



賽迪顧問股份有限公司
CCID Consulting Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

Interim Report 2003

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This report, for which the directors (the “Directors”) of CCID Consulting Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– i. the information contained in this report is accurate and complete in all material respects and not misleading; ii. there are no other matters the omission of which would make any statement in this report misleading; and iii. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM REPORT

The board of directors (the “Board”) of CCID Consulting Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiary (the “Group”) for the six months and the three months ended 30 June 2003, together with the comparative unaudited figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited		Unaudited	
		For the three months ended 30 June 2003	30 June 2002	For the six months ended 30 June 2003	30 June 2002
		RMB	RMB	RMB	RMB
Turnover	2	14,788,877	19,972,295	25,137,262	29,843,725
Cost of sales		(5,307,525)	(6,500,102)	(9,885,004)	(10,955,380)
Gross profit		9,481,352	13,472,193	15,252,258	18,888,345
Other revenue		31,079	10,133	55,897	13,245
Selling and distribution costs		(1,059,058)	(1,076,031)	(3,075,955)	(2,419,619)
Administrative expenses		(2,991,448)	(2,887,503)	(5,223,220)	(5,973,217)
Other operating income		80,000	–	170,200	–
Profit before tax	4	5,541,925	9,518,792	7,179,180	10,508,754
Tax	5	–	–	–	–
Profit before minority interests		5,541,925	9,518,792	7,179,180	10,508,754
Minority interests		(206,728)	(229,938)	(148,242)	(196,886)
Net profit from ordinary activities attributable to shareholders		<u>5,335,197</u>	<u>9,288,854</u>	<u>7,030,938</u>	<u>10,311,868</u>
Earning per share					
– Basic (cents)	6	<u>0.76</u>	<u>1.82</u>	<u>1.00</u>	<u>2.02</u>
Dividends	7	–	–	–	–

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2003	2002
	Note	RMB	RMB
PROPERTY AND EQUIPMENT	8	35,169,473	35,741,930
INFORMATION DATABASE	8	31,603,156	33,420,895
CURRENT ASSETS			
Accounts receivable	9	9,864,307	10,929,232
Due from related parties		6,888,000	636,709
Prepayments, deposits and other receivables		791,149	1,786,345
Cash and bank balances		49,751,999	50,666,956
		67,295,455	64,019,242
CURRENT LIABILITIES			
Salary and welfare payables		1,178,313	2,283,751
Accrued liabilities and other payables		8,859,221	8,717,316
Due to related parties		-	142,250
Due to immediate holding company	10	4,733,487	5,187,380
Dividend payable		7,000,000	-
		21,771,021	16,330,697
NET CURRENT ASSETS		45,524,434	47,688,545
TOTAL ASSETS LESS CURRENT LIABILITIES		112,297,063	116,851,370
NON-CURRENT LIABILITIES			
Due to immediate holding company	10	4,733,490	9,466,977
MINORITY INTERESTS		2,665,664	2,517,422
		104,897,909	104,866,971
CAPITAL AND RESERVES			
Issued capital		70,000,000	70,000,000
Reserves		34,897,909	27,866,971
Proposed final dividend		-	7,000,000
		104,897,909	104,866,971

