the period	Held at 30 June 2010	Grant date	Expiry date
<b>Directors</b> . . . . .	—	23,063,171	23,063,171	26 Feb 2010	31 Jul 2014
<b>Other employees</b> . . . . .	—	4,392,985	4,392,985	26 Feb 2010	31 Jul 2014
	<u>—</u>	<u>27,456,156</u>	<u>27,456,156</u>		

### 35 Subsequent events

On 17 August 2010, the Group repaid RMB35 million of bank borrowings, using its own cash and cash equivalents

### III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group with respect to any period subsequent to June 30, 2010. Save as disclosed in this report, no dividend or distribution has been declared or paid by the Company or any of the companies comprising the Group in respect of any period subsequent to June 30, 2010.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
 Hong Kong

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**A.    UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on our net tangible assets as at June 30, 2010 as if the Global Offering had taken place on that date. The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Global Offering been completed as at June 30, 2010 or at any future date. The unaudited pro forma adjusted net tangible assets is based on our audited consolidated net tangible assets of our Group attributable to our equity holders as at June 30, 2010 as shown in the accountant’s report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	<b>Audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at June 30, 2010</b>	<b>Estimated net proceeds from the Global Offering <sup>(2)</sup></b>	<b>Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company as at June 30, 2010</b>	<b>Unaudited pro forma adjusted net tangible assets per Share<sup>(3)(4)</sup></b>	
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB</b>	<b>HK\$</b>
Based on an Offer Price of HK\$3.03 per Share . . . . .	609,170	386,593	995,763	1.360	1.585
Based on an Offer Price of HK\$4.61 per Share . . . . .	609,170	621,065	1,230,235	1.680	1.958

*Notes:*

- (1) Our audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at June 30, 2010 is extracted from the accountant’s report of our Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of our Company as at June 30, 2010 of RMB612,660,000 with an adjustment for the intangible assets as at June 30, 2010 of RMB3,490,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$3.03 and HK\$4.61 per Share, respectively, after deduction of estimated related fees, expenses and a 2.5% discretionary incentive fee (assuming such amount will be paid in full to the Underwriters) payable by the Company and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate. For the purpose of the estimated net proceeds from the Global Offering, the translation of Renminbi into HK dollars was made at the rate of RMB1.00 to HK\$1.1656.

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 732,165,121 Shares were in issue assuming that the Global Offering has been completed on June 30, 2010 but takes no account of any shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate. The unaudited pro forma adjusted net tangible assets per share is converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.1656.
- (4) In accordance with the Group's accounting policies, property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. The Group's properties interests as at September 30, 2010 were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set out in 'Appendix IV — Property Valuation'. With reference to such valuation, the net revaluation surplus, representing the excess of market value of the properties over their book value, is approximately RMB237,000 as at September 30, 2010. Such revaluation surplus has not been included in the Group's consolidated financial information. Had the properties been stated at such valuation, an additional depreciation of approximately RMB6,000 per annum would be recorded.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**B.    UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE**

The unaudited pro forma forecast earnings per Share prepared in accordance with Rule 4.29 of the Listing Rules is set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2010. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010 <sup>(1)</sup> .....	not less than RMB159.7 million (HK\$186.1 million)
Unaudited pro forma forecast earnings per Share <sup>(2)</sup> .....	not less than RMB0.219 (HK\$0.255)

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*Notes:*

- (1) The forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010 is extracted from the section headed “Financial Information — Profit Forecast For The Year Ending December 31, 2010” in the prospectus. The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared are summarized in Appendix III to this prospectus. Our Directors have prepared the forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010 based on our audited consolidated results for the six months ended June 30, 2010, the unaudited consolidated results based on management accounts for the three months ended September 30, 2010, and a forecast of our consolidated results for the remaining three months ending December 31, 2010. The profit forecast has been prepared on a basis consistent in all material respects with our accounting policies presently adopted as set out in Note 2 of Section II of the accountant’s report of our Company, the text of which is set out in Appendix I to the prospectus.
- (2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010, on the basis that 732,165,121 Shares were in issue assuming that the Global Offering has been completed on January 1, 2010 but takes no account of any shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or the options granted under the 2010 Share Option Scheme or the options which may be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (3) Forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2010 and unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.1656.



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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



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羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

### ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SHIFANG HOLDING LIMITED

We report on the unaudited pro forma financial information of ShiFang Holding Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages II-1 to II-3 under the heading(s) of “Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” and “Unaudited Pro Forma Earnings Per Share” (the “**Unaudited Pro Forma Financial Information**”) in Appendix II of the Company’s prospectus dated November 22, 2010 (the “**Prospectus**”), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-3 of the Prospectus.

#### **Respective Responsibilities of Directors of the Company and the Reporting Accountant**

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 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 engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net assets of the Group as at June 30, 2010 with the accountant’s report as set out in Appendix I of the Prospectus, comparing the unaudited forecast consolidated profit attributable to equity holders of the

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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Company for the year ending December 31, 2010 with the profit forecast as set out in the section headed “Financial Information — Profit Forecast For the Year Ending December 31, 2010” in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

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, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the adjusted net tangible assets of the Group as at June 30, 2010 or any future date, or
- the earnings per share of the Group for the year ending December 31, 2010 or any future periods.

**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.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, November 22, 2010

**BASES AND ASSUMPTIONS**

Our Directors have prepared the forecast of our net profit for the year ending December 31, 2010 on the basis of our audited financial results for the six months ended June 30, 2010, our unaudited management accounts for the three months ended September 30, 2010 and a forecast of our results for the remaining three months ending December 31, 2010. Our Directors are currently not aware of any extraordinary items which have arisen or are likely to arise in respect of the year ending December 31, 2010.

The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with those adopted by the Company, as summarized in the Accountant's Report set out in Appendix I to this Prospectus, and on the following assumptions:

- the Group will be able to continue in business and will not be materially interrupted by any unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes;
- 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 the PRC or any other territories in which the Group operates during the periods covered by the forecasts;
- there will be no significant changes in the bases and rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates except as otherwise disclosed in this prospectus;
- there will be no material changes in inflation or interest rates from those currently prevailing in the PRC and any other countries where our customers and suppliers operate during the periods covered by the forecasts;
- there will be no material changes in exchange rates during the periods covered by the forecasts;
- there will be no material changes in the credit policies offered to customers and granted by suppliers of the Group; and
- the Group's operations, results, and financial position will not be adversely affected by the occurrence of any of the events described in the section headed "Risk Factors" in this prospectus.

*The texts of letters received by our Directors from our auditors and independent reporting accountant, PricewaterhouseCoopers and from the Joint Sponsors in connection with the profit forecast, in each case prepared for the purpose of incorporation in this prospectus, are set out below.*

#### LETTER FROM THE REPORTING ACCOUNTANT

*The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong

November 22, 2010

The Directors  
ShiFang Holding Limited

CCB International Capital Limited  
Macquarie Capital Securities Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of ShiFang Holding Limited (the “**Company**”) for the year ending December 31, 2010 (the “**Profit Forecast**”) as set out in the subsection headed “Profit Forecast For The Year Ending December 31, 2010” in the section headed “Financial Information” in the prospectus of the Company dated November 22, 2010 (the “**Prospectus**”).

We conducted our work in accordance with Auditing Guideline 3.341 on “Accountants’ report on profit forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) for the six months ended June 30, 2010, the unaudited consolidated results of the Group based on management accounts for the three months ended September 30, 2010 and a forecast of the consolidated results of the Group for the remaining three months ending December 31, 2010 on the basis that the current Group structure had been in existence throughout the whole financial year ending December 31, 2010.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on page III-1 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 2 of section II of the Financial Information section in Appendix I of the Prospectus.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

## LETTER FROM THE JOINT SPONSORS

*The following is the text of a letter received from the Joint Sponsors for the purpose of incorporating into this prospectus.*



November 22, 2010

The Board of Directors  
ShiFang Holding Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to the equity holders of ShiFang Holding Limited (the “**Company**”) for the year ending December 31, 2010 (the “**Profit Forecast**”) as set out in the subsection headed “Profit Forecast For the Year ending December 31, 2010” in the section headed “Financial Information” in the prospectus of the Company dated November 22, 2010 (the “**Prospectus**”).

We understand the Profit Forecast, for which the directors of the Company are solely responsible, has been prepared based on the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2010, the unaudited consolidated results of the Group based on management accounts for the three months ended September 30, 2010 and a forecast of the consolidated results of the Group for the remaining three months ending December 31, 2010 on the basis that the current Group structure had been in existence throughout the whole financial year ending December 31, 2010.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated November 22, 2010 addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been based.

On the basis of the foregoing, the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of  
**CCB International Capital Limited**

Yours faithfully,  
For and on behalf of  
**Macquarie Capital Securities Limited**

**Simon Lee**  
*Managing Director*  
*Corporate Finance*

**Bernard Tam**  
*Deputy Managing Director*  
*Corporate Finance*

**William Je**  
*Senior Managing Director*

**Karen Wong**  
*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 2010 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

22 November 2010

The Board of Directors  
**ShiFang Holding Limited**

Dear Sirs,

In accordance with your instructions to value the properties in which ShiFang Holding Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in the People’s Republic of China (the “**PRC**”), 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 2010 (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 interest in Group II, which has not been assigned to the Group as at the date of valuation, thus the title of the property is not vested in the Group.

We have attributed no commercial value to the property interests in Group III, which are leased 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 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

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 Building Ownership Certificates, State-owned Land Use Rights Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests 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 advisors — Guantao Law Firm, concerning the validity of the property interests 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*

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*Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong and the United Kingdom, as well as relevant experience in the Asia-Pacific region.*

## SUMMARY OF VALUES

## Group I — Property interest held for investment by the Group in the PRC

No. Property	Capital value in existing state as at 30 September 2010 <i>RMB</i>	Interest attributable to the Group	Capital value attributable to the Group as at 30 September 2010 <i>RMB</i>
1. Units A2 and B1 on Level 6 and an underground car parking space of Huafu Mansion located at Gutian Road Gulou District Fuzhou City Fujian Province The PRC	2,799,000	100%	2,799,000
<b>Sub-total:</b>	<b><u>2,799,000</u></b>		<b><u>2,799,000</u></b>

## Group II — Property interest contracted to be acquired by the Group in the PRC

No. Property	Capital value in existing state as at 30 September 2010 <i>RMB</i>	Interest attributable to the Group	Capital value attributable to the Group as at 30 September 2010 <i>RMB</i>
2. Unit 1035 on Level 10 and an underground car parking space of Jiulong Commerce Tower located at Xiahe Road Siming District Xiamen City Fujian Province The PRC	No commercial value	100%	No commercial value
<b>Sub-total:</b>	<b><u>Nil</u></b>		<b><u>Nil</u></b>

## Group III — Property interests leased and occupied by the Group in the PRC

<b>No. Property</b>	<b>Capital value in existing state as at 30 September 2010 RMB</b>
3. Units 01, 02, 03, 08, 09 and 10 on Level 6 of South Tower and Units 01, 02 and 03 on Level 6 of North Tower and the whole of Level 4 of Sanshan Mansion No. 59 Dong Street Gulou District Fuzhou City Fujian Province The PRC	No commercial value
4. Room 445, Zone D and Room 316, Zone B of Haixia Economic and Trade Plaza located at Free Trade Zone Fuzhou City Fujian Province The PRC	No commercial value
5. An office unit of a single storey building, Zone C No. 169 Longmen Village Fuzhou Development Zone Fuzhou City Fujian Province The PRC	No commercial value
6. A unit on Level 1 of an office building of Yixu Airport No. 9 Chedong Cangshan District Fuzhou City Fujian Province The PRC	No commercial value

<b>No. Property</b>	<b>Capital value in existing state as at 30 September 2010 RMB</b>
7. An office unit on Level 4 of Science & Technology Development Centre Building No. 83 Junzhu Road Fuzhou Development Zone Fuzhou City Fujian Province The PRC	No commercial value
8. Unit 601 on Level 6 of an office building No. 27 Wanghai Road Phase II of Software Park Xiamen City Fujian Province The PRC	No commercial value
9. Units 1409, 1411 and 1413 on Level 14 of Jinhua Daily Building No. 276 Shuanglong South Street Wucheng District Jinhua City Zhejiang Province The PRC	No commercial value
10. Unit A3-1 on Level 9 of World Trade Centre located at Dongdu Road Haishu District Ningbo City Zhejiang Province The PRC	No commercial value
11. Units A, G and H on Level 21 of Shengyi Mansion No. 15 Minkang Road Zhongshan District Dalian City Liaoning Province The PRC	No commercial value

