

# 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)



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*This report, for which the directors of CCID Consulting Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to CCID Consulting Company Limited. 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.*

# Table of Content

	<i>Page</i>
Corporate Information	2
Chairman's Statement	3-4
Review of Business Objectives	5-10
Management Discussion and Analysis	11-14
Biographical Details of Directors, Supervisors and Senior Management	15-19
Report of the Directors	20-33
Report of the Supervisory Committee	34
Auditors' Report	35-36
Consolidated Profit and Loss Account	37
Consolidated Balance Sheet	38
Consolidated Statement of Changes in Equity	39
Consolidated Cash Flow Statement	40-41
Balance Sheet	42
Notes to Financial Statements	43-71
Notice of Annual General Meeting	72-75

# Corporation Information

## Directors

### *Executive Directors*

莊行方 (Zhuang Xingfang) (*Chairman*)

楊天行 (Yang Tianxing)

羅文 (Luo Wen)

黃湧 (Huang Yong)

### *Non-executive Directors*

許金壽 (Xu Jinshou)

李穎 (Li Ying)

柳純錄 (Liu Chunlu)

陳大志 (Chen Dazhi)

俞兵 (Yu Bing)

張旭明 (Zhang Xuming)

### *Independent non-executive Directors*

郭新平 (Guo Xingping)

盧邁 (Lu Mai)

## Compliance Officer

莊行方 (Zhuang Xingfang)

## Company Secretary

Woo Wai Yiu, ACCA, AHKSA

## Qualified Accountant

Woo Wai Yiu, ACCA, AHKSA

## Authorised representatives

黃湧 (Huang Yong)

Woo Wai Yiu, ACCA, AHKSA

## Supervisors

宮承和 (Gong Chenghe)

管銳 (Guan Rui)

張紅芬 (Zhang Hongfen)

## Legal Address

Room 210

No. 12 Huo Ju Jia Road

Chang Ping District, Beijing

The People's Republic of China (the "PRC")

## Principal Place of Business in Hong Kong

28/F, Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

## Company's Website Address

[www.ccidconsulting.com](http://www.ccidconsulting.com)

## Stock Code

8235

## Members of the audit committee

郭新平 (Guo Xingping) (*Chairman of the committee*)

盧邁 (Lu Mai)

## Auditors

Ernest & Young

## Hong Kong Share Registrar and Transfer Office

Tengis Limited

G/F, Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

## Principal Banker

北京市商業銀行 (Beijing City Commercial Bank)

China Construction Bank

# Chairman's Statement

I am very pleased to present the second annual report of CCID Consulting Company Limited (the "Company") and its subsidiary, CCID Datasource Co., Ltd. ("CCID Data"), (collectively the "Group"), after its listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 December 2002.

## Company Profile in Brief

The Company is an authoritative modern management consulting company with capacity and influence in China's information industry. Based on its powerful data network, rich information resources, professional consultancy team and profound industry background, the Company focuses on its three major scopes of business, i.e. market research, data information management and management consultancy, in order to provide efficient and excellent consultancy services to various enterprises, government and related organizations.

With competitive advantage in data channels, industry resources, information technology and knowledge intensity, the Group provides integrated consulting and advisory services to clients in fields ranging from fundamental data, industry planning, investment decision making, marketing, program designing, system structuring to actual implementation. Its clients encompass not only such IT business clients as in computer science, communications, network, software and information services, microelectronics and integrated circuits, consumer electronics, internet and e-commerce but also clients of traditional industries like those in finance and banking, telecommunications, energy, transportations, education, medicine and manufacturing, which are

major targets for management information. At the same time, the Company also serves all levels of the government.

The Company became listed on GEM of the Hong Kong Stock Exchange on 12 December 2002, which created the first listed consulting and advising business from China. This not only provided source of funds for the Company's galloping progress but also shown to the world our first solid step towards globalization. It has as well upgraded the Group's brand name for consulting and advising in China and the world, and gradually standardized the Company's management models in surveys, research, production, marketing and service.

## Financial Results

I am very pleased to present the Group's annual results for the year ended 31 December 2003. The Group recorded turnover of RMB48,831,071, net profit of RMB11,976,945, and earnings per share of RMB1.7 cents per ordinary share.

## Future Developments

In the year 2004, the Group will put its greatest effort on promoting our management consultancy services. By bringing in professional consulting talents, providing professional training to newly employed staff and training up top project managers, we will provide quality professional services to our customers and thus build up a credible professional consultant image in the management consultancy industry. In term of the market research services, the Group will strengthen and improve the present product mix, start the new technology product research and service, through establishing and improving the professional subdivided market research data banks, the

# Chairman's Statement

industry data banks and building simulated information presentation platforms, to actively promote its services. In terms of marketing and sales activities, by strengthening the supervision of our sales team and improving the effectiveness of our staff remuneration scheme, we will try our best to enhance both the penetration and the coverage in the Chinese market and the overseas market.

## Acknowledgment

I avail myself of this opportunity to thank all directors, management of the Group and all the employees for their dedication and commitment and all customers, bankers and shareholders for their continued support.

**Zhuang Xingfang**

*Chairman*

Beijing, The People's Republic of China

10 March 2004

# Review of Business Objectives

From 1 January 2003 to 31 December 2003

## Comparison of Business Objectives with Actual Business Progress

Set out below is a comparison between the Group's actual business progress for the year ended 31 December 2003 and its business objectives as stated in the prospectus of the Company dated 20 November 2002.