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

	Share capital <i>RMB</i>	Capital reserve account <i>RMB</i>	Statutory reserve funds <i>RMB</i>	Discretionary reserve fund <i>RMB</i>	Proposed final dividend <i>RMB</i>	Retained profits <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2002	51,000,000	509,965	175,550	58,517	-	936,266	52,680,298
Profit for the period	-	-	-	-	-	10,311,868	10,311,868
As at 30 June 2002	<u>51,000,000</u>	<u>509,965</u>	<u>175,550</u>	<u>58,517</u>	<u>-</u>	<u>11,248,134</u>	<u>62,992,166</u>
As at 1 January 2003	70,000,000	18,609,965	2,438,551	58,517	7,000,000	6,759,938	104,866,971
Profit for the period	-	-	-	-	-	7,030,938	7,030,938
Dividend	-	-	-	-	(7,000,000)	-	(7,000,000)
As at 30 June 2003	<u>70,000,000</u>	<u>18,609,965</u>	<u>2,438,551</u>	<u>58,517</u>	<u>-</u>	<u>13,790,876</u>	<u>104,897,909</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	For the six months ended	
	30 June 2003	30 June 2002
	<i>RMB</i>	<i>RMB</i>
Net cash inflow from operating activities	<u>4,696,983</u>	9,187,182
Net cash outflow from investing activities	<u>(424,560)</u>	(14,294,064)
Net cash outflow from financing activities	<u>(5,187,380)</u>	(368,019)
Decrease in cash and cash equivalents	<u>(914,957)</u>	(5,474,901)
Cash and cash equivalents at beginning of period	<u>50,666,956</u>	15,760,551
Cash and cash equivalents at end of period	<u>49,751,999</u>	<u>10,285,650</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>49,751,999</u>	<u>10,285,650</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

CCID Consulting Company Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 14 March 2001 as a company with limited liability pursuant to the Company Law of the PRC. Pursuant to an approval document obtained from 國家經濟貿易委員會 (The State Economic and Trade Commission of the PRC) on 5 March 2002, the Company became a joint stock limited company. The H shares of the Company were successfully listed on GEM on 12 December 2002.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants (“HKSA”).

The accounting policies and basis of preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002, except for the Group’s adoption of SSAP 35 “Government Grants and Disclosure of Government Assistance” and SSAP 12 “Income Taxes” issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st July 2002 and 1st January 2003, respectively.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

(a) Government grants

A government grant is recognised, when there is a reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the profit and loss account over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets.

The adoption of the SSAP 35 has had no material effect on the financial statements.

(b) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The adoption of the SSAP 12 has had no material effect on the financial statements.

2. TURNOVER

The Company is principally engaged in the provision of market research and management consultancy services. The principal activity of the subsidiary comprises the provision of data information management services.

Turnover represents the net invoiced value of services rendered, net of sales surtaxes. All significant intra-group transactions have been eliminated on consolidation.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that provides services which are subject to risks and returns that are different from those of other business segments. Summary of the business segments are as follows:

- (a) the market research segment provides two kinds of services: standard research on specific sectors and tailor-made research;
- (b) the data information management segment mainly includes the supply and provision of data information products and services, government data information management solutions and total enterprise information management solutions; and
- (c) the management consultancy segment provides services involving the application and implementation of enterprise management information digitalization. This incorporates the functions of business process reengineering, enterprise resource planning, customer relationship management, supply chain management, call center and other electronic business pattern designs.

	Unaudited Market Research Services		Unaudited Data Information Management Services		Unaudited Management Consultancy Services		Unaudited Total	
	2003	2002	For the six months ended 30 June				2003	2002
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
REVENUE								
Sales to external customers	14,324,216	17,318,887	7,474,830	11,490,884	3,338,216	1,033,954	25,137,262	29,843,725
RESULTS								
Segment results	9,067,780	11,796,030	2,953,409	3,935,130	1,122,012	189,938	13,143,201	15,921,098
Unallocated expenses							(6,019,918)	(5,425,589)
Interest Income							55,897	13,245
Profit before tax							7,179,180	10,508,754
Tax							-	-
Profit before minority interests							7,179,180	10,508,754
Minority Interests							(148,242)	(196,886)
Net profit from ordinary activities attributable to shareholder							7,030,938	10,311,868

4. PROFIT BEFORE TAX

The Group's profit from operating activities is arrived at after charging/(crediting):

	Unaudited For the three months ended		Unaudited For the six months ended	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	RMB	RMB	RMB	RMB
Staff costs (excluding directors remuneration)	3,333,348	4,155,514	7,402,642	6,888,068
Depreciation of property and equipment	476,713	403,372	997,017	579,735
Amortisation of an information database	908,870	908,870	1,817,739	1,817,379
Operating lease rentals in respect of land and buildings	-	1,714,322	-	2,185,290
Interest income	(24,818)	(3,112)	(55,897)	(13,245)

5. TAX

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2003 (six months ended 30 June 2002: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the period.