<b>No. Property</b>	<b>Capital value in existing state as at 30 September 2010 RMB</b>
12. Unit 1-2-1401 on Level 14 of Yong'an Mansion located at Yong'an Street Hexi District Tianjin The PRC	No commercial value
13. Unit 804-3-101 of Youyili located at Lunan District Tangshan City Hebei Province The PRC	No commercial value
14. South portion of Level 14 of Sizhuang Mansion No. 8 Minzhu Road Xingning District Nanning City Guangxi Zhuang Autonomous Region The PRC	No commercial value
15. Room 222 of Block 3 No. 8 Aoyuan Street Dongling District Shenyang City Liaoning Province The PRC	No commercial value
16. Levels 2 and 4 of an office building No. 51 Sanjing Street Shenhe District Shenyang City Liaoning Province The PRC	No commercial value

<b>No. Property</b>	<b>Capital value in existing state as at 30 September 2010 RMB</b>
17. Level 6 of Tailai Logistics Mansion and a single storey warehouse located at Kunrui Road, Huangtu Po Wuhua District Kunming City Yunnan Province The PRC	No commercial value
18. Unit 9G of Block C of Chutian Dushi Garden No. 1 Zhongbei Road Wuchang District Wuhan City Hubei Province The PRC	No commercial value
19. Room 13 on Level 13 of Block B of Asia Plaza located at Xinhua Road Jiangnan District Wuhan City Hubei Province The PRC	No commercial value
<b>Sub-total:</b>	<u>Nil</u>
<b>Grand total:</b>	<b>Capital value attributable to the Group as at 30 September 2010 RMB</b>
<b>2,799,000</b>	<b>2,799,000</b>

## VALUATION CERTIFICATE

## Group I — Property interest held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
1.	Units A2 and B1 on Level 6 and an underground car parking space of Huafu Mansion located at Gutian Road Gulou District Fuzhou City Fujian Province The PRC	<p>The property comprises 2 office units on Level 6 and an underground car parking space of a 31-storey (exclusive of the basement) office building known as Huafu Mansion which was completed in about 1995.</p> <p>The office units of the property have a total gross floor area of approximately 314.64 sq.m.</p> <p>The underground car parking space of the property has a gross floor area of approximately 13 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 4 July 2043 for office use.</p>	The property is currently rented to an independent third party for office and car parking purposes.	2,799,000  100% interest attributable to the Group: RMB2,799,000

*Notes:*

1. Pursuant to 3 Building Ownership Certificates — Rong Fang Quan Zheng R Zi Di Nos. 0428094, 0506272 and 0506610, 2 office units with a total gross floor area of approximately 314.64 sq.m. and an underground car parking space with a gross floor area of approximately 13 sq.m. are owned by Fujian ShiFang Culture Communication Co., Ltd. (“**Fujian ShiFang**”, a wholly-owned subsidiary of the Company).
2. Pursuant to 3 State-owned Land Use Rights Certificates — Rong Gu Guo Yong (2006) Di Nos. 00283318545, 00283318546 and 00283319059, the land use rights of the property with a total apportioned site area of approximately 28.3 sq.m. have been granted to Fujian ShiFang for a term expiring on 4 July 2043 for office use.
3. Pursuant to a Tenancy Agreement dated 5 January 2010, the property is rented to an independent third party for a term of 3 years commencing from 1 January 2010 and expiring on 31 December 2012, at a monthly rent of RMB10,000 exclusive of management fees, water, electricity charges and other outgoings.
4. Pursuant to a Mortgage Contract of Maximum Amount, the property is subject to a mortgage in favour of China Merchants Bank Co., Ltd. Fuzhou Branch Nanmen Sub-Branch (the “**Bank**”), as security to guarantee the principal obligation under a credit granting agreement (2010 Nian Xin Zi Di No. 30-0023) entered into between the Bank and Fujian ShiFang for a maximum amount of RMB1,000,000 with the credit granting term from 26 August 2010 to 25 August 2011.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors, which contains, *inter alia*, the following:
  - a. The Group legally owns the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property in accordance with the laws;
  - b. The mortgage mentioned in note 4 has been registered with the relevant authority. The Group should obtain prior written consent from the mortgagee when transferring, leasing or remortgaging the property in accordance with the relevant PRC laws and stipulations of the aforesaid Mortgage Contract of Maximum Amount;

- c. Except for the aforesaid mortgage, the property is neither subject to any other mortgage or security interest nor subject to any sequestration, confiscation, levy or other judicative or administrative enforcement measures. There is neither dispute of ownership imposed on the property nor lawsuit, arbitration or other legal dispute that may adversely affect the Group's rights to occupy and use the property;
- d. The Tenancy Agreement in respect of the property is legal, valid and legally binding on both sides of the leasehold; and
- e. The Tenancy Agreement has been registered.



## VALUATION CERTIFICATE

## Group II — Property interest contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
2.	Unit 1035 on Level 10 and an underground car parking space of Jiulong Commerce Tower located at Xiahe Road Siming District Xiamen City Fujian Province The PRC	<p>The property comprises a residential unit on Level 10 and an underground car parking space of a 20-storey residential and commercial building known as Jiulong Commerce Tower which was completed in about 2007.</p> <p>The office unit of the property has a gross floor area of approximately 183.5 sq.m.</p> <p>The underground car parking space of the property has a gross floor area of approximately 38.54 sq.m.</p>	The property is currently vacant.	No commercial value

*Notes:*

1. Pursuant to 2 Commodity Property Sale & Purchase Contracts dated 10 September 2007 entered into between Shifang YaQi Culture Communication (Xiamen) Co., Ltd. (“**Shifang YaQi**”, a wholly-owned subsidiary of the Company) and Tianlong (Xiamen) Real Estate Development Co., Ltd. (天龍(廈門)房地產開發有限公司), an independent third party to the Company, the property is contracted to be purchased by Shifang YaQi at a total consideration of RMB1,801,500.
2. As at the date of valuation, the property has not been assigned to the Group and thus the title of the property has not been vested in the Group. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB2,621,000, on condition that the relevant title certificates of the property have been obtained by the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.
3. As confirmed by the Group, the aforesaid consideration had been paid up by the Group up to the date of valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisors, which contains, *inter alia*, the following:
  - a. The Commodity Property Sale & Purchase Contracts mentioned in note 1 are legal, valid and legally binding; however, the Group has not yet obtained any Building Ownership Certificate of the Property and thus does not obtain the ownership of the property;
  - b. The Group can obtain the ownership of the property after the ownership alteration registration has been completed in accordance with the relevant PRC laws; and
  - c. The property is neither subject to any mortgage or security interest nor subject to any sequestration, confiscation, levy or other judicative or administrative enforcement measures. There is no dispute of ownership imposed on the property.

## VALUATION CERTIFICATE

## Group III — Property interests leased 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 2010 RMB
3.	Units 01, 02, 03, 08, 09 and 10 on Level 6 of South Tower and Units 01, 02 and 03 on Level 6 of North Tower and the whole of Level 4 of Sanshan Mansion No. 59 Dong Street Gulou District Fuzhou City Fujian Province The PRC	<p>The property comprises 9 office units on Level 6 (“<b>Part A</b>”) and the whole of Level 4 (“<b>Part B</b>”) of a 26-storey composite building (comprising 2 Towers) known as Sanshan Mansion which was completed in about 1998.</p> <p>Part A of the property has a total lettable area of approximately 1,445.81 sq.m., whilst Part B of the property has a total lettable area of approximately 2,473.79 sq.m.</p> <p>Part A of the the property is leased to Fujian ShiFang Culture Communication Co., Ltd. (“<b>Fujian ShiFang</b>”, a wholly-owned subsidiary of the Company) from an independent third party for a term of 10 years commencing from 15 June 2008 and expiring on 14 June 2018, at a monthly rent of RMB43,374 exclusive of management fees, water, electricity charges and other outgoings. The rent will be increased by 5% annually commencing from 1 April 2011.</p> <p>Part B of the the property is leased to Fuzhou AoHai Advertisement Co., Ltd. (“<b>Fuzhou AoHai</b>”, a wholly-owned subsidiary of the Company) from an independent third party for a term of 10 years commencing from 15 June 2008 and expiring on 14 June 2018, at a monthly rent of RMB74,214 exclusive of management fees, water, electricity charges and other outgoings. The rent will be increased by 5% annually commencing from 15 September 2010.</p>	The property is currently occupied by the Group for office and ancillary purposes.	No commercial value

## Notes:

- Pursuant to a Tenancy Agreement dated 26 May 2008, Part A of the property was leased to Fujian ShiFang from Xue Ming (薛明) (the “**Lessor**”), an independent third party, for a term of 10 years commencing from 15 June 2008 and expiring on 14 June 2018, at a monthly rent of RMB43,374 exclusive of management fees, water, electricity charges and other outgoings. The rent will be increased by 5% annually commencing from 1 April 2011.