### Business objectives

#### – *Development of new products*

Providing 45 kinds of Monthly Monitoring Report

Providing 73 kinds of Quarterly Analysis Report

Providing 45 kinds of Market Channel Report

### Actual business progress

Providing 58 kinds of Monthly Monitoring Report

Providing 37 kinds of Quarterly Analysis Report

Providing 36 kinds of trend and feature research papers and 132 kinds of special reports

#### **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.); continue to maintain and upgrade the data bank to provide full-range overall consultancy services

CRM – Build up separate industry knowledge data bank, provide tailor-made consultancy (including CRM project planning and project supervision etc.); continue to maintain and upgrade the data bank to provide full-range overall consultancy services

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

The Group provided subscriber status database project consultancy services to a telecommunication provider in the PRC

# Review of Business Objectives

From 1 January 2003 to 31 December 2003

## Business objectives

SCM – Build up separate industry knowledge data bank, provide tailor-made consultancy (including SCM project planning and project supervision etc.); continue to maintain and upgrade the data bank to provide full-range overall consultancy services

e-Commerce – Build up e-Commerce data bank, provide tailor-made consultancy; continue to maintain and upgrade the data bank to provide full-range overall consultancy services

e-Government – Build up municipal e-Administration data bank, provide tailor-made consultancy; continue to maintain and upgrade the data bank to provide full-range overall consultancy services

Science park industrial planning – Provide industry planning consultancy to science parks of major region in PRC and build up an authoritative image in those regions

## 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; continue to maintain and strengthen the data bank to provide data information services and expand the scale of services

## Actual business progress

No achievement in respect of this business objective in 2003

No achievement in respect of this business objective in 2003

The Group provided consultancy services on building up e-Government information service platform for shared information and knowledge management to governmental body in the PRC

The Group provided consultancy services on planning and construction of self-developed software application integration park

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



# Review of Business Objectives

From 1 January 2003 to 31 December 2003

## Business objectives

Product data bank data information services (for such products as television, video recorder, microwave and refrigerator) – Commence and finish building up product data bank; continue to maintain and strengthen the data bank to provide data information services and expand the scale of services

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; continue to maintain and strengthen the data bank to provide data information services and expand the scale of services

- ***Setting up data banks, simulated information platform and demonstration centres in PRC***

## Knowledge data bank

Industry data bank (for such industries as computer, software, communications, network, electronics, etc) – Start to build up and finish; carry out data mining and incorporate more features

Local area data bank (for such products as television, video recorder, microwave and refrigerator) – Start to build up and finish; carry out data mining and incorporate more features

Product data bank (for such regions as Beijing, Shanghai, Guangdong, Dalian and Sichuan) – Start to build up and finish; carry out data mining and incorporate more features

## Actual business progress

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

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

Due to the outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the PRC, especially in Beijing, in the first half of year 2003, timetable for building up data banks were delayed. During the second half of year 2003, the Group had actively researched and considered different system designs and data bank detailed structure in pre-construction stage, and had preliminary discussion with several vendors. Actual building up of data banks is expected to start and finish in the first half of year 2004

# Review of Business Objectives

From 1 January 2003 to 31 December 2003

## Business objectives

## Actual business progress

### Demonstration Centres

ERP demonstration centre – Start to build up and finish

Due to the outbreak of SARS in the PRC, especially in Beijing, in the first half of year 2003, timetable for building up demonstration centre and simulated information platform were delayed. 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 a simulated information platform for further development of management consultancy business

CRM demonstration centre – Start to build up and finish

Simulated information platform – Start to build up and finish

### – *Expansion of sales network*

Set up branches in the PRC – Set up Shanghai, Guangzhou, Chengdu, Wuhan and Jinan 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; improve market service system and add personnel and finish its building up

The Group provide Internet based service and research report sales platform through its website at [www.ccidconsulting.com](http://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 and signed a new cooperation agreement with an agent in Singapore

# Review of Business Objectives

From 1 January 2003 to 31 December 2003

## Business objectives

- **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; set up the image of CCID Consulting as the authoritative consultancy company in PRC

## Actual business progress

During the year 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”, “China's VSAT Telecommunication Market Development 2003 Forum”, “China's IT Market 2003 Annual Conference”, “IT Market Trend in China 2003 Forum”, “China's Network Application 2003 Annual Conference”, “China's Online Game 2003 Forum”, “Application of IT Card in China 2003 Forum” and “China's IT Users 2003 Annual Conference” in Beijing, Shanghai and Guangzhou. The success of holding those activities upgraded the brand name and reputation of the Company

## 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	Proposed HKD	Actual HKD
Development of new product and services		3,622,642	3,479,443
Setting up			
– databank for different industries	(a)	4,000,000	–
– simulated information platforms and demonstration centres	(b)	5,992,453	–
Expanding sales network		1,679,245	1,184,584
Marketing and brand name establishment		1,698,113	1,325,017
		<u>16,992,453</u>	<u>5,989,044</u>

# Review of Business Objectives

From 1 January 2003 to 31 December 2003

*Notes:*

- (a) Due to the outbreak of SARS in the PRC, especially in Beijing, in the first half of year 2003, timetable for building up data banks were delayed. During the second half of year 2003, the Group had actively researched and considered different system designs and data bank detailed structure in pre-construction stage, and had preliminary discussion with several vendors. Actual building up of data banks is expected to start and finish in the first half of year 2004.
- (b) Due to the outbreak of SARS in the PRC, especially in Beijing, in the first half of year 2003, timetable for building up demonstration centre and simulation platform were delayed. 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 a simulated information platform for future development of management consultancy business.
- (c) The Company currently deposits the unused funds in banks to generate interest income.

# Management Discussion and Analysis

## Industry Overview

Before reforms and openness to the outside world, China carried out a traditional planned economy system. Production and sales were arranged according to plans without any requirement for market research and management consultations. Thus at that time there was no consulting service industry in information science and technology. After that, with vigorous market economy reforms, changing environment, rapid change in customer demand, fast progress of technical innovations and constant shortening of product life cycles, market competition is becoming more and more intense. Meanwhile, information technology, as foundation of the knowledge economy, has become a key point for promotion of economic growth and enhancement of business competitiveness. As the Internet expands so quickly, development of the present information consulting service lags behind the national economic and social development. Only through continuous growth of information

products can we possess a promising future of the information consulting service industry.

Joining the WTO may have a positive impact upon development of China's information consulting service industry. With more foreign companies entering the China market and demand for the service increasing rapidly, the Group may experience many great market opportunities in its business promotion. Also, integration of the Chinese information consulting service industry may well facilitate the Group's upgrade of business standards and its level of internationalization. However, the management expects more foreign information consulting businesses to enter China as the information consulting service industry opens wider to the outside world, thus making competition more intense and exerting certain pressure on the Group.