The Company is registered in the Beijing New Technology Enterprise Development Zone and has been certified by the relevant PRC authorities as a high technology enterprise. Pursuant to the Income Tax Law in the PRC, the Company is subject to corporate income tax at a rate of 15%. However, in accordance with an approval document issued by the relevant tax bureau, the Company has been granted income tax exemption in the period between 1 April 2001 and 31 December 2003. The Company can further apply for a 50% reduction in corporate income tax three months before the maturity of the tax exemption period.

CCID Datasource Co., Ltd. ("CCID Data"), the Company's subsidiary established in the PRC, is registered in the Beijing New Technology Enterprise Development Zone and has been certified by the relevant PRC authorities as a high technology enterprise. Pursuant to the Income Tax Law in the PRC, CCID Data is subject to corporate income tax at a rate of 15%. However, in accordance with an approval document issued by the relevant tax bureau, CCID Data has been granted income tax exemption in the period between 1 January 2002 and 31 December 2004. CCID Data can further apply for a 50% reduction in corporate income tax three months before the maturity of the tax exemption period.

There was no unprovided deferred tax in respect of the six months ended 30 June 2003 (six months ended 30 June 2002: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2003 was based on the net profit from ordinary activities attributable to shareholders of RMB7,030,938 (six months ended 30 June 2002: RMB10,311,868) and the weighted average of 700,000,000 (six months ended 30 June 2002: 510,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2003 and 2002 have not been calculated because no diluting events existed during these periods.

7. DIVIDEND

The Board does not recommend payment of a dividend for the six months ended 30 June 2003 (six months ended 30 June 2002: Nil).

8. CAPITAL EXPENDITURE

	Property and equipment <i>RMB</i>	Information database <i>RMB</i>
For the six months ended 30 June 2003		
Net book value as at 1 January 2003	35,741,930	33,420,895
Additions	424,560	–
Depreciation/amortisation	<u>(997,017)</u>	<u>(1,817,739)</u>
Net book value as at 30 June 2003	<u><u>35,169,473</u></u>	<u><u>31,603,156</u></u>

9. ACCOUNTS RECEIVABLE

The ageing of accounts receivable is analysed as follows:

	30 June 2003 <i>RMB</i>	31 December 2002 <i>RMB</i>
Outstanding balances with ages:		
Within 180 days	4,918,050	10,229,183
181 days – 365 days	4,943,257	864,084
Over 365 days	<u>567,969</u>	<u>860,533</u>
	10,429,276	11,953,800
Less: Provision for doubtful debts	<u>(564,969)</u>	<u>(1,024,568)</u>
	<u><u>9,864,307</u></u>	<u><u>10,929,232</u></u>

The general credit terms of the Group range from 60 to 180 days.

10. DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company at 30 June 2003 solely consisted of the amount payable to the Research Centre of Computer and Microelectronics Development (“Research Centre”), the immediate holding company of the Company, for the acquisition of the 9th and 10th floors of CCID Plaza (see Note 14 of annual accounts of the Company for the year ended 31 December 2002). The amount payable is interest-free and repayable according to the following schedule in accordance with the terms of the relevant property purchase agreement:

	<i>RMB</i>
Current	
By 31 March 2004	<u><u>4,733,487</u></u>
Non-current	
By 31 March 2005	1,577,830
By 31 March 2006	1,577,830
Within 10 days from the date of ownership certificate of the 9th and 10th floors of the CCID Plaza is transferred to the Company	<u>1,577,830</u>
	<u><u>4,733,490</u></u>