2. Pursuant to a Tenancy Agreement dated 26 May 2008, Part B of the property was leased to Fuzhou AoHai from Xue Ming for a term of 10 years commencing from 15 June 2008 and expiring on 14 June 2018, at a monthly rent of RMB74,214 exclusive of management fees, water, electricity charges and other outgoings. The rent will be increased by 5% annually commencing from 15 September 2010.
3. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company's PRC legal advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has the rights to lease the property to the Group;
  - b. The Tenancy Agreements with respect to the property are legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreements have been registered.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
4.	Room 445, Zone D and Room 316, Zone B of Haixia Economic and Trade Plaza located at Free Trade Zone Fuzhou City Fujian Province The PRC	<p>The property comprises 2 office units on Levels 3 and 4 of a 6-storey composite building known as Haixia Economic and Trade Plaza which was completed in about 1992.</p> <p>The property has a total lettable area of approximately 40 sq.m.</p> <p>The property is leased to Fuzhou AoHai Advertisement Co., Ltd. (“<b>Fuzhou AoHai</b>”, a wholly-owned subsidiary of the Company) and Fujian ShiFang Culture Communication Co., Ltd. (“<b>Fujian ShiFang</b>”, a wholly-owned subsidiary of the Company) from an independent third party for a term of 1 year both commencing from 1 January 2010 and expiring on 31 December 2010 at nil rent.</p>	The property is currently occupied by the Group as registration addresses of subsidiaries of the Company.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 24 June 2010, an office unit of the property with a lettable area of approximately 20 sq.m. was leased to Fuzhou AoHai from Fuzhou Free Trade Zone Mintai Economic & Trade Co., Ltd. (福州保稅區閩台經貿有限公司) (the “**Lessor**”), an independent third party, for a term of 1 year commencing from 1 January 2010 and expiring on 31 December 2010 at nil rent.
2. Pursuant to a Tenancy Agreement dated 24 June 2010, an office unit of the property with a lettable area of approximately 20 sq.m. was leased to Fujian ShiFang from the Lessor for a term of 1 year commencing from 1 January 2010 and expiring on 31 December 2010 at nil rent.
3. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company’s PRC legal advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has the rights to lease the property to the Group;
  - b. The Tenancy Agreements with respect to the property are legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreements have not been registered; however, the legal validity of the Tenancy Agreements will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
5.	An office unit of a single storey building, Zone C No. 169 Longmen Village Fuzhou Development Zone Fuzhou City Fujian Province The PRC	<p>The property comprises an office unit of a single storey building which was completed in about 1992.</p> <p>The property has a lettable area of approximately 50 sq.m.</p> <p>The property is leased to Fuzhou HanDing Network Science &amp; Technology Co., Ltd. (“<b>Fuzhou HanDing</b>”, a wholly-owned subsidiary of the Company) from an independent third party for a term of 3 years commencing from 15 April 2008 and expiring on 14 April 2011, at a monthly rent of RMB300 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 15 April 2008, the property was leased to Fuzhou HanDing from Fuzhou Glass Paper Factory (福州市玻璃紙廠) (the “**Lessor**”), an independent third party, for a term of 3 years commencing from 15 April 2008 and expiring on 14 April 2011, at a monthly rent of RMB300 exclusive of management fees, water, electricity charges and other outgoings.
2. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value
				in existing state as at 30 September 2010 RMB
6.	A unit on Level 1 of an office building of Yixu Airport No. 9 Chedong Cangshan District Fuzhou City Fujian Province The PRC	<p>The property comprises a unit on Level 1 of a 2-storey office building which was completed in about 2006.</p> <p>The property has a lettable area of approximately 319.16 sq.m.</p> <p>The property is leased to Fuzhou HongXinTu Printing Co., Ltd. (“<b>Fuzhou HongXinTu</b>”, an indirect wholly-owned subsidiary of the Company) from an independent third party for a term of 9 years expiring on 20 June 2015, at a monthly rent of RMB38,814 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office and printing facility purposes.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 1 February 2006, the property was leased to Fuzhou Hengxiang Trade Co., Ltd. (福州恒翔貿易有限公司) (“**Party A**”) from China Civil Aviation Fujian Security Supervision and Management Office Service Center (中國民用航空福建安全監督管理辦公室機關服務中心) (“**Part B**”). Both Party A and Party B are independent third parties to the Company.  
As stipulated in the aforesaid Tenancy Agreement, Party A cannot sublease the property without Party B’s written consent.
2. Pursuant to a Cooperation Contract dated 19 June 2006 entered into between Party A and Beijing HongXinTu Culture Communication Co., Ltd. (“**Party C**”, an indirect wholly-owned subsidiary of the Company), the property was contracted to be occupied by Party C for operation and management purposes for a term of 9 years commencing from 20 June 2006 and expiring on 20 June 2015.  
As stipulated in the aforesaid Cooperation Contract, Party A would get fixed return from Party C for the first, second and third year of the cooperation, the return would be increased by 3% annually commencing from the fourth year.
3. Pursuant to an Agreement dated 25 September 2006 entered into between Party C and Fuzhou HongXinTu Printing Co., Ltd. (“**Party D**”, an indirect wholly-owned subsidiary of the Company), the rights and obligations under the Cooperation Contract mentioned in note 2 is transferred to Party D for a term commencing from 25 September 2006 and expiring on 20 June 2015.  
As stipulated in the aforesaid Agreement, Party C would get monthly return of RMB38,814 from Party D.
4. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company’s PRC legal advisors, which contains, *inter alia*, the following:
  - a. The property is situated on allocated land; however, Party B has not provided to the Group with any consent issued by the relevant land administration to lease the property according to the relevant regulations of the PRC laws. Thus the validity of the Tenancy Agreement and Cooperation Contract might be deemed invalid; and
  - b. Given note 4(a), the transferring of rights and obligations under the Agreement mentioned in note 3 might be irrealizable.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
7.	An office unit on Level 4 of Science & Technology Development Centre Building No. 83 Junzhu Road Fuzhou Development Zone Fuzhou City Fujian Province The PRC	<p>The property comprises a unit on Level 4 of an 8-storey office building which was completed in about 1998.</p> <p>The property has a lettable area of approximately 50 sq.m. as advised by the Group.</p> <p>The property is leased to Fuzhou HongXinTu Printing Co., Ltd. (“<b>Fuzhou HongXinTu</b>”, an indirect wholly-owned subsidiary of the Company) from an independent third party for a term of 1 year commencing from 6 April 2010 and expiring on 5 April 2011 at an annual rent of RMB2,000. As advised by the Group, the rent is exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement, the property is leased to Fuzhou HongXinTu from Fuzhou Economic and Technology Development Zone Science Park Construction and Development Corporation (福州市經濟技術開發區科技園建設發展總公司) (the “**Lessor**”), an independent third party, for a term of 1 year commencing from 6 April 2010 and expiring on 5 April 2011.  
  
As advised by the Group, the annual rent is RMB2,000 exclusive of management fees, water, electricity charges and other outgoings.
2. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company’s PRC legal advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
8.	Unit 601 on Level 6 of an office building No. 27 Wanghai Road Phase II of Software Park Xiamen City Fujian Province The PRC	<p>The property comprises a unit on Level 6 of a 6-storey office building which was completed in about 2004.</p> <p>The property has a total lettable area of approximately 523.12 sq.m.</p> <p>The property is leased to Xiamen DuKe Information Science &amp; Technology Co., Ltd. (“<b>Xiamen DuKe</b>”, an indirect wholly-owned subsidiary of the Company) from an independent third party for a term of 5 years commencing from 1 July 2010 and expiring on 30 June 2015, at a monthly rent of RMB9,400 for the first 3 years and RMB11,000 for the remaining 2 years, exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 6 May 2010, the property was leased to Xiamen Duke from Xiamen Jimei University Asset Operation Co., Ltd. (廈門集美大學資產經營有限公司) (the “**Lessor**”), an independent third party, for a term of 5 years commencing from 1 July 2010 and expiring on 30 June 2015, at a monthly rent of RMB9,400 for the first 3 years and RMB11,000 for the remaining 2 years, exclusive of management fees, water, electricity charges and other outgoings.
2. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company’s PRC legal advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
9.	Units 1409, 1411 and 1413 on Level 14 of Jinhua Daily Building No. 276 Shuanglong South Street Wucheng District Jinhua City Zhejiang Province The PRC	<p>The property comprises 3 units on Level 14 of a 20-storey office building known as Jinhua Daily Building which was completed in about 2000.</p> <p>The property has a total lettable area of approximately 102 sq.m.</p> <p>The property is leased to Fujian ShiFang Culture Communication Co., Ltd. Jinhua Branch (“<b>Fujian ShiFang Jinhua Branch</b>”, a wholly-owned subsidiary of the Company) from an independent third party for a term of 3 years commencing from 1 January 2010 and expiring on 30 December 2012, at an annual rent of RMB31,645, RMB33,507 and RMB35,369 for the first year, second year and third year respectively exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 11 January 2010, the property was leased to Fujian ShiFang Jinhua Branch from Jinhua Daily Office Property Management and Operation Center (金華日報社物業管理經營中心) (the “**Lessor**”), an independent third party, for a term of 3 years commencing from 1 January 2010 and expiring on 30 December 2012, at an annual rent of RMB31,645, RMB33,507 and RMB35,369 for the first year, second year and third year respectively exclusive of management fees, water, electricity charges and other outgoings.
2. We have been provided with a legal opinion on the legality of the tenancy agreements to the property issued by the Company’s PRC legal advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreement has been registered.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
10.	Unit A3-1 on Level 9 of World Trade Centre located at Dongdu Road Haishu District Ningbo City Zhejiang Province The PRC	<p>The property comprises a unit on level 9 of an 18-storey office building known as World Trade Centre which was completed in about 1996.</p> <p>The property has a lettable area of approximately 104.98 sq.m.</p> <p>The property is leased to Fujian ShiFang Culture Communication Co., Ltd. Ningbo Branch (“<b>Fujian ShiFang Ningbo Branch</b>”, a wholly-owned subsidiary of the Company) from an independent third party for a term of 2 years commencing from 1 December 2008 and expiring on 30 November 2010, at an annual rent of RMB60,000 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 10 November 2008, the property was leased to Fujian ShiFang Ningbo Branch from Tong Gaoping (童高平) (the “**Lessor**”), an independent third party, for a term of 2 years commencing from 1 December 2008 and expiring on 30 November 2010, at an annual rent of RMB60,000 exclusive of management fees, water, electricity charges and other outgoings.
2. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has obtained approval from the co-owner of the property to lease the property and therefore has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold;
  - c. The property is subject to a mortgage which was dated before the date of the Tenancy Agreement. Thus the Group’s rights as occupier and user of the property might be adversely affected if the mortgagee exercises its mortgage rights on the property; and
  - d. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
11.	Units A, G and H on Level 21 of Shengyi Mansion No. 15 Minkang Road Zhongshan District Dalian City Liaoning Province The PRC	<p>The property comprises 3 units on Level 21 of a 30-storey office building known as Shengyi Mansion which was completed in about 2006.</p> <p>The property has a total lettable area of approximately 289.91 sq.m.</p> <p>The property is leased to Dalian ShiFang Media Co., Ltd. ("<b>Dalian ShiFang</b>", a wholly-owned subsidiary of the Company) from an independent third party for terms expiring on 22 January 2011 and 14 March 2011 respectively, at a total annual rent of RMB190,471 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 4 February 2010, Unit A of the property with a lettable area of approximately 76.31 sq.m. was leased to Dalian ShiFang from Dalian Shengyi Construction Group Mansion Operation Office (大連盛益建設集團大廈經營辦公室) (the "**Lessor**"), an independent third party, for a term of 3 years expiring on 14 March 2011, at an annual rent of RMB50,136 exclusive of management fees, water, electricity charges and other outgoings.
2. Pursuant to a Tenancy Agreement dated 4 February 2010, Units G and H of the property with a total lettable area of approximately 213.6 sq.m. were leased to Dalian ShiFang from the Lessor for a term of 1 year expiring on 22 January 2011, at an annual rent of RMB140,335 exclusive of management fees, water, electricity charges and other outgoings.
3. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor has provided both title certificate of the property and letter of authorization from the owner of the property to the Group and has the rights to lease the property to the Group;
  - b. The Tenancy Agreements with respect to the property are legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreements have not been registered; however, the legal validity of the Tenancy Agreements will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value
				in existing state as at 30 September 2010 RMB
12.	Unit 1-2-1401 on Level 14 of Yong'an Mansion located at Yong'an Street Hexi District Tianjin The PRC	<p>The property comprises a unit on Level 14 of a 24-storey residential building which was completed in about 2002.</p> <p>The property has a lettable area of approximately 137.9 sq.m.</p> <p>The property is leased to Tianjin ShiFang Advertisement Media Co., Ltd. ("<b>Tianjin ShiFang</b>", a wholly-owned subsidiary of the Company) from an independent third party for a term of 2 years commencing from 22 April 2010 and expiring on 21 April 2012, at a monthly rent of RMB3,875 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

