

---

## HISTORY AND DEVELOPMENT

---

### BUSINESS AND CORPORATE DEVELOPMENT

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

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

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

---

## HISTORY AND DEVELOPMENT

---

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

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

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

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

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

---

## HISTORY AND DEVELOPMENT

---

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

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

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

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

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

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

---

## HISTORY AND DEVELOPMENT

---

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

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

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

### PRC REGULATORY MATTERS

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

---

## HISTORY AND DEVELOPMENT

---

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

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

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

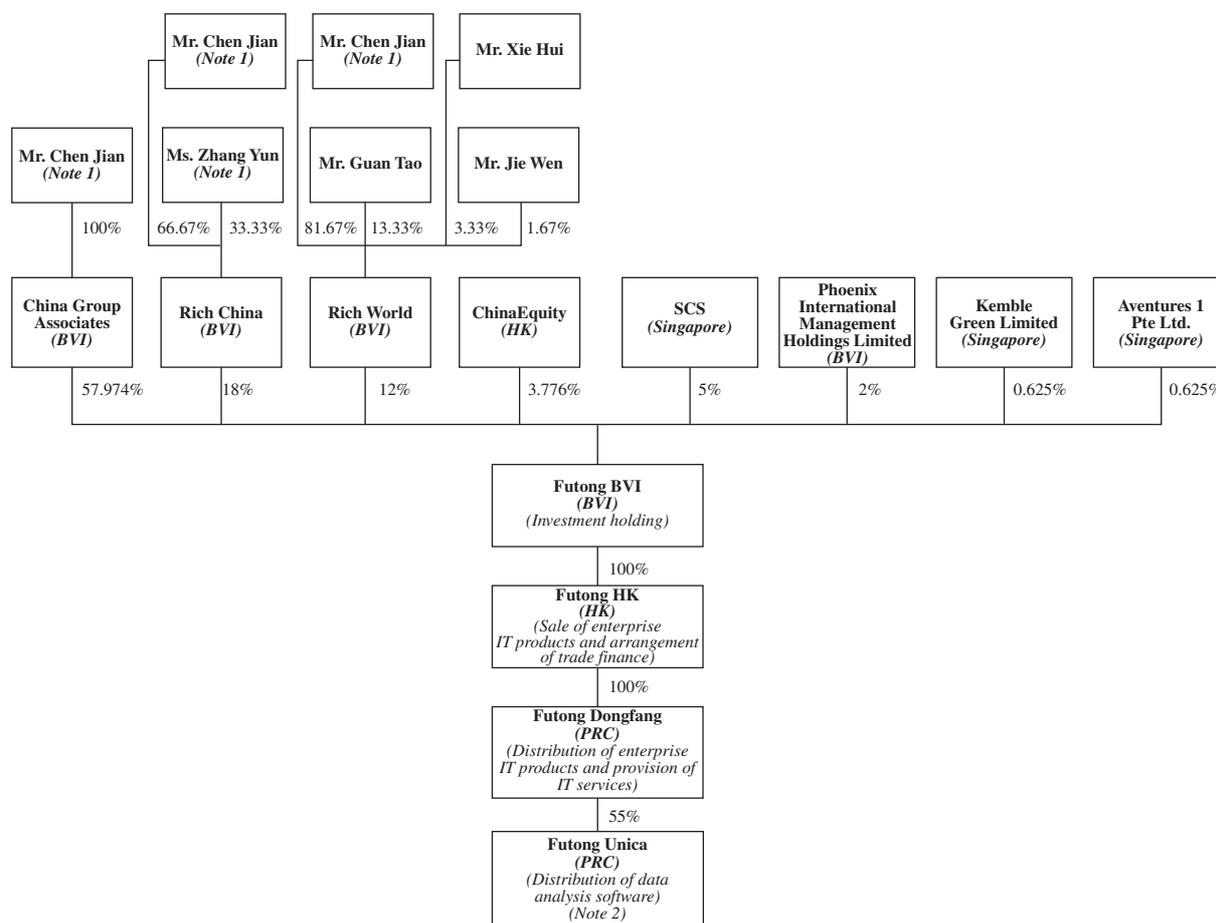
### GROUP REORGANIZATION

In contemplation of the [●], the Group has undergone certain restructuring steps which involved the following:

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

## HISTORY AND DEVELOPMENT

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



Notes:

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

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

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

---

## HISTORY AND DEVELOPMENT

---

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

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

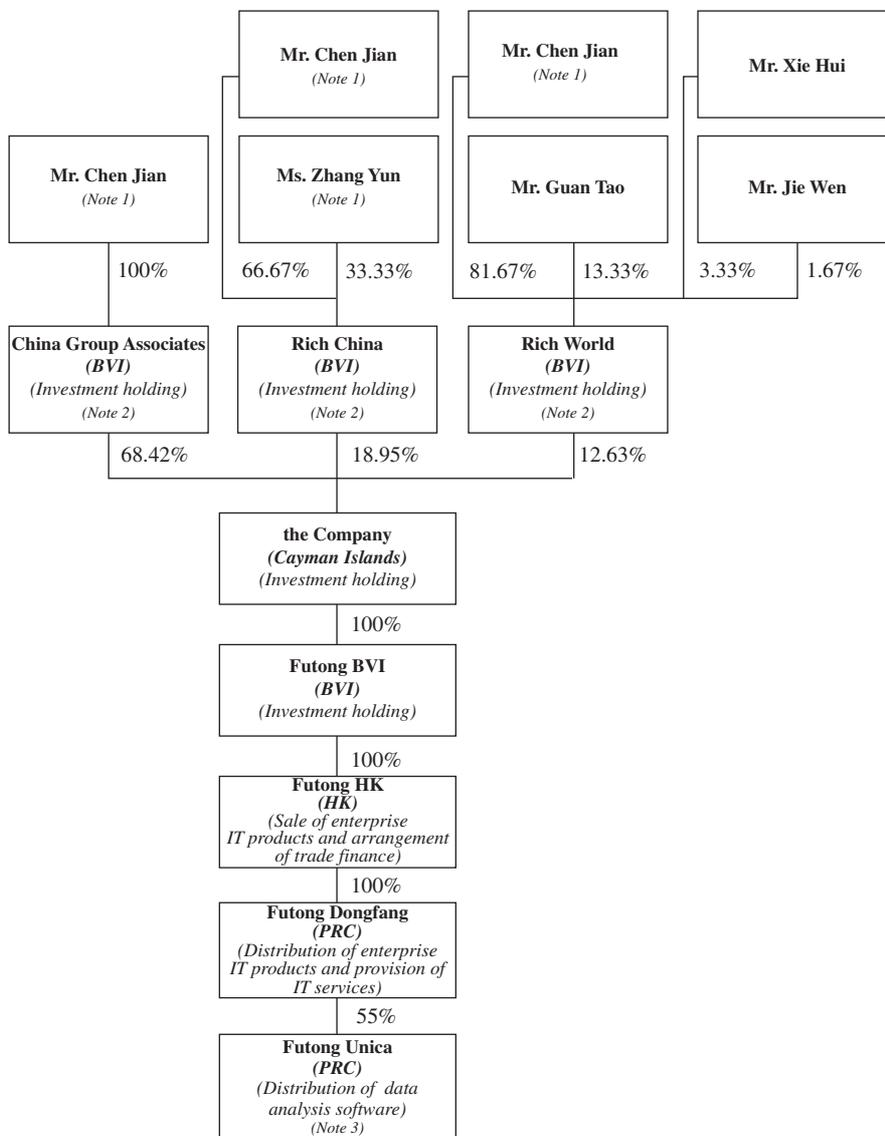
### **Incorporation of the Company and reorganization thereof to become the holding company of the Group**

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

## HISTORY AND DEVELOPMENT

### Shareholding and corporate structure of the Group

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



*Notes:*

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