11. RELATED PARTY TRANSACTIONS

The following companies mentioned are within the organization of China Centre of Information Industry Development (“CCID”), the controlling shareholder of the Company, which include its subsidiaries, institutions and agents under its control (the “CCID Group”). In addition to the transactions and balances detailed elsewhere in this report, the Group had the following material transactions with related parties during the period:

		Unaudited	
		For the six months ended	
	Notes	30 June 2003	30 June 2002
		<i>RMB</i>	<i>RMB</i>
Gross revenue earned before sales surtaxes			
Provision for consulting services to:			
CCID Information Industry (Group) Co., Ltd	(a)	1,500,000	–
Electronic Information Centre, MII	(a)	5,720,000	1,400,000
CCID	(a)	1,500	5,875,000
China Computer Users	(a)	8,000	540,000
Research Centre	(a)	–	5,000,000
China Federation of IT Promotion	(a)	–	470,000
Beijing CIW Investments Co., Ltd.	(a)	–	100,000
Beijing CCID Advertising Co., Ltd. (“CCID Advertising”)	(a)	–	1,000
		<u>7,229,500</u>	<u>13,386,000</u>
Promotional expenses (including advertising services, and website and hyperlink services)			
Advertising and promotional			
expenses charged by CCID Advertising	(a)	529,980	–
Translation fee charged by Research Centre	(a)	340,156	–
Promotional expenses charged			
by Beijing CCID Net IT Co., Ltd.	(a)	–	104,477
Translation fee charged by CCID Trans Tech Co., Ltd.	(a)	–	65,000
		<u>870,136</u>	<u>169,477</u>
Other expenses			
Operating lease expenses in respect of land			
and buildings charged by Research Centre	(a),(b)	–	2,185,290
Purchase of assets			
Purchase of property from Research Centre	(a)	–	31,556,590

Notes:

- (a) The Company and the related companies are within the CCID Group and are under common control of the same ultimate shareholder.
- (b) As per the rental agreement dated 1 October 2001 signed between Research Centre and the Company, the Company leased the CCID Plaza from Research Centre as its office premises for a period of two years from 1 October 2001. On 25 April 2002, the Company signed an S&P agreement with Research Centre with Research Centre to purchase the 9th and 10th floors of the CCID Plaza. Accordingly, the rental agreements previously signed by the Group with Research Centre were terminated.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Set out below is a comparison between the Group's actual business progress up to 30 June 2003 and its business objectives as stated in the prospectus of the Company dated 20 November 2002:

Business objectives for

the six months ended 30 June 2003

Actual business progress

– Development of new products

Providing 20 kinds of Monthly Monitoring Report

Providing 58 kinds of Monthly Monitoring Report

Providing 33 kinds of Quarterly Analysis Report

Providing 37 kinds of Quarterly Analysis Report

Providing 20 kinds of Market Channel Report

Providing 36 kinds of Market Channel Report

Management consultancy operations new products

ERP – Build up separate industry knowledge data bank, provide tailor-made consultancy (including enterprise information overall planning, product selection, project supervision etc.)

In the first half of year 2003, the Group provided enterprise business and resource management consultancy services to a food and beverage producer in the PRC; provided enterprise information system consultancy services to a glass manufacturer in Shandong province; provided management system project maintenance consultancy services to governmental department in Beijing

**Business objectives for
the six months ended 30 June 2003**

CRM – Build up separate industry knowledge data bank, provide tailor-made consultancy (including CRM project planning and project supervision etc.)