## Notes:

1. Pursuant to a Tenancy Agreement dated 21 April 2010, the property was leased to Tianjin ShiFang from Cheng Shiqiu (程詩秋) (the "**Lessor**"), an independent third party, for a term of 2 years commencing from 22 April 2010 and expiring on 21 April 2012, at a monthly rent of RMB3,875 exclusive of management fees, water, electricity charges and other outgoings.
2. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold;
  - c. The property is for residential use as prescribed in its title certificate, but it is occupied by the Group for office purpose without obtaining any consent from the owners of other building units within the same building who has common interests (the "**Interested Building Owners**") which should provided by the Lessor. Thus, the Group's rights as occupier and user of the property might be adversely affected if the Interested Building Owners do not agree that the property is to be used for office purpose; and
  - d. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
13.	Unit 804-3-101 of Youyili located at Lunan District Tangshan City Hebei Province The PRC	<p>The property comprises a unit on Level 1 of a 5-storey residential building which was completed in about 1989.</p> <p>The property has a lettable area of approximately 153.11 sq.m.</p> <p>The property is leased to Fujian ShiFang Culture Communication Co., Ltd. Tangshan Branch (“<b>Fujian ShiFang Tangshan Branch</b>”, a wholly-owned subsidiary of the Company) from an independent third party for a term of 3 years commencing from 1 March 2010 and expiring on 28 February 2013, at an annual rent of RMB42,000 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 1 March 2010, the property was leased to Fujian ShiFang Tangshan Branch from Chenli (陳莉) (the “**Lessor**”), an independent third party, for a term of 3 years commencing from 1 March 2010 and expiring on 28 February 2013, at an annual rent of RMB42,000 exclusive of management fees, water, electricity charges and other outgoings.
2. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold;
  - c. The property is for residential use as prescribed in its title certificate, but it is occupied by the Group for office purpose without obtaining any consent from the owners of other building units within the same building who have common interests (the “**Interested Building Owners**”) which should be provided by the Lessor. Thus, the Group’s rights as occupier and user of the property might be adversely affected if the Interested Building Owners do not agree that the property is to be used for office purpose;
  - d. The property is designated for residential use, thus, the Lessor has the rights to require the Group to undertake the liabilities for breaching the contract since the property is occupied by the Group for office purpose; and
  - e. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
14.	South portion of Level 14 of Sizhuang Mansion No. 8 Minzhu Road Xingning District Nanning City Guangxi Zhuang Autonomous Region The PRC	<p>The property comprises the south portion of Level 14 of a 22-storey office building known as Sizhuang Mansion which was completed in about 2002.</p> <p>The property has a lettable area of approximately 350 sq.m.</p> <p>The property is leased to Fujian ShiFang Culture Communication Co., Ltd. Guangxi Branch ("<b>Fujian ShiFang Guangxi Branch</b>", a wholly-owned subsidiary of the Company) from an independent third party for a term expiring on 15 December 2010, at a monthly rent of RMB6,998 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 15 March 2009, the property was leased to Fujian ShiFang Guangxi Branch from Guangxi Davis Property Management Co., Ltd. (廣西戴維斯物業管理有限責任公司) (the "**Lessor**"), an independent third party, for a term expiring on 15 December 2010, at a monthly rent of RMB6,998 exclusive of management fees, water, electricity charges and other outgoings.
2. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor has provided proper title certificate of the property to the Group and obtained the relevant approval from the owner and therefore has rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
15.	Room 222 of Block 3 No. 8 Aoyuan Street Dongling District Shenyang City Liaoning Province The PRC	<p>The property comprises a unit on Level 2 of a 6-storey residential building which was completed in about 2002.</p> <p>The property has a lettable area of approximately 130.35 sq.m.</p> <p>The property is leased to Shenyang ZhuQin ShiFang Media Development Co., Ltd. (“<b>Shenyang ShiFang</b>”, a non-wholly-owned subsidiary of the Company) from an independent third party for a term of 3 years commencing from 1 June 2010 and expiring on 31 May 2013, at an annual rent of RMB6,000 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 31 May 2010, the property was leased to Shenyang ShiFang from Zhu Yongmei (褚詠梅) (the “**Lessor**”), an independent third party, for a term of 3 years commencing from 1 June 2010 and expiring on 31 May 2013, at an annual rent of RMB6,000 exclusive of management fees, water, electricity charges and other outgoings.
2. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor is in possession of the ownership of the property and has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold;
  - c. The property is for residential use as prescribed in its title certificate, but it is occupied by the Group for office purpose without obtaining any consent from the owners of other building units within the same building who have common interests (the “**Interested Building Owners**”) which should be provided by the Lessor. Thus, the Group’s rights as occupier and user of the property might be adversely affected if the Interested Building Owners do not agree that the property is to be used for office purpose; and
  - d. The property is subject to a mortgage which was dated before the date of the Tenancy Agreement. Thus the Group’s rights as occupier and user of the property might be adversely affected if the mortgagee exercises its mortgage rights on the property.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
16.	Levels 2 and 4 of an office building No. 51 Sanjing Street Shenhe District Shenyang City Liaoning Province The PRC	<p>The property comprises Levels 2 and 4 of an 8-storey office building which was completed in about 1998.</p> <p>The property has a total lettable area of approximately 345.47 sq.m.</p> <p>The property is leased to Liaoning AoHai TianYi Media Advertisement Co., Ltd. ("<b>Liaoning AoHai</b>", a wholly-owned subsidiary of the Company) from an independent third party for a term of 1 year commencing from 1 January 2010 and expiring on 31 December 2010, at an annual rent of RMB107,000 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 1 January 2010, the property was leased to Liaoning AoHai from China Employee Insurance Benefit Association Shenyang Office (中國職工保險互助會瀋陽辦事處) (the "**Lessor**"), an independent third party, for a term of 1 year commencing from 1 January 2010 and expiring on 31 December 2010, at an annual rent of RMB107,000 exclusive of management fees, water, electricity charges and other outgoings.
2. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor has provided both title certificate of the property and letter of authorization from the owner of the property to the Group and therefore has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value
				in existing state as at 30 September 2010 RMB
17.	Level 6 of Tailai Logistics Mansion and a single storey warehouse located at Kunrui Road, Huangtu Po Wuhua District Kunming City Yunnan Province The PRC	<p>The property comprises Level 6 of a 13-storey composite building known as Tailai Logistics Mansion and a single storey warehouse which were both completed in about 1990s.</p> <p>The property has a total lettable area of approximately 2,750 sq.m.</p> <p>The property is leased to Kunming HongLianXin Printing Co., Ltd. (“<b>Kunming HongLianXin</b>”, an indirect wholly-owned subsidiary of the Company) from an independent third party for a term of 8 years commencing from 1 October 2005 and expiring on 30 September 2013, at a monthly rent of RMB12 per sq.m. exclusive of management fees, water, electricity charges and other outgoings. The rent will be increased annually by 3% commencing from the third year of the lease.</p>	The property is currently occupied by the Group for production, office and residential purposes.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement, the property is leased to Kunming HongLianXin Economic and Trade Co., Ltd. (昆明弘聯欣經貿有限公司) from Kunming Transportation Group Co., Ltd. Tailai Logistics Branch (昆明交通運輸集團有限公司泰來物流分公司) (the “**Lessor**”), an independent third party, for a term of 8 years commencing from 1 October 2005 and expiring on 30 September 2013, at a monthly rent of RMB12 per sq.m. exclusive of management fees, water, electricity charges and other outgoings. The rent will be increased annually by 3% commencing from the third year of the lease.
2. As advised by the Group, Kunming HongLianXin Economic and Trade Co., Ltd. is the former name of Kunming HongLianXin.
3. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor has provided both title certificate of the property and real estate utilization approval from the owner of the property to the Group and has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
18.	Unit 9G of Block C of Chutian Dushi Garden No. 1 Zhongbei Road Wuchang District Wuhan City Hubei Province The PRC	<p>The property comprises a unit on Level 9 of a 33-storey residential building which was completed in about 2004.</p> <p>The property has a lettable area of approximately 159.61 sq.m.</p> <p>The property is leased to Fujian ShiFang Culture Communication Co., Ltd. Wuhan Branch (“<b>Fujian ShiFang Wuhan Branch</b>”, a wholly-owned subsidiary of the Company) from an independent third party for a term of 1 year commencing from 23 March 2010 and expiring on 22 March 2011, at a monthly rent of RMB3,700 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 23 March 2010, the property was leased to Fujian ShiFang Wuhan Branch from Xiong Aiqun (熊愛群) (the “**Lessor**”), an independent third party, for a term of 1 year commencing from 23 March 2010 and expiring on 22 March 2011, at a monthly rent of RMB3,700 exclusive of management fees, water, electricity charges and other outgoings.
2. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor has provided both title certificate of the property and letter of authorization from the owner of the property to the Group and has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold;
  - c. The property is for residential use as prescribed in its title certificate, but it is occupied by the Group for office purpose without obtaining any consent from the owners of other building units within the same building who have common interests (the “**Interested Building Owners**”) which should be provided by the Lessor. Thus, the Group’s rights as occupier and user of the property might be adversely affected if the Interested Building Owners do not agree that the property is to be used for office purpose;
  - d. The property is designated for residential use, thus, the Lessor has the rights to require the Group to undertake the liabilities for breaching the contract since the property is occupied by the Group for office purpose; and
  - e. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010 RMB
19.	Room 13 on Level 13 of Block B of Asia Plaza located at Xinhua Road Jiangnan District Wuhan City Hubei Province The PRC	<p>The property comprises a unit on Level 13 of a 22-storey office building which was completed in about 2001.</p> <p>The property has a lettable area of approximately 59.8 sq.m.</p> <p>The property is leased to Fujian ShiFang Culture Communication Co., Ltd. Wuhan Branch ("<b>Fujian ShiFang Wuhan Branch</b>", a wholly-owned subsidiary of the Company) from an independent third party for a term of 1 year commencing from 5 March 2010 and expiring on 4 March 2011, at a monthly rent of RMB1,106.3 exclusive of management fees, water, electricity charges and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated 27 February 2010, the property was leased to Fujian ShiFang Wuhan Branch from Wuhan Tianxin Property Development Co., Ltd. (武漢天馨物業發展有限公司) (the "**Lessor**"), an independent third party, for a term of 1 year commencing from 5 March 2010 and expiring on 4 March 2011, at a monthly rent of RMB1,106.3 exclusive of management fees, water, electricity charges and other outgoings.
2. 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 advisors, which contains, *inter alia*, the following:
  - a. The Lessor has provided both title certificate of the property and letter of authorization from the owner of the property to the Group and has the rights to lease the property to the Group;
  - b. The Tenancy Agreement with respect to the property is legal, valid and legally binding on both sides of the leasehold; and
  - c. The Tenancy Agreement has not been registered; however, the legal validity of the Tenancy Agreement will not be affected due to the absence of registration.

**SUMMARY OF THE CONSTITUTION OF OUR COMPANY****1. Memorandum Of Association**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 9, 2009 under the Cayman Companies Law, Cap.22. The Memorandum of Association and the Articles of Association comprise its constitution.

The Memorandum of Association of our Company was adopted on November 8, 2010, effective on the date on which the shares of our Company are listed on the Stock Exchange and states, inter alia, that the liability of members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in “Documents Delivered To The Registrar Of Companies And Available For Inspection” in Appendix VII to this prospectus.

**2. Articles Of Association**

The Articles of Association were adopted on November 8, 2010, effective on the date on which the shares of our Company are listed on the Stock Exchange and include provisions to the following effect:

***A. Classes of Shares***

The share capital of our Company consists of ordinary shares. The capital of our Company at the date of effectiveness of the Articles of Association is HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each.

***B. Directors******(a) Power to allot and issue Shares***

Subject to the provisions of the Cayman Companies Law and the Memorandum and the Articles of Association, the unissued shares in our Company (whether forming part of its original or any increased capital) 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 and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by our Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be allotted and issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be allotted and issued on terms that it is, or at the option of our Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of our Company or any subsidiary*

The management of the business of our Company is vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by our Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by our Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by our Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment 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 first be approved by our Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in our Company or any such subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial

assistance to a trustee for the acquisition of shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with our Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with our Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which he or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which the Director or his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially

interested in shares of that company, provided that, the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;

- (v) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries including:
  - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or his associates may benefit;
  - (bb) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (vi) any contract or arrangement in which the Director or his associates is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his interest in shares or debentures or other securities of our Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, 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. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of our 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 agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of our Company shall from time to time be fixed 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 share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of our Company and shall then be eligible for re-election at that meeting.

Our Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between our Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). Our Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. Our Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of our Company notice in writing by a member of our Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.



The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to our Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of our Company under the Articles of Association.

At every annual general meeting of our Company 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, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**C. *Alteration to constitutional documents***

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

**D. *Variation of rights of existing shares or classes of shares***

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman 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 meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**E. *Alteration of Capital***

Our Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Our Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be

consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the 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 our Company for our Company's benefit;

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

Our Company may by special resolution reduce its share capital or, any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law.

***F. Special resolution - majority required***

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of our Company entitled to vote at a general meeting of our Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of our Company aforesaid.

***G. 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 every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of our Company.

Where any member of our Company is, under the Listing Rules, 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 in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of our Company duly registered and who shall have paid all sums for the time being due from him payable to our Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

If a recognised clearing house (or its nominee) is a member of our Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of our Company or at any general meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of our Company holding the number and class of shares specified in such authorisation.

***H. Annual general meetings***

Our Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of our Company and that of the next.

***I. Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our Company, or any of them, shall be open to the inspection of members of our Company (other than officers of our Company) and no such member shall have any right of inspecting any accounts or books or documents of our Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorised by the Directors or by our Company in general meeting.

The Directors shall, commencing with the first annual general meeting cause to be prepared and to be laid before the members of our Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our Company and, in any other case, since the preceding account, together with a balance sheet as of the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our Company's affairs as of the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by our Company as provided in the Articles of Association to every member of our Company and every holder of debentures of our Company provided that our Company shall not be required to send copies of those documents to any person of whose address our Company is not aware or to more than one of the joint holders of any shares or debentures.

Our Company shall at any annual general meeting appoint an auditor or auditors of our Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our Company at the annual general meeting at which they are appointed provided that in respect of any particular year our Company in general meeting may delegate the fixing of such remuneration to the Directors.

***J. Notice of meetings and business to be conducted thereat***

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice

shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of our Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from our Company).

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of our Company.

***K. Transfer of Shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange and approved by the Directors.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, 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 of our Company in respect thereof. All instruments of transfer shall be retained by our Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which our Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of our Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to our Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement on the Stock Exchange's website or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, or by advertisement published in the newspapers be suspended and the register of members of our Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

*L. Power of our Company to purchase its own Shares*

Our Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of our Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

*M. Power of any subsidiary of our Company to own Shares*

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

*N. Dividends and other methods of distributions*

Subject to the Cayman Companies Law and Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of our Company such interim dividends as appear to the Directors to be justified by the profits of our Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our 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 also deduct from any dividend or other monies payable to any member of our Company all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

No dividend shall carry interest against our Company.



Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our Company 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 of our Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. Our Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of our Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of our Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of our Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to our Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Our Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to our Company.

The Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of our Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

***O. Proxies***

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

***P. Calls on Shares and forfeiture of Shares***

The Directors may from time to time make calls upon the members of our Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of our Company shall (subject to our Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to our Company at the time and place so specified the

amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of our Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our Company all moneys which at the date of forfeiture were payable by him to our Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

***Q. Inspection of register of members***

The register of members of our Company shall be kept in such manner as to show at all times the members of our Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of our Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

***R. Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of our Company present in person or by proxy shall be a quorum provided always that if our Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of our Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

The quorum for a separate general meeting of the holders of a separate class of shares of our Company is described in sub-paragraph D. above.

***S. Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

***T. Procedure on liquidation***

If our Company shall be wound up, and the assets available for distribution amongst the members of our Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If our Company shall be wound up, the liquidator may with the sanction of a special resolution of our Company and any other sanction required by the Cayman Companies Law, divide amongst the members of our Company in specie or kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of our Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

***U. Untraceable members***

Our Company shall be entitled to sell any shares of a member of our Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) our Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, our Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

**SUMMARY OF CAYMAN COMPANIES LAW AND TAXATION****A. Introduction**

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**B. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 9, 2009 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

**C. Share capital**

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as our Company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of our Company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);
- (d) writing-off the preliminary expenses of our Company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our Company; and

- (f) providing for the premium payable on redemption or purchase of any shares or debentures of our Company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid our Company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our Company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of our Company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of our Company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of our Company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of our Company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### **D. Dividends and distributions**

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of our Company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see C above for further details).



**E. Shareholders' suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of our Company to challenge (a) an act which is *ultra vires* our Company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of our Company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

**F. Protection of minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of our Company in issue, appoint an inspector to examine into the affairs of our Company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that our Company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

**G. Disposal of assets**

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of our Company.

**H. Accounting and auditing requirements**

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by our Company and the matters in respect of which the receipt and expenditure takes place;



(b) all sales and purchases of goods by our Company; and

(c) the assets and liabilities of our Company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our Company's affairs and to explain its transactions.

**I. Register of members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**J. Inspection of books and records**

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's articles of association.

**K. Special resolutions**

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of our Company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of our Company may take effect as special resolutions if this is authorised by the articles of association of our Company.

**L. Subsidiary owning shares in parent**

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

**M. Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

**N. Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**O. Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**P. Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (i) by a special resolution of its members if our Company is solvent or (ii) by an ordinary resolution of its members if our Company is insolvent. The liquidator's duties are to collect the assets of our Company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge our Company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

**Q. Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**R. Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor in Council:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- (2) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
  - (i) on or in respect of the shares, debentures or other obligations of our Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking is for a period of twenty years from 17 November 1998.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**S. Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**T. General**

Maples and Calder, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in "Documents Delivered To The Registrar Of Companies And Available For Inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**1. FURTHER INFORMATION ABOUT OUR COMPANY****A. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on December 9, 2009. Our Company has established a place of business in Hong Kong at 18/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on September 15, 2010. Ms. Chan Ching Yi has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and to its constitution comprising a memorandum of association and the articles of association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Companies Law is set out in Appendix V to this prospectus.

**B. Change in share capital**

The authorized share capital of our Company as of the date of its incorporation was HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each.

On December 9, 2009, one subscriber Share was transferred to China TopReach. On January 27, 2010, our Company allotted and issued 319,999,999, 42,998,170, 15,859,804 and 21,142,026 Shares to China TopReach, TopBig International, Blazing Sun and Keep Profit, respectively.

On February 12, 2010, our Company allotted and issued 42,606,606, 42,606,606, 42,606,606 and 21,303,303 Shares to Pride Sky (which is wholly-owned by CCBI Asset Management), Best Eagle, Templeton and Topson Investments, respectively.

Immediately following completion of the Global Offering but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which have been granted under the 2010 Share Option Scheme or may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$73,216,512.1 divided into 732,165,121 Shares, all fully paid or credited as fully paid and 1,267,834,879 Shares will remain unissued.

Except for aforesaid, there has been no alteration in the share capital of our Company since incorporation.

**C. Resolutions in writing of the Shareholders of our Company passed on November 8, 2010**

Pursuant to the written resolutions passed by the shareholders of our Company on November 8, 2010:

- (a) our Company conditionally approved and adopted the Articles of Association;
- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be allotted and issued in connection with the Global Offering (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, any Shares that may be allotted and issued under the options granted under the 2010 Share Option Scheme or under the Share Option Scheme); (ii) the execution and delivery of the agreement on the Offer Price between CCBI on behalf of the Underwriters and our Company on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Global Offering was approved and our Directors were authorized to allot and issue the Shares pursuant to the Global Offering and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms to be published by the Company in accordance with the Listing Rules;
  - (ii) the Over-allotment Option was approved and our Directors were authorized to effect the same and to allot and issue the additional Shares pursuant thereto and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms;
- (c) the rules of the 2010 Share Option Scheme, the principal terms of which are set out in the paragraphs headed “2010 Share Option Scheme” under the section headed “Other information” in this appendix, were approved, ratified and confirmed and our Directors were authorized to implement the same, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the 2010 Share Option Scheme;
- (d) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed “Share Option Scheme” under the section headed “Other information” in this appendix, were approved and adopted and our Directors were authorized to implement the same, 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;
- (e) a general unconditional mandate was given to our Directors to exercise all the powers to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than

pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the options granted under the 2010 Share Option Scheme or which may be granted under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over allotment Option or options granted under the 2010 Share Option Scheme or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company following the passing of these resolutions, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (f) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options granted under the 2010 Share Option Scheme or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

## 2. CORPORATE REORGANIZATION

Please refer to the section headed “History and Corporate Structure — Our Reorganization” in this prospectus for further details.

**3. CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES**

The following sets out the changes in the share capitals or changes in shareholdings of the subsidiaries of our Company during the two years preceding the date of this prospectus:

**(a) Beijing BaiChuanDuKe Science and Technology Co., Ltd.**

Pursuant to an equity transfer agreement dated October 31, 2008 entered into between Beijing HongXinTu and Fuzhou HanDing, Beijing HongXinTu agreed to acquire all the equity interest in Beijing BaiChuanDuKe from Fuzhou HanDing. Upon completion of the equity transfer, Beijing BaiChuanDuKe became a wholly-owned subsidiary of Beijing HongXinTu.

**(b) Kunming HongLianXin Printing Co., Ltd.**

Pursuant to an equity transfer agreement dated October 25, 2008 entered into between Beijing HongXinTu and Mr. Chen, Beijing HongXinTu agreed to acquire 35% of the equity interest in Kunming HongLianXin from Mr. Chen. Upon completion of the equity transfer, Kunming HongLianXin became a wholly-owned subsidiary of Beijing HongXinTu.

Save for the subsidiaries mentioned in Appendix I to this prospectus and Guizhou ShiFang, our Company has no other subsidiaries.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of our Company within two years immediately preceding the date of this prospectus.

**4. PARTICULARS OF SUBSIDIARIES**

Our Group has interests in a number of major PRC subsidiaries. Set out below is a summary of the corporate information of these PRC subsidiaries:

**1. Beijing BaiChuanDuKe Science and Technology Co., Ltd. (北京百傳讀客科技有限公司)**

Date of Establishment	:	November 14, 2006
Registered Office	:	Room 0908, Block B, South Office Building of SOHO, Jianwai Avenue No. 39 East Sanhuan Middle Road Chaoyang District Beijing PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	20 years from November 14, 2006 to November 13, 2026
Registered Capital	:	RMB1 million (fully paid-up)
Registered Owner	:	Beijing HongXinTu (100%)
Legal Representative	:	Mr. Liu Jian Feng

**2. Beijing HanDing Advertisement Co., Ltd. (北京漢鼎廣告有限公司)**

Date of Establishment	:	August 8, 2007
Registered Office	:	Room 629, Jiatai International Building No. 41 East Sihuan Middle Road Chaoyang District Beijing PRC
Nature	:	Limited liability company (Taiwan, Hong Kong, Macau and domestic joint venture)
Term	:	20 years from August 8, 2007 to August 7, 2027
Registered Capital	:	HK\$2,500,000 (fully paid-up)
Registered Owner	:	Gloria Fair (70%) Beijing HongXinTu (30%)
Legal Representative	:	Mr. Lin Jian



3. **Beijing HongXinTu Culture Communication Co., Ltd. (北京鴻馨圖文化傳播有限公司)**

Date of Establishment	:	July 2, 2004
Registered Office	:	Room 1, Apartment 2, 5/F, Block A Fenglian Building No. 18 Chaoyangmenwai Avenue Chaoyang District Beijing PRC
Nature	:	Limited liability company
Term	:	20 years from July 2, 2004 to July 1, 2024
Registered Capital	:	RMB30 million (fully paid-up)
Registered Owner	:	Mr. Qiang Yi Bin (45%) Ms. Lin Yu Lin (27%) Mr. Zhang Jin Gui (18%) Mr. Chen (10%)
Legal Representative	:	Mr. Qiang Yi Bin

4. **Chongqing ShiFang Culture Communication Co., Ltd. (重慶十方文化傳播有限公司)**

Date of Establishment	:	January 19, 2006
Registered Office	:	8/F, Changcheng Building No. 337 Xinhua Road Yuzhong District Chongqing PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	Unspecified
Registered Capital	:	RMB2 million (fully paid-up)
Registered Owner	:	Fujian ShiFang (100%)
Legal Representative	:	Mr. Chen

5. **Dalian ShiFang Media Co., Ltd.** (大連十方傳媒有限公司)

Date of Establishment	:	February 8, 2007
Registered Office	:	Room A, G, H, 21st Floor No. 15 Minkang Street Zhongshan District Dalian Liaoning Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	30 years from February 8, 2007 to February 7, 2037
Registered Capital	:	RMB2 million (fully paid-up)
Registered Owner	:	Fujian ShiFang (100%)
Legal Representative	:	Mr. Chen

6. **DongKuai (Fuzhou) Investment Consultancy Services Co., Ltd.** (東快(福州)投資諮詢服務有限公司)

Date of Establishment	:	July 13, 2007
Registered Office	:	The east and west side, 01 Shopping Mall 4th Floor, Sanshan Building Podium No. 59 Dongjie Street Gulou District Fuzhou Fujian Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	20 years from July 13, 2007 to July 12, 2027
Registered Capital	:	RMB500,000 (fully paid-up)
Registered Owner	:	ZhiYuan (Fuzhou) (100%)
Legal Representative	:	Mr. Chen Zi Quan

7. **Fujian ShiFang Culture Communication Co., Ltd.** (福建十方文化傳播有限公司)

Date of Establishment	:	November 1, 2000
Registered Office	:	No. 316 District B, Haixia Jingmao Plaza Baoshui District Fuzhou Fujian Province PRC
Nature	:	Limited liability company (solely invested by foreign legal person)
Term	:	30 years from November 1, 2000 to November 1, 2030
Registered Capital	:	RMB46 million (fully paid-up)
Registered Owner	:	Fuzhou HanDing (100%)
Legal Representative	:	Mr. Chen

8. **Fujian ZhiYuan Media Co., Ltd.** (福建之緣傳媒有限公司)

Date of Establishment	:	September 3, 2002
Registered Office	:	The west side, 4th Floor, 01 Shopping Mall, Sanshan Building Podium, No. 59 Dongjie Street Gulou District Fuzhou Fujian Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	20 years from September 3, 2002 to September 1, 2022
Registered Capital	:	RMB3,030,000 (fully paid-up)
Registered Owner	:	Fujian ShiFang (100%)
Legal Representative	:	Mr. Chen Zi Quan

9. **Fuzhou AoHai Advertisement Co., Ltd.** (福州奧海廣告有限公司)

Date of Establishment	:	February 19, 2008
Registered Office	:	Room 445 District D, Haixia Jingmao Plaza Baoshui District Fuzhou Fujian Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	30 years from February 19, 2008 to February 18, 2038
Registered Capital	:	RMB1 million (fully paid-up)
Registered Owner	:	Fujian ShiFang (100%)
Legal Representative	:	Ms. Chen Xiao Min

10. **Fuzhou DongKuai Media Co., Ltd.** (福州東快傳媒有限公司)