## Turnover Analysis

For the year ended 31 December 2003, the turnover by operations can be classified as follows:

	<b>Turnover</b> <i>in RMB</i>	<b>Percentage</b>
Market Research	31,085,773	64%
Data Information Management	12,040,895	25%
Management Consultancy	5,704,403	11%
Total	<u>48,831,071</u>	<u>100%</u>

# Management Discussion and Analysis

## Business Review

In the year of 2003, based on the integration of all resources and mutual promotion of the above-mentioned three kinds of businesses, and through further product research and development, the Group improved the established sales network, enhanced its market promotions and publicity and successfully got listed on GEM of the Stock Exchange. This has strengthened the penetration of its target markets and has greatly enhanced recognition of the Group's products.

In terms of market research, for the year ended 31 December 2003, the Group had issued 142 annual research papers, 36 trend and feature research papers, and it also had completed 58 monthly monitoring reports, 37 quarterly analysis reports and more than 132 special reports, thus realizing a revenue of RMB31,085,773 for the year ended 31 December 2003, which constituted approximately 64% of the Group's turnover.

In terms of data information management, relying on the self-developed and constantly revising 35 data banks and supporting the above mentioned market research, the Group had possessed a customer base of over 200 as at 31 December 2003, for this service through advanced data obtaining techniques, club membership and customers' subscription to certain data to obtain data service. 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 RMB12,040,895 for the year ended 31 December 2003, which constituted approximately 25% 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. 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, which is business information and e-government through advanced information techniques. The revenue in management consultancy service was RMB5,704,403 for the year ended 31 December 2003, which constituted approximately 11% of the Group's turnover.

## Market Promotions and Publicity

In the year 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 year 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", "China's VSAT Telecommunication Market Development 2003 Forum", "China's IT Market 2003 Annual Conference", "IT Market Trend in China 2003 Forum", "China's Network Application 2003 Annual Conference", "China's Online Game 2003 Forum", "Application of IT Card in China 2003 Forum" and "China's IT Users 2003 Annual Conference" in Beijing, Shanghai and Guangzhou.

# Management Discussion and Analysis

## Human Resources

The Group had employed 192 full-time staff members as at 31 December 2003, categorized by the following principal functions:

Management	16
Sales and Marketing	24
Research, Development and Production	134
Administration	10
Accounting and Finance	5
Human Resources Management	3
	<hr/>
Total	192
	<hr/> <hr/>

The Group adopts a flexible but stable policy. Whenever there is a shortage of staff in a department in the process of business expansion, staff of other departments are allocated herein first before hiring someone outside to increase efficiency and lower costs. Wages and salaries are determined based upon the market condition, performance of the employee, his or her qualifications and experience.

## Liquidity and Financial Resources

The Group held cash and bank deposits of HK\$28,178,516, RMB19,016,972 and USD145,933 as at 31 December 2003. During the year, the Group's primary source of funds was cash provided by operating activities and the proceeds raised from listing in 2002. Management believes that the Group has adequate operating funds for its present needs.

## Capital Structure

The capital structure as at 31 December 2003 is summarised below:

	RMB	Percentage
Capital and Reserves	109,843,916	98%
Minority Interests	2,650,395	2%
	<hr/>	<hr/>
Total	112,494,311	100%
	<hr/> <hr/>	<hr/> <hr/>

# Management Discussion and Analysis

## Capital Expenditure Commitment and Contingent Liability

As at 31 December 2003, the Group had no significant capital expenditure commitment and contingent liability.

## Pledge of Assets

As at 31 December 2003, the Group did not have any pledged assets.

## Gearing Ratio

As at 31 December 2003, the Group's gearing ratio was about 19%, calculated by dividing total liability by total net asset for the year.

## Exchange Risk

The bulk of bank deposits is the amount in Hong Kong dollars raised through listing on the Stock Exchange and it has been converted into Renminbi at the exchange rate of HK\$1=RMB1.0655. In the process of pursuing business objectives, the above funds may have to be changed into Renminbi or other currencies, subject to exchange gain or loss as well as risks.



# Biographical Details of Directors, Supervisors and Senior Management

## Executive Directors

**Mr. Zhuang Xingfang** (莊行方), aged 55, is currently the chairman of the board of Directors of the Company. He is responsible for formulating the policy and overall planning of the Group. Mr. Zhuang graduated from enterprise management department of Hangzhou Electronic Industry Institute with a master degree. He held a number of positions such as deputy Head of the 877 Factory of the Ministry of Electronics Industry, director of Electronics Industry Ministry's Economic Coordination Office, deputy director of Research Centre and the deputy superintendent of CCID. He has over 30 years of management experience. He joined the Group and was appointed as a Director with effect from 15 March 2002.

**Mr. Yang Tianxing** (楊天行), aged 68, is currently an Executive Director and president of the Company. He is responsible for the overall planning of the Group. Mr. Yang graduated from computer department of Tsinghua University with a bachelor degree. He held a number of positions such as superintendent of Beijing Information Engineering Institute, deputy director and chief engineer of National Computer Industry Administration, director of the computer division of the Ministry of Electronics Industry, as well as chairman of China Software Association. He has over 40 years of management experience in electronic information research. He is currently director of National Information Technology Standardization Committee. He was a director of CCID Information Consulting (the predecessor company of the Company) with effect from 14 March 2001 and was appointed as a Director with effect from 15 March 2002.

**Mr. Luo Wen** (羅文), aged 39, is currently an Executive Director and Chief Executive Officer of the Company. He is responsible for overall management and administration of the Group. Mr. Luo graduated from Wuhan University's philosophy department with a bachelor degree. He held a number of positions such as assistant to director of the Research Centre, general manager of Online Centre and chief editor of "Computer Market" Magazine. He is currently the coordinator between the Company and the Expert Group, the director of China 3C Union Industry Working Committee and the deputy superintendent of CCID. He has over 11 years of experience in the field of IT education and management. He was a director of CCID Information Consulting (the predecessor company of the Company) with effect from 14 March 2001 and was appointed as a Director with effect from 15 March 2002.

**Mr. Huang Yong** (黃湧), aged 37, is currently an Executive Director and senior vice-president of the Company. He is responsible for consultancy and research work of the Group. Mr. Huang graduated from computer department of Chongqing University with a bachelor degree in computer engineering. He held a number of positions such as manager of the 24th Research Institute Applied Technology Development Division of Ministry of Electronic Industry's, chief research representative of Dataquest Company in China and vice-president of Computer Information Service Group. He has over 16 years of experience in the field of IT R&D and information consulting. He joined the Group in July 2001 and was appointed as a Director with effect from 25 May 2002.