SCM – Build up separate industry knowledge data bank, provide tailor-made consultancy (including SCM project planning and project supervision etc.)

e-Commerce – Build up e-Commerce data bank, provide tailor-made consultancy

e-Government – Build up municipal e-Administration data bank, provide tailor-made consultancy

Science park industrial planning – Provide industry planning consultancy to science parks of major region in PRC

Data information management services

Industry data bank data information services (for such industries as computer, software, communication, network, electronics, etc) – Commence and complete industry data bank. Starts to provide data information services

Product data bank data information services (for such products as television, video recorder, microwave and refrigerator) – Commence and finish building up product data bank. Starts to provide product data information services

Actual business progress

The Group provided subscriber status database project consultancy services to a telecommunication operator in the PRC during the first half of year 2003

No achievement in respect of this business objective in the first half of year 2003

No achievement in respect of this business objective in the first half of year 2003

During the first half of 2003, the Group provided consultancy services on building up e-Government information service platform for shared information and knowledge management to a government department in the PRC

During the first half of year 2003, the Group provided consultancy services on planning and construction of self-developed software application integration science park

Since the relevant new data bank has not completed yet, there is no achievement in respect of this business objective in the first half of year 2003

Since the relevant new data bank has not completed yet, there is no achievement in respect of this business objective in the first half of year 2003

Business objectives for the six months ended 30 June 2003

Local area data bank data information services (for such regions as Beijing, Shanghai, Guangdong, Dalian and Sichuan) – Commence and complete building up local area data bank. Starts to provide local area data information services

– Setting up data banks, simulation information platforms and demonstration centers in PRC

Knowledge data bank

Industry data bank (for such industries as computer, software, communications, network, electronics, etc) – Start to build up and finish

Local area data bank (for such products as television, video recorder, microwave and refrigerator) – Start to build up and finish

Product data bank (for such regions as Beijing, Shanghai, Guangdong, Dalian and Sichuan) – Start to build up and finish

Demonstration Centre

ERP demonstration centre – Start to build up and finish

CRM demonstration centre – Start to build up

Simulated information platform – Start to build up and basically finish

Actual business progress

Since the relevant new data bank has not completed yet, there is no achievement in respect of this business objective in the first half of year 2003

During the first half of year 2003, the Group actively researching and considering different system designs and data bank detailed structure in pre-construction stage, and had preliminary discussion with several vendors. Due the outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the PRC, especially in Beijing, timetable for building up data banks were delayed. Actual build up of data banks expected to start and finish in the second half of year 2003

In view of the current development status of management consultancy business, recruitment of professionals and deployment of new technology, the Group is considering and looking for the most cost-efficient way to build up demonstration centres and simulated information platform to aid further development of management consultancy business. In addition, due the outbreak of SARS in the PRC, especially in Beijing, timetable for building up demonstration centres and simulated information platform were delayed.

**Business objectives for
the six months ended 30 June 2003**

Actual business progress

– Expansion of sales network

Set up branches in PRC – Set up Shanghai, Guangzhou and Chengdu branches

The Group set up Shanghai branch, and through cooperation with local partners, set up Guangzhou, Nanjing and Chengdu branches

Set up Internet based service system – Set up basic structure and employ related personnel, and improve market service system and add personnel

The Group provide Internet based service and research report sales platform through its website at www.ccidconsulting.com; build up membership system to enhance quality of customer service and after-sales service

Overseas development of agency business – set up two more agents

The Group continue to maintain cooperation relation with agents in Japan, Korea and Taiwan. The Group signed cooperation agreement with an agent in Singapore during the first half of year 2003

– Enhancing the Group’s marketing and brand-name establishment

Brand-name establishment – set up the image as the first PRC consultancy company listed on Hong Kong GEM and boost the reputation and credibility of the consultancy management offered by CCID Consulting

The Group enhanced efforts in market promotions and publicity. By upgrading the brand name and reputation, the Group had experienced rapid development. During the period the Group hosted or co-sponsored research meetings, including “China’s Consumer Electronics 2003 Annual Conference”, “China’s IT Capital 2003 Annual Conference”, “China’s Telecommunication Market 2003 Annual Conference”, and “China’s VSAT Telecommunication Market Development 2003 Forum”, “China’s IT Market 2003 Annual Conference”, in Beijing, Shanghai and Guangzhou.