Date of Establishment	:	June 9, 2005
Registered Office	:	The west side, 01 Shopping Mall 4th Floor, Sanshan Building Podium No. 59 Dongjie Street Gulou District Fuzhou Fujian Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	10 years from June 9, 2005 to June 8, 2015
Registered Capital	:	RMB500,000 (fully paid-up)
Registered Owner	:	ZhiYuan (Fuzhou) (100%)
Legal Representative	:	Mr. Chen Zi Quan

**11. Fuzhou HanDing Network Science & Technology Co., Ltd. (福州漢鼎網路科技有限公司)**

Date of Establishment	:	April 30, 2008
Registered Office	:	District C, No. 169 Longmen Village Fuzhou Development District Fuzhou Fujian Province PRC
Nature	:	Limited liability company (solely invested by Taiwan, Hong Kong and Macau legal person)
Term	:	30 years from April 30, 2008 to April 29, 2038
Registered Capital	:	RMB190 million (fully paid-up)
Registered Owner	:	Gloria Fair (100%)
Legal Representative	:	Mr. Zhang Jin Gui

**12. Fuzhou HongXinTu Printing Co., Ltd. (福州鴻馨圖印務有限公司)**

Date of Establishment	:	September 21, 2006
Registered Office	:	Technology Development Centre Building No. 83 Junzhu Road Fuzhou Development District Fuzhou Fujian Province PRC
Nature	:	Limited liability company (sino-foreign joint venture)
Term	:	20 years from September 21, 2006 to September 20, 2026
Registered Capital	:	RMB10 million (fully paid-up)
Registered Owner	:	Beijing HongXinTu (51%) Hung Hing To (BVI) (49%)
Legal Representative	:	Mr. Qiang Yi Bin

13. **Guizhou ShiFang Handing Media Co., Ltd. (貴州十方漢鼎傳媒有限公司)**

Date of Establishment	:	October 20, 2010
Registered Office	:	No. 7, 11th Floor, Unicom Building No. 40 Cao Zhuang Yuan Street, Zhonghua South Road Nanming District Guiyang Guizhou Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	20 years from October 19, 2010 to October 18, 2030
Registered Capital	:	RMB10 million (fully paid-up)
Registered Owner	:	Fujian ShiFang (100%)
Legal Representative	:	Mr. Guo Xiang Yang

14. **Kunming AoHai Advertising Co., Ltd. (昆明奧海廣告有限公司)**

Date of Establishment	:	March 3, 2008
Registered Office	:	2nd Floor, Securities Building No. 62 Chuncheng Road Kunming Yunan Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	10 years from March 3, 2008 to March 3, 2018
Registered Capital	:	RMB1 million (fully paid-up)
Registered Owner	:	Chongqing ShiFang (100%)
Legal Representative	:	Ms. Zhang Yan Wen

**15. Kunming HongLianXin Printing Co., Ltd. (昆明弘聯欣印務有限公司)**

Date of Establishment	:	July 22, 2005
Registered Office	:	6th Floor, Tailai Logistics Building Huangtupo Kunrui Road Kunming Yunan Province PRC
Nature	:	Limited liability company
Term	:	10 years from July 22, 2005 to July 22, 2015
Registered Capital	:	RMB23 million (fully paid-up)
Registered Owner	:	Beijing HongXinTu (100%)
Legal Representative	:	Mr. Shi Jin Lian

**16. Liaoning AoHai TianYi Media Advertisement Co., Ltd. (遼寧奧海天一傳媒廣告有限公司)**

Date of Establishment	:	March 17, 2008
Registered Office	:	No. 51 Sanjing Street North Shenhe District Shenyang Liaoning Province PRC
Nature	:	Limited liability company
Term	:	10 years from March 17, 2008 to March 16, 2018
Registered Capital	:	RMB5 million (fully paid-up)
Registered Owner	:	ShiFang YaQi (70%) Fujian ShiFang (30%)
Legal Representative	:	Mr. Xu Kai Ning

17. **Shenyang ZhuQin ShiFang Media Development Co., Ltd.**

(瀋陽祝秦十方傳媒發展有限公司)

Date of Establishment	:	September 10, 2007
Registered Office	:	No. 20 Masong Road, Mantang Village Mantang Street Office, Qipan Hill Development District Shenyang Liaoning Province PRC
Nature	:	Limited liability company
Term	:	20 years from September 10, 2007 to September 9, 2027
Registered Capital	:	RMB1 million (fully paid-up)
Registered Owner	:	ShiFang YaQi (51%) Mr. Qin Guojun (24.5%) Mr. Zhu Shengnan (24.5%)
Legal Representative	:	Mr. Xu Kai Ning

18. **ShiFang YaQi Culture Communication (Xiamen) Co., Ltd.** (十方亞祺文化傳播(廈門)有限公司)

Date of Establishment	:	December 27, 2004
Registered Office	:	Unit 1035, 10th Floor Jiulong Commercial City, No. 823 Xiahe Road Siming District Xiamen Fujian Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	10 years from December 27, 2004 to December 27, 2014
Registered Capital	:	RMB2 million (fully paid-up)
Registered Owner	:	Fujian ShiFang (100%)
Legal Representative	:	Mr. Chen



19. **Tianjin ShiFang Advertisement Media Co., Ltd.** (天津十方廣告傳媒有限公司)

Date of Establishment	:	February 13, 2007
Registered Office	:	1-2-1401, Yong an Building Yongan Road Hexi District Tianjin PRC
Nature	:	Limited liability company
Term	:	30 years from February 13, 2007 to February 12, 2037
Registered Capital	:	RMB1 million (fully paid-up)
Registered Owner	:	Fujian ShiFang (90%) Chongqing ShiFang (10%)
Legal Representative	:	Mr. Chen

20. **Xiamen DuKe Information Technology Co., Ltd.** (廈門讀客信息科技有限公司)

Date of Establishment	:	February 24, 2006
Registered Office	:	1st Floor, Information Technology Building Software Garden, Huoju Gaoxin District Xiamen Fujian Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	30 years from February 24, 2006 to February 23, 2036
Registered Capital	:	RMB11 million (fully paid-up)
Registered Owner	:	Beijing BaiChuanDuKe (100%)
Legal Representative	:	Mr. Liu Jian Feng

21. **ZhiYuan (Fuzhou) Culture Communication Co., Ltd.** (之緣(福州)文化傳播有限公司)

Date of Establishment	:	November 2, 2006
Registered Office	:	The north side, 01 Shopping Mall 4th Floor, Sanshan Building Podium No. 59 Dongjie Steet Gulou District Fuzhou Fujian Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	50 years from November 2, 2006 to November 1, 2056
Registered Capital	:	RMB1,030,000 (fully paid-up)
Registered Owner	:	Fujian ZhiYuan (100%)
Legal Representative	:	Mr. Chen Zi Quan

22. **ZhiYuan (Xiamen) Culture Communication Co., Ltd.** (之緣(廈門)文化傳播有限公司)

Date of Establishment	:	January 12, 2005
Registered Office	:	Unit 5, 6th Floor, Triumph Plaza, No. 63 Jinbang Road Siming District Xiamen Fujian Province PRC
Nature	:	Limited liability company (solely owned by legal person)
Term	:	10 years from January 12, 2005 to January 12, 2015
Registered Capital	:	RMB1 million (fully paid-up)
Registered Owner	:	Fujian ZhiYuan (100%)
Legal Representative	:	Mr. Chen Zi Quan

## 5. REPURCHASE OF OUR SHARES

### A. Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

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*(Note: Pursuant to the resolutions in writing of the Shareholders of our Company on November 8, 2010, the Repurchase Mandate was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be allotted and issued as mentioned in the Repurchase Mandate, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.)*

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

### B. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its shareholders for our Directors to have a general authority from shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

**C. Funding of repurchases**

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh allotment and issue of shares made for the purpose of the purchase or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital.

Our 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 of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

**D. Share capital**

Exercise in full of the Repurchase Mandate, on the basis of 732,165,121 Shares in issue following completion of the Global Offering (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options granted under the 2010 Share Option Scheme or any options which may be granted under the Share Option Scheme), could accordingly result in up to 73,216,512 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

**E. General**

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

Our 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.

No Connected Person has notified our Company that he/she/it has a present intention to sell his/her/its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Global Offering but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or pursuant to the exercise of the options granted under the 2010 Share Option Scheme or any options which may be granted under the Share Option Scheme, the total number of Share which will be repurchased pursuant to the Repurchase Mandate shall be 73,216,512 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). In the event that the Repurchase Mandate is exercised in full, the number of Shares held by the public would fall below 25% of the total number of Shares in issue. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

## **6. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **A. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

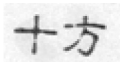

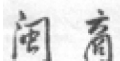
- (a) the Olympia Sale and Purchase Agreement dated December 16, 2008 and its amendments dated January 13, 2009 and June 23, 2010, respectively;
- (b) a restructuring agreement dated January 14, 2010, entered into amongst (i) China TopReach; (ii) our Company; (iii) Dragon Soar Limited; (iv) TopBig International; (v) Blazing Sun; and (vi) Keep Profit, pursuant to which our Company allotted and issued 319,999,999 Shares, 42,998,170 Shares, 15,859,804 Shares and 21,142,026 Shares to China TopReach, TopBig International, Blazing Sun and Keep Profit, respectively, in consideration of the transfers of 955,748, 352,526 and 469,938 China TopReach Shares by TopBig International, Blazing Sun and Keep Profit, respectively to Dragon Soar Limited;
- (c) the Share Subscription Agreement dated February 5, 2010;

- (d) the Investors Rights Agreement dated February 12, 2010;
- (e) an equity transfer agreement dated June 21, 2010 entered into between Fujian ShiFang and Dian Lan (Fuzhou) Cosmetics Co. Ltd., an Independent Third Party, pursuant to which Fujian ShiFang sold its 90% equity interest in Fuzhou KaiFaQu to Dian Lan (Fuzhou) Cosmetics Co. Ltd. for consideration of RMB450.4;
- (f) a deed of non-competition dated November 15, 2010 executed by our Controlling Shareholders in favor of our Company and the Joint Sponsors pursuant to which our Controlling Shareholders have given certain undertakings, details of which are set out in the section headed “Relationship with the Controlling Shareholders - Non-competition Deed” in this prospectus;
- (g) a deed of indemnity dated November 12, 2010 executed by three of our Controlling Shareholders, namely China TopReach, Mr. Chen and Mr. Hong in favor of our Company (for itself and as trustee for each of its present subsidiaries) pursuant to which China TopReach, Mr. Chen and Mr. Hong have provided certain indemnities in respect of tax and other matters in favor of our Group; and
- (h) the Hong Kong Underwriting Agreement dated November 19, 2010.

## B. Intellectual property rights of our Group

### (a) Trademarks

As of the Latest Practicable Date, our Group has registered the following trademarks in the PRC:

<u>Name of registrant</u>	<u>Trademark</u>	<u>Date of Registration</u>	<u>Registration Number</u>
Fujian ShiFang . . . . .		2003.10.28-2013.10.27	3159299
Fujian ShiFang . . . . .		2008.05.07-2018.05.06	4217942
Fujian ShiFang . . . . .		2008.10.21-2018.10.20	4622434

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks in the PRC:

<u>Name of applicant</u>	<u>Trademark</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>
Fujian ShiFang . . . . .		35	4622435	2005.04.25
Fujian ShiFang . . . . .		41	4622437	2005.04.25
Fujian ZhiYuan . . . . .		35	6411616	2007.12.3
DongKuai (Fuzhou) . . . . .		36	6384283	2007.11.19

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks in Hong Kong:

<u>Name of applicant</u>	<u>Trademark</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>
The Company . . . . .		16, 35, 41	301641906	2010.06.17

(b) *Licensed software*

As of the Latest Practicable Date, our Group is a licensee of the following software:

<u>Name of licensee</u>	<u>Name of Software</u>	<u>Registration Number</u>	<u>Number of Certificate</u>
Xiamen DuKe . . . . .	P2P WEB Reading System V1.0	2007SR03613	069608
Xiamen DuKe . . . . .	P2P Reading System V1.0	2006SR14258	061924
Xiamen DuKe . . . . .	IM System V1.0	2009SR05096	131275
Xiamen DuKe . . . . .	Duk Magazine Advertisement Alliance System V1.0	2009SR05095	131274
Xiamen DuKe . . . . .	Duk E-System V2.0	2009SR05097	131276
Xiamen DuKe . . . . .	Duk Magazine Issue System V1.0	2009SR05098	131277