# Biographical Details of Directors, Supervisors and Senior Management

## Non-executive Directors

**Mr. Xu Jinshou** (許金壽), aged 60, is currently a Non-executive Director of the Company. Mr. Xu graduated from mechanics department of Shanghai Communication University specializing in casting and equipment technology. Mr. Xu holds a bachelor degree. He held a number of positions such as director of First Division of the Ministry of Electronics, chief editor of China Electronics Newspaper as well as the secretary of its Party Committee and the secretary of the Party Committee of CCID. He has over 39 years of experience in the field of data information, R&D and management. He was appointed as a Director with effect from 15 March 2002.

**Ms. Li Ying** (李穎), aged 43, is currently a Non-executive Director of the Company. Ms. Li graduated from No. 1 branch electronic technology of Qinghua University with a bachelor degree. She held a number of positions such as deputy publisher of China Information World Newspaper, deputy director of Research Centre and publisher of China Information World Newspaper. She is currently deputy superintendent of CCID and chairman of Beijing CCID Media Investment Co. Ltd.. She has over 21 years of experience in the field of data information. She was appointed as a Director with effect from 15 March 2002.

**Mr. Liu Chunlu** (柳純錄), aged 57, is currently a Non-executive Director of the Company. Mr. Liu graduated from mathematics and mechanics department of Beijing University and software specialty of computer department of Beijing University with a master degree. He held a number of positions such as deputy professor in Beijing University, director of the Ministry of Electronics Industry (E & M Division), Group leader of State Council Information Steering Group's Office, as well as deputy director of Research Centre. He is the chief engineer of CCID. He has over 30 years of experience in the field of IT R&D management and data information. He was appointed as a Director with effect from 15 March 2002.

**Mr. Chen Dazhi** (陳大志), aged 37, is currently a Non-executive Director of the Company. Mr. Chen graduated from computer software specialty of Nanjing Polytechnic University and China's People University journalism department both with a bachelor degree in science and a master degree in arts. He held a number of positions such as standing deputy publisher of China Information World Newspaper, assistant to director of Research Centre, and president of CCID Venture Capital Co. Ltd.. He has over 16 years of experience in the field of IT R&D and data information. He was appointed as a Director with effect from 25 May 2002.

**Mr. Yu Bing** (俞兵), aged 38, is currently a Non-executive Director of the Company. Mr. Yu graduated from automation department of Beijing Technology University with a bachelor degree. He is currently a senior vice-president of Legend Holdings Co. Ltd. in charge of IT service business. He has over 13 years of experience in the field of IT operation and management. He was appointed as a Non-executive Director with effect from 25 October 2002.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Zhang Xuming** (張旭明), aged 37, is currently a Non-executive Director of the Company. Mr. Zhang graduated from Shanghai Communication University, specialized in electronic engineering, and the Electronic Science University, specialized in engineering management, with a master degree. He is now pursuing a doctoral degree in finance and economics at the Renmin University of China. He held a number of positions such as chief accountant and chairman of China Communications System Co. Ltd. and deputy director of the Economic System Reform and Economic Operation Department of the Ministry of Information Industry of the PRC. He is currently a superintendent of CCID. He has over 10 years of experience in the field of IT management. He was appointed as a Non-executive Director with effect from 29 August 2003.

### Independent Non-executive Directors

**Mr. Guo Xinping** (郭新平), aged 40, is currently an Independent Non-executive Director of the Company. Mr. Guo graduated from Zhong Nan Financial University with a bachelor degree in 1985. Mr. Guo had held position in the Ministry of Finance's reform office for tax system. He is currently the deputy chairman of Beijing UFSOFT Co. Ltd.. He has over 14 years' experience in the field of IT software development and enterprise management. He was appointed as an Independent Non-executive Director with effect from 25 May 2002.

**Mr. Lu Mai** (盧邁), aged 56, is currently an Independent Non-executive Director of the Company. Mr. Lu graduated from 北京經濟學院 (Beijing Institute of Economics) with a bachelor degree in 1982. He then obtained a master degree at Harvard University in 1991. Mr. Lu held a number of positions, such as deputy researcher for International Development Institute of Harvard University and senior researcher for China Commerce Centre of Hong Kong Polytechnic University. Mr. Lu is currently a researcher of 國務院發展研究中心 (the State Council's Development and Research Centre) and the secretary for 中國發展研究基金會 (China Development and Research Fund). He has 21 years of experience in the field of economic research. He was appointed as an Independent Non-executive Director with effect from 25 October 2002.

### Supervisors

**Mr. Gong Chenghe** (宮承和), aged 49, is currently a supervisor of the Company. Mr. Gong graduated from economic management specialty of Central Party School Correspondence Institute with a bachelor degree. He held a number of positions such as deputy director of planning technology division, office director of Research Centre and CCID. He is currently the secretary of Discipline Committee of CCID. He has over 17 years of experience in the field of enterprise and science research management. He was elected and appointed as a Supervisor with effect from 15 March 2002.

## Biographical Details of Directors, Supervisors and Senior Management

**Ms. Guan Rui** (管銳), aged 54, is currently a supervisor of the Company. Ms. Guan graduated from news photography specialty of Beijing Industrial University with a bachelor degree. She held a number of positions such as deputy director of the communication and liaison division of China Information World Newspaper, deputy director of Hainan Special Zone Newspaper journalist division, and deputy director of the Party division of Research Centre. She is currently the director of the Party division of CCID. She has over 19 years of experience in the field of data information and enterprise management. She was elected and appointed as a Supervisor with effect from 15 March 2002.

**Ms. Zhang Hongfen** (張紅芬), aged 34, is currently a supervisor of the Company. Ms. Zhang graduated from electronic engineering specialty of Beijing Polytechnic University with a doctor degree. She's currently in charge of the Group's several research departments. She has over 8 years of experience in the field of scientific research and market analysis. She was elected and appointed as a Supervisor with effect from 15 March 2002.

### Senior Management

**Mr. Ma Hui** (馬翬), aged 33, is currently the Company's senior vice-president. Mr. Ma graduated from economics department of Central Nationality University with a master degree in world economy. He has 11 years of experience in the field of IT data information and, since November 2001, Mr. Ma has been in charge of enterprise planning, overseas development and editing and publishing departments of the Company.