USE OF PROCEEDS

The actual use of proceeds as compared to the proposed amount set out in the section “Use of proceeds” in the prospectus of the Company dated 29 November 2002 are as follows:

	Notes	For the six months ended 30 June 2003		From the date listed on GEM on 12 December 2002 to 30 June 2003	
		Proposed HKD	Actual HKD	Proposed HKD	Actual HKD
Development of new product and services		1,811,321	1,695,453	1,811,321	1,695,453
Setting up					
– databank for different industries	(a)	3,396,226	–	3,396,226	–
– simulated information platforms and demonstration centres	(b)	2,992,453	–	2,992,453	–
Expanding sales network		602,453	714,340	602,453	714,340
Marketing and brand name establishment		679,245	536,754	679,245	536,754
		<u>9,481,698</u>	<u>2,946,547</u>	<u>9,481,698</u>	<u>2,946,547</u>

Notes:

- (a) During the first half of year 2003, the Group actively researching and considering different system designs and data bank detailed structure in pre-construction stage, and had preliminary discussion with several vendors. Due the outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the PRC, especially in Beijing, timetable for building up data banks were delayed. Actual build up of data banks expected to start and finish in the second half of year 2003.
- (b) In view of the current development status of management consultancy business, recruitment of professionals and deployment of new technology, the Group is considering and looking for the most cost-efficient way to build up demonstration centres and simulated information platform to aid further development of management consultancy business. In addition, due the outbreak of SARS in the PRC, especially in Beijing, timetable for building up demonstration centres and simulated information platform were delayed.
- (c) The Company currently deposits the unused funds in banks to generate interest income.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover Analysis

For the six months ended 30 June 2003, the turnover by operations can be classified as follows:

	For the six months ended 30 June 2003		For the six months ended 30 June 2002	
	Turnover RMB	Percentage (approximately)	Turnover RMB	Percentage (approximately)
Market Research	14,324,216	57%	17,318,887	58%
Data Information Management	7,474,830	30%	11,490,884	39%
Management Consultancy	3,338,216	13%	1,033,954	3%
Total	<u>25,137,262</u>	<u>100%</u>	<u>29,843,725</u>	<u>100%</u>

Business Review

In the first half of year 2003, due to the outbreak of SARS in the PRC, especially in Beijing, business progress were temporary suspended for most industries; operating results for most businesses were disrupted to different extents. Since the Group principally engaged in market research, data information management and management consultancy businesses, operating results was negatively affected as a result.

With contribution from all staffs and the relax of SARS around the end of the second quarter of year 2003, the Group continue to integrated all resources and mutual promotion of the above-mentioned three kinds of businesses, and through further product research and development, the Group further improved the established sales network, enhanced its market promotions and publicity. This has strengthened the penetration into target markets and has greatly enhanced recognition of the Group's products and brand name.

In terms of market research, for the six months ended 30 June 2003, the Group had issued 142 annual research reports, 36 trend and feature research reports, and it also had completed 58 monthly monitoring reports and 37 quarterly analysis reports, thus realizing a revenue of RMB14,324,216 for the six months ended 30 June 2003, which constituted approximately 57% of the Group's turnover.

In terms of data information management, relying on 35 constantly revising and advanced data-mining technique data banks, the Group had provided membership and data subscription service to over 200 customers for the six months ended 30 June 2003. On the other hand,

based on the rich experience in setting up and developing data banks and the R&D team, it provided data information management solutions to government and enterprise. The revenue in data information management was RMB7,474,830 for the six months ended 30 June 2003, which constituted approximately 30% of the Group's turnover.

In terms of management consultancy service, the Group had accumulated many customer resources and possessed established channels and technical support in management consultancy with its understanding and follow-up and recent trends grasp of the IT market since its formal commencement of this kind of business. Therefore, the position of the Group in respect of this kind of business can be enhanced by its strengths to promote management efficiency of enterprises and governments, i.e. enterprise digitalization and e-government, through advanced information techniques. Through continuous efforts since commencement of this business, the Group had obtained satisfactory result in respect of this business. The Group had earned RMB3,338,216 for the six months ended 30 June 2003 in management consultancy service, which constituted approximately 13% of the Group's turnover.