(c) *Domain Name*

As of the Latest Practicable Date, our Group is the registered proprietor of the following domain names:

<b>Name of registrant</b>	<b>Domain name</b>	<b>Valid Period</b>
Fujian ShiFang . . . . .	sf333.com	2004.09.09 - 2014.09.09
Fujian ShiFang . . . . .	sf333.net	2004.09.09 - 2014.09.09
Beijing BaiChuanDuKe . . . . .	duk.cn	2005.06.24 - 2012.06.24
Xiamen DuKe . . . . .	doker.cn	2006.03.20 - 2011.03.20
Xiamen DuKe . . . . .	doker.com.cn	2006.03.20 - 2011.03.20
Fujian ShiFang . . . . .	shifangholding.com	2010.03.19 - 2013.03.19

## 7. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### A. Directors

(a) *Disclosure of interest — interests and short positions of our Directors and the chief executives of our Company in our Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and assuming that the Over-allotment Option, any option granted under the 2010 Share Option Scheme, or any option which may be granted under the Share Option Scheme is not exercised, the interest or short position of Directors or chief executives of our Company in our Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were 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 Model Code for Securities Transactions by Directors of Listed Companies, once our Shares are listed are as follows:

(i) *Long position in our Company*

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest</u>
Mr. Chen . . . . .	Interest in controlled corporation	42,998,170 <sup>(1)</sup>	5.9%
Mr. Hong . . . . .	Interest in controlled corporation	15,859,814 <sup>(2)</sup>	2.2%
Mr. Wang Ping . . . . .	Interest in controlled corporation	12,483,736 <sup>(3)</sup>	1.7%

*Notes:*

- (1) These Shares are held by TopBig International, which is wholly-owned by Mr. Chen.
- (2) These Shares are held by Blazing Sun, which is wholly-owned by Mr. Hong.
- (3) These Shares are held by Best Eagle on trust for China Science. China Science is wholly-owned by Shenzhen China Science & Kingwin Venture Capital Co., Ltd, a company that is in turn owned by a group of individuals including, among others, Mr. Wang Ping as to 63.0%.

(ii) *Long position in the associated corporations of our Company*

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Name of associated corporation</u>	<u>Approximate percentage of interest</u>
Mr. Chen . . . . .	Interest in controlled corporation	China TopReach <sup>(1)</sup>	26.1%
Mr. Chen . . . . .	Beneficial owner	Beijing HongXinTu	10.0%
Mr. Hong . . . . .	Interest in controlled corporation	China TopReach <sup>(2)</sup>	10.3%
Mr. Wang Ping . . . . .	Interest in controlled corporation	China TopReach <sup>(3)</sup>	9.6%
Mr. Zhang Tie Zhu . . . . .	Interest in controlled corporation	China TopReach <sup>(4)</sup>	2.0%

*Notes:*

- (1) These interest in China TopReach is held by TopBig International, which is wholly-owned by Mr. Chen.
- (2) These interest in China TopReach is held by Blazing Sun, which is wholly-owned by Mr. Hong.
- (3) These interest in China TopReach is held by China Science, which is wholly-owned by Shenzhen China Science & Kingwin Venture Capital Co., Ltd, a company that is in turn owned by Mr. Wang Ping as to 41.6%.
- (4) These interest in China TopReach is held by Real Sight Consultant Limited, which is wholly-owned by Mr. Zhang Tie Zhu.

(iii) *Interests in the underlying Shares of equity derivatives of our Company*

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Description of equity derivatives<sup>(1)</sup></u>	<u>Total number of underlying Shares</u>	<u>Approximate percentage of interest</u>
Mr. Chen . . . . .	Personal	Share Option	10,433,339	1.4%
Mr. Hong . . . . .	Personal	Share Option	2,745,616	0.4%
Mr. Zhang Tie Zhu . .	Personal	Share Option	9,335,093	1.3%
Mr. Wang Ping . . . . .	Personal	Share Option	549,123	0.1%

*Note:*

- (1) These share options were granted under the 2010 Share Option Scheme. Further details of such options are disclosed under the paragraph below headed “2010 Share Option Scheme” in this Appendix.

(b) *Particulars of service contracts*

Each of the executive Directors and the non-executive Director has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than six months’ notice in writing served by either party on the other.

(c) *Directors’ remuneration*

Each of the executive Directors and the non-executive Director is entitled to a monthly remuneration payable in arrears on the last day of each calendar month by our Company. In addition, each of the executive Directors and the non-executive Director is entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive Directors at the sole and absolute discretion of our Company. An executive Director and the non-executive Director shall abstain from voting and shall not be counted in the quorum in respect of any resolution regarding the amount of compensation, monthly salary, allowance, bonus and any other benefits to him.

With effect from the Listing Date, the annual director’s remuneration of the executive Directors and the non-executive Director, which are determined on an after-tax basis, are as follows:

<u>Name</u>	<u>Annual Directors’ Remuneration</u>
	<u>(RMB)</u>
Mr. Chen . . . . .	1,800,000
Mr. Hong . . . . .	600,000
Mr. Zhang Tie Zhu . . . . .	1,600,000
Mr. Wang Ping . . . . .	120,000

The independent non-executive Director has been appointed for a term of three years and shall be terminable by either party by giving not less than two months' prior notice in writing. Each independent non-executive Director is entitled to a director's fee of RMB120,000 per year or pro-rata amount for any incomplete year.

The aggregate remuneration paid and benefits in kind granted to the Directors for the three years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010 were RMB1.8 million, RMB2.5 million, RMB1.4 million and RMB2.7 million, respectively.

Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to our Directors for the year ending December 31, 2010 is estimated to be approximately RMB5.3 million.

#### **B. Substantial Shareholders**

Information on the persons, including Directors and chief executives of our Company, who will, immediately following the completion of the Global Offering (but taking no account of the exercise of the Over-allotment Option), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, 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 member of the Group is set out in the section headed "Substantial Shareholders" in this prospectus.

#### **C. Agency fees or commissions received**

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

#### **D. Disclaimers**

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV 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 our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;
- (b) none of our Directors or experts referred to under the heading "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, 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 member of our Group;
- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

## 8. OTHER INFORMATION

### A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the shareholders of our Company passed on November 8, 2010.

#### (a) *Purpose*

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Person(s) (as defined in paragraph (b) below) for their contribution to, and continuing efforts to promote the interests of, our Group and for such other purposes as our Board may approve from time to time.

(b) *Who may join*

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (e) below to the following person(s) (“**Eligible Person(s)**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of our subsidiaries;
- (ii) any Directors (whether executive or non-executive, including any independent non-executive Director) of our Company or any of our subsidiaries; or
- (iii) any advisors, consultants, suppliers, customers and agents to our Company or any of our subsidiaries.

Upon acceptance of the option, the grantee shall pay RMB1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

- (a) The maximum aggregate number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.
- (b) Subject to sub-paragraphs (a), (d) and (e), at the time of adoption by our Company of the Share Option Scheme or any new share option scheme (the “**New Scheme**”), the aggregate number of Share Option Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the “**Existing Schemes**”) of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (excluding Shares which may be allotted and issued under the Over-allotment Option which is expected to be 73,216,512 Shares (the “**Scheme Mandate Limit**”).
- (c) For the purposes of calculating the Scheme Mandate Limit under sub-paragraph (b), Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.

- (d) The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that:
  - (i) the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as at the date of Shareholders' approval of the refreshing of the Scheme Mandate Limit;
  - (ii) options previously granted under any Existing Schemes (including Options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and
  - (iii) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules.
- (e) Our Company may seek separate approval from the Shareholders in the general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that:
  - (i) the grant is to Eligible Persons specifically identified by our Company before the approval is sought; and
  - (ii) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules and other applicable laws and rules.

(d) *Maximum number of options to any one individual*

Subject to paragraph (f), no option shall be granted to any Eligible Person (the “**Relevant Eligible Person**”) if, at the relevant time of grant, the number of Relevant Shares (as defined below) would exceed 1% of the total number of Shares in issue at such time, unless:

- (i) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by ordinary resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his associates abstained from voting;
- (ii) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and
- (iii) the number and terms (including the subscription price) of such options are fixed before the general meeting of our Company at which the same are approved.

“Relevant Shares” shall mean Shares issued and to be allotted and issued upon exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person referred to above in the 12-month period expiring on the offer date of the relevant option referred to above.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to an Eligible Person and shall be at least the highest of:

- (i) the official closing price of our Shares as stated in the Stock Exchange’s daily quotation sheets on the date of offer;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of offer (provided that the new issue price shall be used as the closing price for any Business Day falling within the period before the Listing Date where our Company has been listed for less than five Business Days as at the date of offer); and
- (iii) the nominal value of a Share.

Our Directors consider that it is not appropriate to state the value of all options that can be granted pursuant to the Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, any lock up period, any performance targets set and other relevant variables. Our Directors believe that any calculation of the value of the options as the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is also a proposed grantee of the options).

Where an option is to be granted to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director (or any of their respective associates), and the grant will result in the number and value of the Relevant Shares (as defined in paragraph (d)) exceeding the following:

- (i) 0.1% or such other percentages as may be from time to time provided for under the Listing Rules, of the total number of Shares in issue at the relevant time of grant; and

- (ii) an aggregate value (based on the official closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant) in excess of HK\$5 million,

such grant shall not be valid unless:

- (A) a circular containing the details of the grant has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee) to the independent Shareholders as to voting); and
- (B) the grant has been approved by the Shareholders in general meeting (taken on a poll), at which all connected persons (as defined in the Listing Rules) of our Company are abstained from voting in favour at such meeting.

Any change in the terms of any option granted to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director (or any of their respective associates) which would result in the number and value of the Relevant Shares exceeding that set out above shall not be valid unless:

- (i) a circular regarding the change has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules; and
- (ii) the change has been approved by the Shareholders in general meeting (taken on a poll), at which all connected persons (as defined in the Listing Rules) of our Company are abstained from voting in favour at such meeting.

(g) *Restrictions on the times of grant of options*

No offer of the grant of an option 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 pursuant to the requirements of the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified by our Company to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our 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 actual publication of the results announcement.



(h) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that, for the avoidance of doubt, the grantee may nominate a nominee to hold the Shares to be allotted and issued pursuant to the exercise of options on trust for the sole benefit of such grantee provided that the evidence of such trust arrangement between the grantee and the nominee shall be provided to the satisfaction of our Company).

(i) *Time of exercise of option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to its expiry. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(j) *Performance target*

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) *Rights on ceasing employment or death*

- (a) Subject to sub-paragraph (b) and paragraph (l), where the grantee of an outstanding option ceases to be an Eligible Person for any reason, the option may be exercised within one month after the date of such cessation, which date shall be (i) if he is an employee or a director of our Company or any subsidiary, his last actual working day with our Company or any subsidiary whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of our Company or any subsidiary, the date on which the relationship constituting him an Eligible Person ceases.
- (b) Where the grantee of an outstanding option dies or becomes permanently disabled before exercising the option in full or at all, the option may be exercised up to the entitlement of such Grantee or, if appropriate, an election made pursuant to paragraphs (m) or (n) by his personal representatives within twelve months after the date of his death or permanent disability or such longer period as our Board may determine.

(l) *Rights on dismissal*

If the grantee of an option was an employee of our Company or any of its subsidiaries at the time of grant but subsequently ceases to be an employee of our Company or any of our subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(m) *Rights on takeover and scheme of arrangement*

If a general offer by way of a take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall forthwith notify all the grantees and any grantee (or his personal representatives or his nominee referred to in paragraph (h)) may by notice in writing to our Company within 14 days after such offer becoming or being declared unconditional exercise the option to its full extent or to the extent specified in such notice.

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice to all the grantees on the same days as it gives notice of the meeting to the Shareholders summoning the meeting to consider such a scheme of arrangement and any grantee (or his personal representatives or his nominee referred to in paragraph (h)) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice.

(n) *Rights on winding-up*

In the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives or his nominee referred to in paragraph (h)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement between our Company and its members or creditors*

Other than a general offer or a scheme of arrangement contemplated in paragraph (m), if a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date it despatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise his option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be allotted and issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

(p) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Memorandum and Articles and the laws of the Cayman Islands for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment 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 on or before the date of allotment and issue.