**Mr. Xu Mutu** (徐木土), aged 61, is currently the Company's senior vice-president. Mr. Xu graduated from Signalman Communication College with a post-secondary qualification in radio communication. He held a number of positions such as director of communication division of Post and Telecommunications Ministry's, director of Telecommunication Business Market Administration, director of Telecommunication Market Administration of MII. He has 31 years of experience in the field of IT scientific research management and data information and, since March 2001, has been in charge of communications research department and network research department in the Company.

**Mr. Tang Dejun** (湯得軍), aged 35, has been the secretary to the Board since 15 March 2002. Mr. Tang graduated from Hangzhou Electronic Industry Institute (Finance and Accounting specialty) with a bachelor degree. He held a number of positions such as deputy director of finance division of China Electronic Equipment Corporation, director of finance division of Research Centre, as well as director of finance division of CCID. He has 14 years of experience in the field of IT enterprise management.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Wu Fan** (吳凡), aged 30, is currently Chief Executive Officer of CCID Data. He is responsible for the overall business management and administration of CCID Data. Mr. Wu is a degree holder graduated from the Faculty of Electrical Engineering of Hunan University. He is now a postgraduate student of the Finance School of the People's University of China. Mr. Wu held a number of positions including deputy director of the Market Information Centre of the Research Centre, marketing director of and general manager of IT Investment Department of the Company. He has 7 years of experience in the field of IT industry and investment research, market analysis and data information. He joined the Group since 14 March 2001.

**Mr. Luo Junrui** (駱俊瑞), aged 52, is currently the senior vice-president of CCID Data. He is a degree holder graduated from the Faculty of Automated Control of 北京工業學院 (Beijing Technical Institute). He held a number of positions including deputy director of the Market Information Centre of Research Centre. He has 19 years of experience in the field of IT scientific research, management and information consultancy. He joined the Group in June 2002.

# Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

## Reorganisation and basis of presentation

The Company was incorporated on 14 March 2001 in Beijing, the People's Republic of China (the "PRC"), and as part of the reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited, the Company was transformed into a joint stock limited liability company on 5 March 2002. Pursuant to the Reorganisation, the Company acquired an information consulting service business from Beijing Online Investment Consulting Centre, a related company of the Company. Further details of the Reorganisation, together with the details of the business acquired pursuant thereto, are set out in Note 1 to the financial statements and in the prospectus of the Company dated 29 November 2002 (the "Prospectus").

The shares of the Company were listed on the GEM on 12 December 2002.

## Principal activities

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. There were no significant changes in the nature of the Group's principal activities during the year.

## Results and dividends

The Group's profit for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 71.

The directors do not recommend any payment of final dividend for the year ended 31 December 2003 (2002: RMB0.01 per ordinary shares).

# Report of the Directors

## Summary financial information

A summary of the published results and the assets and liabilities of the Group prepared on the basis set out in the note below is as follows:

### RESULTS

	Year ended 31 December			2003 RMB
	2000 RMB (Note)	2001 RMB (Note)	2002 RMB	
TURNOVER	5,929,150	20,800,326	54,134,854	<b>48,831,071</b>
Cost of sales	(3,223,870)	(7,840,799)	(23,579,743)	<b>(21,028,097)</b>
Gross profit	2,705,280	12,959,527	30,555,111	<b>27,802,974</b>
Other revenue	2,398	19,491	41,225	<b>124,663</b>
Selling and distribution costs	(810,531)	(4,555,547)	(5,867,032)	<b>(5,198,557)</b>
Administrative expenses	(1,315,972)	(4,908,277)	(8,362,020)	<b>(9,824,179)</b>
Other operating expenses	–	–	(1,024,568)	<b>(794,983)</b>
PROFIT FROM OPERATING ACTIVITIES	581,175	3,515,194	15,342,716	<b>12,109,918</b>
Share of loss of an associate	–	(960,148)	–	–
PROFIT BEFORE TAX	581,175	2,555,046	15,342,716	<b>12,109,918</b>
Tax	(87,176)	(2,817)	–	–
PROFIT BEFORE MINORITY INTERESTS	493,999	2,552,229	15,342,716	<b>12,109,918</b>
Minority interests	–	2,089	(256,043)	<b>(132,973)</b>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>493,999</u>	<u>2,554,318</u>	<u>15,086,673</u>	<b><u>11,976,945</u></b>

# Report of the Directors

## Summary financial information (continued)

### ASSETS, LIABILITIES AND MINORITY INTERESTS

		31 December		
	2000	2001	2002	2003
	RMB	RMB	RMB	RMB
	(Note)			
TOTAL ASSETS	1,693,069	63,132,831	133,182,067	<b>133,201,205</b>
TOTAL LIABILITIES	(1,199,070)	(8,191,154)	(25,797,674)	<b>(20,706,894)</b>
MINORITY INTERESTS	–	(2,261,379)	(2,517,422)	<b>(2,650,395)</b>
	<u>493,999</u>	<u>52,680,298</u>	<u>104,866,971</u>	<u><b>109,843,916</b></u>

Note: The results of the Group for each of the two years ended 31 December 2001 and 2000 and the assets and liabilities of the Group as at 31 December 2000 have been prepared on a pro forma combined basis as if the current Group structure had been in existence since 1 January 2000.

## Property and equipment

Details of movements in the property and equipment of the Company and the Group during the year are set out in Note 14 to the financial statements.

## Share capital and share options

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in Note 22 to the financial statements.

The Company adopted a share option scheme on 20 November 2002, pursuant to which the board of directors of the Company may, at its discretion, grant options to any full-time employees of the Group to subscribe for shares in the Company, to a maximum of 30% of the Company's H shares in issue from time to time. The exercise price will be determined by the board of directors, and will not be less than the highest of: (a) the closing price of the H shares as stated in the GEM's daily quotations sheet on the date of offer, which must be a business day; (b) the average closing prices of the H shares as stated in the GEM's daily quotation sheets for the five business days immediately preceding the date of offer; and (c) the nominal value of an H share. However, employees who are Chinese nationals in Mainland China shall not be entitled to exercise the option until the current restrictions on these persons for subscribing or dealing in H shares imposed by the laws and regulations in Mainland China have been amended or removed. For the year ended and as at 31 December 2003, no options were granted to the Group's employees.