Market Promotions and Publicity

For the six months ended 30 June 2003, the Group enhanced efforts in market promotions and publicity. By upgrading the brand name and reputation, the Group had experienced rapid development. During the period the Group hosted or co-sponsored research meetings, including "China's Consumer Electronics 2003 Annual Conference", "China's IT Capital 2003 Annual Conference", "China's Telecommunication Market 2003 Annual Conference", and "China's VSAT Telecommunication Market Development 2003 Forum", "China's IT Market 2003 Annual Conference", in Beijing, Shanghai and Guangzhou.

Prospect

The Group will continue to strengthen and improve the present product mix, start the new technology product research and service, and actively promote services in management consultancy and data information management through establishing and improving the professional subdivided market research data banks and building simulated information presentation platforms. In terms of the market, we will try to fully encompass the Chinese market, enhancing both penetration and coverage in order to build up a leading brand name that commands authority. In terms of management and operations, we will bring in professional consulting talents and strengthen our professional and international ability so as to increase efficiency in management and operations and lower costs in management and operations. Management believe the Group will continue to offer more excellent services to our customers and more outstanding results for the patronage of the Shareholders.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

At 30 June 2003, the interests and short positions of the directors and supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.40 of the GEM Listing Rules were as follows:

Long positions in shares

Name of director	Company/associated corporations	Nature of interests	Number and class of shares	Approximate percentage of issued share capital
Yang Tianxing	The Company	Personal	1,020,000 domestic shares	0.16%
	Beijing CCID Info Tech Inc. (<i>note</i>)	Personal	100,000 domestic shares	0.07%
Luo Wen	The Company	Personal	1,020,000 domestic shares	0.16%

Note: Beijing CCID Info Tech Inc. is an associated corporation (within the meaning of Part XV of the SFO) of the Company.

Save as disclosed above, none of the directors, supervisors, or their associates had any personal, family, corporate or other interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' and supervisors' interests in shares" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director and supervisor or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiary or fellow subsidiaries a party to any arrangement to enable the directors and supervisor to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 20 November 2002. A summary of principle terms and conditions of the share option scheme are set out in the section headed “Summary of principle terms of the share option scheme” in Appendix IV of the prospectus of the Company dated 29 November 2002. Up to 30 June 2003, no option has been granted pursuant to such share option scheme.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

At 30 June 2003, the following persons (other than the directors and supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in shares

Name	Capacity	Nature of interest	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of issued share capital
China Center of Information Industry Development (“CCID”) (note 1)	Interest of controlled corporation	Corporate	485,900,000 domestic shares	98.96%	69.41%
Research Centre of Computer and Microelectronics Development, MII (“Research Centre”) (note 1)	Beneficial owner	Corporate	392,610,000 domestic shares	79.96%	56.09%
Beijing CCID Riyue Investment Co., Ltd. (note 1)	Beneficial owner	Corporate	93,290,000 domestic shares	19.00%	13.32%
Employees’ Shareholding Society of Legend Holdings Ltd (note 2)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Legend Holdings Limited (note 2)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Legend Group Limited (note 2)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Legend Holdings (BVI) Limited (note 2)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%

Name	Capacity	Nature of interest	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of issued share capital
Legend Express Agency & Services Limited (<i>note 2</i>)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Grade Win International Limited (<i>note 2</i>)	Beneficial owner	Corporate	20,000,000 H shares	9.57%	2.86%
J.P. Morgan Chase & Co. (<i>note 4</i>)	Investment manager and other	Corporate	20,200,000 H shares	9.67%	2.89%
J.P. Morgan Fleming Asset Management Holdings Inc. (<i>note 3</i>)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.14%
J.P. Morgan Fleming Asset Management (Asia) Inc. (<i>note 3</i>)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.14%
JF Asset Management Limited (<i>note 3</i>)	Investment manager	Corporate	10,700,000 H shares	5.12%	1.53%
Choi Koon Shum Jonathan (<i>note 5</i>)	Interest of controlled corporation	Personal	20,000,000 H shares	9.57%	2.86%
Kingsway International Holdings Limited (<i>note 5</i>)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Kingsway Securities Holdings Limited (<i>note 5</i>)	Beneficial owner	Corporate	20,000,000 H shares	9.57%	2.86%