(q) *Effect of alterations to capital*

In the event of any alteration to the capital structure of our Company whilst any option remains exercisable, arising from capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party, adjustment (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the option so far as unexercised;
- (ii) the subscription price for our Shares subject to the option so far as unexercised;
- (iii) the Shares to which the option relates; and
- (iv) the method of exercise of the option,

or any combination thereof as the auditors or the independent financial advisor to our Company shall at the request of our Company certify in writing to our Board either generally or as regards any particular grantee that the adjustments are in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto.

Any such adjustments must give a grantee the same proportion of the equity capital of our Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange but no such alterations shall be made the effect of which would be to enable a Share to be allotted and issued at less than its nominal value. The capacity of the auditors or the independent financial advisor to our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees.

(r) *Lapse of option*

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (i) the expiry of the period during which the option may be exercised as may be determined and notified by our Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Person by reason of such grantee's resignation from the employment of our Company or any of our subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by our Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee has committed a breach of the provisions of paragraph (h) above.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board except that the provisions of the Share Option Scheme as to:

- (i) the definitions of “Eligible Person” and “grantee” therein; and
- (ii) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules,

shall not be altered to the advantage of grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the Articles of Association for a variation of the rights attached to our Shares.

Any change to the authority of our Board in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

Any alterations to the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must comply with Chapter 17 of the Listing Rules.

(t) *Cancellation of Options*

Our Board may cancel options granted but not exercised with the approval of the grantees of the relevant options in writing.

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered but in all respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of our Board*

The Share Option Scheme shall be subject to the administration of our Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

(w) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in our Shares which may fall to be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the passing of the resolutions by the Shareholders to approve and adopt the Share Option Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iv) the commencement of dealings in our Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if applicable) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be allotted and issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

**B. 2010 Share Option Scheme**

The principal terms of the 2010 Share Option Scheme, approved by written resolutions of the Shareholders passed on February 26, 2010, are as following:

- (a) the purpose of the 2010 Share Option Scheme is to provide incentive or reward to eligible participants for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Company and its subsidiaries to recruit and retain high-caliber employees;

- (b) the maximum number of Shares in respect of which options may be granted under the 2010 Share Option Scheme shall be 27,456,156, representing approximately 3.8% of the total issued share capital of our Company immediately upon completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the 2010 Share Option Scheme or which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option);
- (c) the subscription price for our Shares under the 2010 Share Option Scheme shall not be less than 100% of the fair market value of our Shares on the date of grant of the option as valued by the valuer to be appointed by our Company;
- (d) save as otherwise stated in the letter of grant, a maximum of 40% of the total number of the options shall only be exercisable from the expiry of the first anniversary of the commencement date; a maximum of 70% of the total number of the options shall only be exercisable from the expiry of the second anniversary of the commencement date; and all the total outstanding number of the options will be exercisable from the expiry of the third anniversary of the commencement date;
- (e) subject to the termination provisions in the 2010 Share Option Scheme, the 2010 Share Option Scheme shall be valid and effective for a period commencing on February 26, 2010, being the date on which the 2010 Share Option Scheme is adopted by the Shareholders, and ending on the day immediately prior to the Listing Date (both dates inclusive), after which period no further options pursuant to the 2010 Share Option Scheme will be granted but in all other respects the provisions of the 2010 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2010 Share Option Scheme, and options which are granted during the life of the 2010 Share Option Scheme may continue to be exercisable in accordance with their terms of issue; and
- (f) the 2010 Share Option Scheme shall take effect subject to the passing of the necessary resolution to adopt the 2010 Share Option Scheme by the Shareholders. The option granted may be exercised during the option period which shall commence on the expiry of the first anniversary of the commencement date and end on the date immediately before the fourth anniversary of the Listing Date (subject to the provisions for early termination contained in the 2010 Share Option Scheme. In the event that dealings in our Shares have commenced on the Stock Exchange, the exercise after the Listing Date of any option granted will be conditional upon the Listing Committee granting approval of the listing of, and permission to deal in, our Shares which may fall to be allotted and issued pursuant to the exercise of any options granted under the 2010 Share Option Scheme.

As of the Latest Practicable Date, options to subscribe for an aggregate of 27,456,156 Shares (representing approximately 3.8% of the total issued share capital of our Company immediately upon completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the 2010 Share Option Scheme

or which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option)) have been granted by our Company under the 2010 Share Option Scheme. Particulars of the options granted under the 2010 Share Option Scheme are set out below.

Name and position of grantee in our Group	Address	Number of underlying Shares	Approximate percentage of shareholding held upon exercise of all the options (Note 1)
Mr. Chen Zhi, Executive Director	Room 407, Le Dong Apartment Jin'an District, Fuzhou Fujian Province PRC	10,433,339	1.4%
Mr. Hong Pei Feng, Executive Director	Room 501, Flat 7B Dianchi Golf Apartment Kunming, Yunnan Province PRC	2,745,616	0.4%
Mr. Zhang Tie Zhu, Executive Director	Room 1305, 8th Building Jingtongyuan, Chaoyang District, Beijing, PRC	9,335,093	1.2%
Mr. Wang Ping, Non-executive Director	Room 4A, Building 12 Cai Hong Zhi An No. 36 Gao Xin South Ring Road, Nan Shan District Shenzhen, Guangdong Province, PRC	549,123	0.1%
Mr. Chan Chun Kau, General Counsel	Flat C, 10/F, Tower 5 Rambler Crest, Tsing Yi New Territories, Hong Kong	1,647,369	0.2%
Mr. Yu Shi Quan, Vice President of Finance	Room 103, Building 11 Wu Feng Lan Ting Tong Pan Road 351 Gulou District, Fuzhou Fujian Province, PRC	1,098,246	0.2%
Mr. Xiao Zhen Bin, Investor Relations Director	8 Chaoyangmen North Avenue Dongcheng District Beijing, PRC	1,098,246	0.2%
Mr. Pan Jian Ping, Vice President of Internal Control	Room 405, Building 3 Fu Cun Xiao Qu Dong Pu Road No. 157 Gulou District, Fuzhou Fujian Province, PRC	549,124	0.1%



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*Note:*

- (1) These percentages are calculated on the basis of 732,165,121 Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the 2010 Share Option Scheme or which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option).

Save as disclosed, no other option has been granted or agreed to be granted by our Company under the 2010 Share Option Scheme. No options will be granted under the 2010 Share Option Scheme after the Listing Date.

All the options granted under the 2010 Share Option Scheme will not be exercisable prior to the first anniversary of the Listing Date. Outstanding and unexercised options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period.

The subscription price per Share upon exercise of an option granted under the 2010 Share Option Scheme is HK\$1.8239.

Assuming all the options granted under the 2010 Share Option Scheme had been exercised in full during the year ending December 31, 2010 and that 759,621,277 Shares, comprising 732,165,121 Shares to be in issue immediately after the Global Offering and 27,456,156 Shares to be allotted and issued upon the exercise of all the options granted under the 2010 Share Option Scheme, were deemed to have been in issue throughout the year ending December 31, 2010, but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, this will have a dilutive effect of approximately 4% on forecast earnings per share from approximately RMB0.219 to approximately RMB0.210. As of the Latest Practicable Date, none of the options granted under the 2010 Share Option Scheme had been exercised by the grantees. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares to be allotted and issued pursuant to the exercise of options granted under the 2010 Share Option Scheme.

### C. Estate duty, tax and indemnities

Mr. Chen, Mr. Hong and China TopReach have entered into a deed of indemnity dated November 12, 2010 in favor of our Company (for itself and as trustee for each of its subsidiaries) (being the contract referred to in paragraph (g) of the subsection headed “Summary of material contracts” in this Appendix). Under the deed of indemnity, amongst others, each of China TopReach, Mr. Chen and Mr. Hong jointly and severally agrees with each of the member of our Group that he/it will indemnify and at all times keep them fully indemnify on demand against taxation falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date when the Global Offering becomes unconditional (the “**Effective Date**”).

Pursuant to the deed of indemnity, each of China TopReach, Mr. Chen and Mr. Hong has also undertaken to indemnify us against:

- (a) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group as a

result of directly or indirectly or in connection with the social insurance and housing fund contributions due or payable for employees of our Group that any member of our Group failed to make prior to the Effective Date provided that this indemnity shall not cover any such claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines the amount of which arise after the date on which dealings in the Shares first commence on the Stock Exchange;

- (b) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group due to the lack of the relevant title documents for any of the properties owned or leased by us as set out in Appendix IV to this Prospectus;
- (c) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group due to the lack of the relevant approvals for our printing business in Fuzhou, the PRC; and
- (d) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group due to the lack of the relevant Internet publication licence to engage in our business of Internet publication.

China TopReach, Mr. Chen and Mr. Hong will, however, not be liable under the deed of indemnity for taxation and other liabilities where, among others, provision, reserve or allowance has been made for such liabilities in the audited accounts of our Group for each of the three years ended December 31, 2009 and six months ended June 30, 2010 as set out in the Accountant's Report in Appendix I to this prospectus and provision, reserve or allowance for which will be made in the audited accounts of our Company and the subsidiaries covering the period from June 30, 2010 to the Effective Date on a basis consistent with that made in the said audited accounts.

#### **D. Litigation**

As of the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

#### **E. Joint Sponsors**

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all our Shares in issue and to be allotted and issued as mentioned in this prospectus (including any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or options granted under the 2010 Share Option Scheme and which may be granted under the Share Option Scheme).

**F. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately US\$6,600 and are payable by our Company.

**G. Promoter**

There are no promoters of our Company. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

**H. Taxation of holders of Shares***(a) Hong Kong*

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

*(b) Cayman Islands*

Under the present laws of the Cayman Islands, no stamp duty is payable in the Cayman Islands on transfers of Shares. However, stamp duty may be payable if original documents are brought into the Cayman Islands for execution or otherwise.

*(c) Consultation with professional advisors*

Intending holders of our Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering 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 exercise of any rights attaching to them.

**I. Qualification of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
CCB International Capital Limited . . . . .	A licensed corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Macquarie Capital Securities Limited . . . . .	A licensed corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
DLA Piper Hong Kong . . . . .	U.S. legal advisor
Guantao Law Firm . . . . .	PRC legal advisor
Maples and Calder . . . . .	Cayman Islands legal advisor
PricewaterhouseCoopers . . . . .	Certified public accountants
Jones Lang LaSalle Sallmanns Limited . . . . .	Property valuer

**J. Consents of experts**

Each of CCBI, Macquarie, DLA Piper Hong Kong, Guantao Law Firm, Maples and Calder, PricewaterhouseCoopers and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/ or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

**K. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, 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.

**L. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of its subsidiaries has been allotted and issued or agreed to be allotted and issued or is proposed to be fully or partly paid either for cash or consideration other than cash;

- (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
  - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of its subsidiaries;
- (c) none of the persons named in the sub-paragraph above headed “Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (d) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2010 (being the date to which the latest audited financial statements of our Group were made up);
- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) the principal register of members of our Company will be maintained in the Cayman Islands by Maples Finance Limited and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS; and
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system.

#### **M. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information” in Appendix VI to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — Further Information about our Business — Summary of material contracts” in Appendix VI to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of DLA Piper Hong Kong at 17th Floor, Edinburgh Tower, the Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- the Memorandum and Articles of Association ;
- the Accountant’s Report issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- the audited consolidated financial statements of the Group for the financial years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010;
- the letter in relation to the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
- the letters relating to the profit forecast of our Group for the year ending December 31, 2010, the text of which are set out in Appendix III to this prospectus;
- the letter, valuation certificate and report relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this prospectus;
- the letter prepared by DLA Piper Hong Kong in relation to the filing requirements of China TopReach under U.S. laws;
- the material contracts referred to in the section headed “Statutory and General Information — Further Information about our Business — Summary of material contracts” in Appendix VI to this prospectus;

- the written consents referred to in the section headed “Statutory and General Information — Consents of experts” in Appendix VI to this prospectus;
- the service contracts referred to in the section headed “Statutory and General Information — Further Information about Directors and Substantial Shareholders — Directors — Particulars of service contracts” in Appendix VI to this prospectus;
- the letter prepared by Maples and Calder, the legal advisor to our Company on Cayman Islands law, summarizing certain aspects of the Cayman Islands laws referred to in Appendix V to this prospectus;
- the PRC legal opinions issued by Guantao Law Firm in connection with the Global Offering and the property interests of our Group in the PRC;
- the rules of the 2010 Share Option Scheme and the Share Option Scheme; and
- the Cayman Companies Law.



SHIFANG HOLDING LIMITED  
十方控股有限公司