# Report of the Directors

## Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the Company Law of the PRC which oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Purchase, redemption or sale of listed securities of the Company

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

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

## Distributable reserves

At 31 December 2003, in accordance with the PRC Company Law, an amount of approximately RMB18 million standing to the credit of the Company's capital reserve account, as determined under the PRC accounting standards and regulations, was available for distribution by way of a future capitalisation issue. In addition, the Company had, as detailed in Note 23 to the financial statements, retained profits of approximately RMB11 million available for distribution as dividends.

## Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 30% of the total sales for the year and sales to the largest customer included therein amounted to 16%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

The Group has provided certain consulting services to companies under the control of the ultimate holding company of the Company, details of which are set forth in the note "Connected Transactions" below. Save as aforesaid, none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

# Report of the Directors

## Directors

The directors of the Company during the year were:

*Executive directors:*

Zhuang Xingfang

Yang Tianxing

Luo Wen

Huang Yong

Han Haijing

(resigned on 23 May 2003)

*Non-executive directors:*

Xu Jinshou

Li Ying

Liu Chunlu

Chen Dazhi

Yu Bing

Zhang Xuming

(appointed on 29 August 2003)

*Independent non-executive directors:*

Guo Xinping

Lu Mai

In accordance with the Company's articles of association, all directors are elected for a term of three years and may serve consecutive terms upon re-election.

## Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 19 of the Annual Report.

## Directors' service contracts

Each of the directors, officers and supervisors is required to enter into a service contract with the Company for an initial term of three years which is subject to termination by either party giving not less than three months' written notice.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

# Report of the Directors

## Directors' interests in contracts

None of the directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

## Contracts of significance

The Group has entered into certain contracts with related companies of the Group. The contract terms have been reviewed by the independent non-executive directors, who confirm that the transactions were entered into: (i) by the Group in the ordinary and usual course of its business; (ii) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; (iii) on normal commercial terms or, where there is no available comparison, on terms no less favourable than those available from or to (as appropriate) independent third parties, and (iv) in accordance with the terms of the agreements governing such transactions. Further details of the transactions undertaken in connection with these contracts during the year are included in Note 28 to the financial statements.

## Directors' and supervisors' interests and short positions in shares and underlying shares

At 31 December 2003, the interests of the directors in the share capital and warrants of the Company or 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 by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies 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	0.15%
	Beijing CCID Info Tech Inc. (note)	Personal	100,000 domestic shares	0.01%
Luo Wen	The Company	Personal	1,020,000 domestic shares	0.15%

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

# Report of the Directors

## Directors' and supervisors' interests and short positions in shares and underlying shares (continued)

Save as disclosed above, none of the directors, supervisors or their associates had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies Rule 5.40 of the GEM Listing Rules.

## Directors' and supervisors' rights to acquire shares

Save as disclosed under the heading "Directors' and supervisors' interests and short positions in shares and underlying shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 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%

# Report of the Directors

## Substantial shareholders' and other persons' interests in shares and underlying shares (continued)

### Long positions in shares: (continued)

Name	Capacity	Nature of interest	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of issued share capital
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%
Legend Express Agency & Services Limited (note 2)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Grade Win International Limited (note 2)	Beneficial owner	Corporate	20,000,000 H shares	9.57%	2.86%
J.P. Morgan Chase & Co. (note 4)	Investment manager and other	Corporate	20,200,000 H shares	9.67%	2.89%

# Report of the Directors

## Substantial shareholders' and other persons' interests in shares and underlying shares (continued)

### Long positions in shares: (continued)

Name	Capacity	Nature of interest	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of issued share capital
J.P. Morgan Fleming Asset Management Holdings Inc. (note 3)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.14%
J.P. Morgan Fleming Asset Management (Asia) Inc. (note 3)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.14%
JF Asset Management Limited (note 3)	Investment manager	Corporate	10,700,000 H shares	5.12%	1.53%
Choi Koon Shum Jonathan (note 5)	Interest of controlled corporation	Personal	20,000,000 H shares	9.57%	2.86%
Kingsway International Holdings Limited (note 5)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Kingsway Securities Holdings Limited (note 5)	Beneficial owner	Corporate	20,000,000 H shares	9.57%	2.86%

#### Notes:

- 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.

# Report of the Directors

## Substantial shareholders' and other persons' interests in shares and underlying shares *(continued)*

### Long positions in shares: *(continued)*

- 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.
- 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.
- J.P. Morgan Chase Bank holds 5,200,000 H shares of the Company. J.P. Morgan 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.
- 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.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and supervisors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### Sponsor's interests

As at 31 December 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.

# Report of the Directors

## Sponsor's interests *(continued)*

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.

## Connected transactions

Upon the listing of the H Shares of the Company on the GEM on 12 December 2002, transactions between the Group and its connected persons or their respective associates (as the respective terms are defined by the GEM Listing Rules) are governed by and are required to comply with the requirements of the GEM Listing Rules. During the year ended 31 December 2003, the Company had the following connected transactions as recorded in the profit and loss account for the year ended 31 December 2003:

RMB

### (I) Connected transactions pursuant to the "Co-operation Agreement" as described in the Company's prospectus dated 29 November 2002:

#### (a) Provision of services by the CCID group to the Company:

(i)	Supply of information and data	—
(ii)	Provision of promotional services (including advertising services, and website and hyperlink services):	
	Advertising and promotional expenses charged by CCID Advertising Co., Ltd ("CCID Advertising")	523,980
	Translation fee charged by CCID Trans Tech Co., Ltd.	340,564
	Promotional expenses charged by Beijing CCID Net IT Co.,Ltd. ("CCID Net")	368,576
	Consulting expenses charged by Beijing CCID Call Center Co.,Ltd. ("CCID Call Center")	111,619
	Promotional expenses charged by Beijing Kanjinzhaoh File & TV Culture Communication Co., Ltd.	25,000
		<u>1,369,739</u>