Notes:

1. CCID, through Research Centre (which is controlled by, and under the supervision of, CCID) and Beijing CCID Riyue Investment Co., Ltd. (which is, directly and indirectly, wholly-owned by CCID) have effective interests in the Company comprising the 392,610,000 domestic shares held directly by Research Centre and the 93,290,000 domestic shares held directly by Beijing CCID Riyue Investment Co., Ltd.

2. Grade Win International Limited holds 20,000,000 H shares of the company. Grade Win International Limited is a wholly owned subsidiary of Legend Express Agency & Services Limited; Legend Express Agency & Services Limited is a wholly owned subsidiary of Legend Holdings (BVI) Limited; Legend Holdings (BVI) Limited is a wholly owned subsidiary of Legend Group Limited; Legend Holdings Limited holds 57.76% equity interests in Legend Group Limited; Employees' Shareholding Society of Legend Holdings Ltd holds 35.00% equity interests in Legend Holdings Limited, the above corporations are deemed to be interested in 20,000,000 H shares of the Company.
3. JF Asset Management Limited holds 10,700,000 H shares of the Company. JF International Management Inc. holds 4,300,000 H shares of the Company. J.P. Morgan Fleming Asset Management (Asia) Inc. holds 99.99% and 100% equity interests in JF Asset Management Limited and JF International Management Inc. respectively. J.P. Morgan Fleming Asset Management (Asia) Inc. is a wholly owned subsidiary of J.P. Morgan Fleming Asset Management Holdings Inc., J.P. Morgan Fleming Asset Management (Asia) Inc. and J.P. Morgan Fleming Asset Management Holdings Inc. are deemed to be interested in 15,000,000 H shares of the Company.
4. JPMorgan Chase Bank holds 5,200,000 H shares of the Company. JPMorgan Chase Bank and J.P. Morgan Fleming Asset Management Holdings Inc. are wholly owned subsidiaries of J.P. Morgan Chase & Co. J.P. Morgan Chase & Co. is deemed to be interested in 20,200,000 H shares of the Company.
5. Kingsway Securities Holdings Limited holds 20,000,000 H shares of the Company. Kingsway Securities Holdings Limited is a wholly owned subsidiary of Kingsway International Holdings Limited. Choi Koon Shum Jonathan beneficially owns or controls 48.18% equity interests in Kingsway International Holdings Limited, and is deemed to be interested in 20,000,000 H shares of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor its subsidiary purchased, redeemed or sold any of the Company's listed securities during the period.

SPONSOR'S INTERESTS

As at 30 June 2003, the associates (as referred in Note 3 to Rule 6.35 of the GEM Listing Rules) of Kingsway Capital Limited (the "Sponsor") held 20,000,000 shares in the Company. Save as disclosed herein, neither the Sponsor nor any of its respective directors or employees had any interest in the share capital of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or of any members of the Group.

Pursuant to the agreement dated 29 November 2002 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 12 December 2002 to 31 December 2004.

COMPETING INTEREST

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates had an interest in a business which competes with the Group or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee has two members comprising the two independent non-executive directors of the Company, namely Guo Xinping and Lu Mai and Guo Xinping is the chairman of the audit committee. The audit committee has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2003 and was of the view that the compilation of the results has complied with all applicable accounting standard and relevant regulations and laws, and made sufficient disclosure.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period.

By order of the Board
Zhuang Xingfang
Chairman

Beijing, The People's Republic of China
8 August 2003