# Report of the Directors

## Connected transactions (continued)

RMB

<b>(b) Gross revenue earned before sales surtaxes from services provided by the Company to the CCID Group:</b>		
(i)	Provision of consulting services by the Company to:	
	China Center of Information Industry Development ("CCID")	4,000,000
	CCID Information Industry (Group) Co., Ltd.	1,500,000
	China Computer Users	293,921
	Electronic Information Centre, MII ("EIC")	120,000
		<u>5,913,921</u>
<b>(II) Connected transactions pursuant to the "CCID Data Co-operation Agreement" as described in the Company's prospectus dated 29 November 2002:</b>		
<b>(a) Provision of services by the CCID group to CCID Data:</b>		
(i)	Supply of information and data	<u>-</u>
(ii)	Provision of promotional services (including advertising services and website and hyperlink services):	
	Advertising and promotional expenses charged by CCID Advertising	8,000
	Consulting expenses charged by CCID Call Center	79,057
		<u>87,057</u>
<b>(b) Gross revenue earned before sales surtaxes from services provided by CCID Data to the CCID Group:</b>		
(i)	Provision of services in relation to the development and exploration of technology systems of data banks and operation and manipulation of data	
	EIC	<u>7,970,000</u>
(ii)	Provision of all other ancillary services	
	CCID Net	164,500
	China Electronics News	16,000
	CCID	3,000
		<u>183,500</u>

# Report of the Directors

## Connected transactions *(continued)*

RMB

### (III) Provision of training services by the Company to CCID group:

Information Technology Training Centre, EIC, MII

1,000,000

For items (I) and (II) above, a waiver has been granted by the Stock Exchange to the Group from strict compliance with the requirements of the connected transaction rules of the GEM Listing Rules in respect of the connected transactions set out above.

Item (III) above was not covered by the waiver.

The independent non-executive directors have reviewed the above transactions and have confirmed that:

1. the transactions were entered into by the Group in the ordinary and usual course of its business;
2. the transactions were entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
3. the transactions were entered into on normal commercial terms or, where there is no available comparison, on terms no less favourable than those available from or to (as appropriate) independent third parties; and
4. the transactions were entered into in accordance with the terms of the agreements governing such transactions.

The independent non-executive directors have further opined that the Group should continue with the "Co-operation Agreement" and the "CCID Data Co-operation Agreement".

The auditors of the Company have reviewed such transactions and have provided a letter to the Company stating that:

1. the transactions were approved by the Company's board of directors;
2. the transactions were entered into in accordance with the terms of the agreements governing the transactions; and
3. the annual aggregate value of each category of connected transactions did not exceed the relevant annual limit as agreed with the Stock Exchange.

# Report of the Directors

## 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. The audit committee held four meetings during the year ended 31 December 2003. The Group's audited results for the year ended 31 December 2003 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## 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 since the listing of the Company's shares on the GEM on 12 December 2002.

## Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Zhuang Xingfang**

*Director*

Beijing, the People's Republic of China

10 March 2004

# Report of the Supervisory Committee

To: All Shareholders

The Supervisory Committee of CCID Consulting Company Limited (the "Supervisory Committee"), in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company during the year ended 31 December 2003, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

During the year, Supervisory Committee had reviewed cautiously the use of proceeds of the issue of shares in accordance with the Prospectus of the Company. It provided reasonable suggestions and opinions to the Board of Directors in respect of the operation and development plans of the Company. It also strictly and effectively monitored and supervised the Company's management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in the interests of its shareholders.

We have reviewed and agreed to the report of the Directors and audited financial statements for the presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. Up till now, none of the Directors, general manager and senior management staff had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees. And none of them were found to be in breach of any laws and regulations or the Articles of Association of the Company.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in year 2003 and has great confidence in the future of the Company.

By Order of the Supervisory Committee

**Gong Chenghe**

*Chairman*

Beijing, the People's Republic of China

10 March 2004

# Report of the Auditors



To the members

**CCID Consulting Company Limited**

*(Incorporated in the People's Republic of China with limited liability)*

We have audited the financial statements on pages 37 to 71 which have been prepared in accordance with the accounting principles generally accepted in Hong Kong.

## Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

# Report of the Auditors

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirement of the Hong Kong Companies Ordinance.

## Ernst & Young

*Certified Public Accountants*

Hong Kong

10 March 2004

# Consolidated Profit and Loss Account

Year ended 31 March 2003

	Notes	2003 RMB	2002 RMB
TURNOVER	6	<b>48,831,071</b>	54,134,854
Cost of sales		<b>(21,028,097)</b>	(23,579,743)
Gross profit		<b>27,802,974</b>	30,555,111
Other revenue		<b>124,663</b>	41,225
Selling and distribution costs		<b>(5,198,557)</b>	(5,867,032)
Administrative expenses		<b>(9,824,179)</b>	(8,362,020)
Other operating expenses		<b>(794,983)</b>	(1,024,568)
PROFIT FROM OPERATING ACTIVITIES	7	<b>12,109,918</b>	15,342,716
Tax	10	–	–
PROFIT BEFORE MINORITY INTERESTS		<b>12,109,918</b>	15,342,716
Minority interests		<b>(132,973)</b>	(256,043)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	<b>11,976,945</b>	15,086,673
Proposed final dividends	12	–	7,000,000
EARNINGS PER SHARE			
Basic (cents)	13	<b>1.7</b>	2.9

# Consolidated Balance Sheet

31 December 2003

	Notes	2003 RMB	2002 RMB
PROPERTY AND EQUIPMENT	14	34,876,893	35,741,930
INFORMATION DATABASE	15	29,785,416	33,420,895
<b>CURRENT ASSETS</b>			
Accounts receivable	17	7,186,860	10,929,232
Due from related parties	18	10,451,453	636,709
Prepayments, deposits and other receivables		639,079	1,786,345
Cash and bank balances	19	50,261,504	50,666,956
		<b>68,538,896</b>	<b>64,019,242</b>
<b>CURRENT LIABILITIES</b>			
Salary and welfare payables		1,032,476	2,283,751
Accrued liabilities and other payables	20	8,838,893	8,717,316
Due to related parties	18	178,931	142,250
Due to the immediate holding company	21	5,923,104	5,187,380
		<b>15,973,404</b>	<b>16,330,697</b>
<b>NET CURRENT ASSETS</b>		<b>52,565,492</b>	<b>47,688,545</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>117,227,801</b>	<b>116,851,370</b>
<b>NON-CURRENT LIABILITY</b>			
Due to the immediate holding company	21	4,733,490	9,466,977
		<b>4,773,490</b>	<b>9,466,977</b>
<b>MINORITY INTERESTS</b>		<b>2,650,395</b>	<b>2,517,422</b>
		<b>109,843,916</b>	<b>104,866,971</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	22	70,000,000	70,000,000
Reserves		39,843,916	27,866,971
Proposed final dividend		–	7,000,000
		<b>109,843,916</b>	<b>104,866,971</b>

**Zhuang Xingfang**  
Director

**Yang Tianxing**  
Director



# Consolidated Statement of Changes in Equity

31 December 2003

	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 year	-	-	-	-	-	15,086,673	15,086,673
Proposed final dividend	-	-	-	-	7,000,000	(7,000,000)	-
Transfer to statutory reserve funds	-	-	2,263,001	-	-	(2,263,001)	-
Issue of shares	19,000,000	31,350,000	-	-	-	-	50,350,000
Share issue expenses	-	(13,250,000)	-	-	-	-	(13,250,000)
As at 31 December 2002 and 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 year	-	-	-	-	-	11,976,945	11,976,945
Settlement of dividends	-	-	-	-	(7,000,000)	-	(7,000,000)
Transfer to statutory reserve funds	-	-	1,873,037	-	-	(1,873,037)	-
As at 31 December 2003	70,000,000	18,609,965	4,311,588	58,517	-	16,863,846	109,843,916

# Consolidated Cash Flow Statement

Year ended 31 December 2003

	Note	2003 RMB	2002 RMB
<b>OPERATING ACTIVITIES</b>			
Profit from operating activities		<b>12,109,918</b>	15,342,716
Interest income		<b>(124,663)</b>	–
Provision for doubtful debts		<b>585,018</b>	1,024,568
Recovery of doubtful debts		<b>(300,000)</b>	–
Depreciation of property and equipment		<b>2,011,178</b>	1,499,712
Amortisation of an information database		<b>3,635,479</b>	3,635,479
		<hr/>	<hr/>
Operating profit before working capital changes		<b>17,916,930</b>	21,502,475
Decrease/(increase) in accounts receivable		<b>3,457,354</b>	(8,591,878)
(Increase)/decrease in amounts due from related parties		<b>(9,814,744)</b>	1,936,505
Decrease/(increase) in prepayments, deposits and other receivables		<b>1,147,266</b>	(1,303,414)
(Decrease)/increase in salary and welfare payables		<b>(1,251,275)</b>	996,916
Increase in accrued liabilities and other payables		<b>121,577</b>	2,590,403
Increase/(decrease) in amounts due to related parties		<b>36,681</b>	(814,663)
Increase/(decrease) in an amount due to the immediate holding company		<b>1,189,617</b>	(645,926)
		<hr/>	<hr/>
Cash generated from operations		<b>12,803,406</b>	15,670,418
Tax paid:			
PRC corporate income tax paid		–	(68,812)
		<hr/>	<hr/>
Net cash inflow from operating activities		<b>12,803,406</b>	15,601,606
		<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>			
Interest received		<b>124,663</b>	–
Purchase of property and equipment		<b>(1,146,141)</b>	(17,427,182)
Increase in time deposits with original maturity of more than three months when acquired		<b>(1,500,000)</b>	–
		<hr/>	<hr/>
Net cash outflow from investing activities		<b>(2,521,478)</b>	(17,427,182)
		<hr/>	<hr/>

# Consolidated Cash Flow Statement

Year ended 31 December 2003

	Note	2003 RMB	2002 RMB
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		<b>10,281,928</b>	(1,825,576)
FINANCING ACTIVITIES			
Proceeds from issue of share capital		–	50,350,000
Share issue expenses		–	(13,250,000)
Settlement of dividend/profit distributions		<b>(7,000,000)</b>	(368,019)
Payment of amount due to the immediate holding company for acquisition of building		<b>(5,187,380)</b>	–
Net cash (outflow)/inflow from financing activities		<b>(12,187,380)</b>	36,731,981
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<b>(1,905,452)</b>	34,906,405
Cash and cash equivalents at beginning of year		<b>50,666,956</b>	15,760,551
CASH AND CASH EQUIVALENTS AT END OF YEAR		<b>48,761,504</b>	50,666,956
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	<b>18,100,504</b>	50,666,956
Time deposits with original maturity of less than three months when acquired		<b>30,661,000</b>	–
		<b>48,761,504</b>	50,666,956

# Balance Sheet

31 December 2003

	Notes	2003 RMB	2002 RMB
PROPERTY AND EQUIPMENT	14	33,113,504	33,783,524
INTEREST IN A SUBSIDIARY	16	30,401,294	35,455,088
CURRENT ASSETS			
Accounts receivable		6,922,324	9,129,232
Due from related parties	18	2,951,453	636,709
Prepayments, deposits and other receivables		561,242	1,209,775
Cash and bank balances	19	46,959,642	42,531,423
		<u>57,394,661</u>	<u>53,507,139</u>
CURRENT LIABILITIES			
Salary and welfare payables		666,265	1,440,103
Accrued liabilities and other payables		6,134,148	6,159,262
Due to the immediate holding company	21	5,923,104	5,187,380
		<u>12,723,517</u>	<u>12,786,745</u>
NET CURRENT ASSETS		<u>44,671,144</u>	<u>40,720,394</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>108,185,942</u>	<u>109,959,006</u>
NON-CURRENT LIABILITY			
Due to the immediate holding company	21	4,733,490	9,466,977
		<u>4,733,490</u>	<u>9,466,977</u>
		<u>103,452,452</u>	<u>100,492,029</u>
CAPITAL AND RESERVES			
Issued capital	22	70,000,000	70,000,000
Reserves	23	33,452,452	23,492,029
Proposed final dividend	23	–	7,000,000
		<u>103,452,452</u>	<u>100,492,029</u>

**Zhuang Xingfang**  
Director

**Yang Tianxing**  
Director

# Notes to Financial Statements

31 December 2003

## 1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

CCID Consulting Company Limited (the "Company") was incorporated by the Research Centre of Computer and Microelectronics Development (MII) ("MIICMD") 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. The name of the Company upon establishment was CCID Information Consulting Company Limited. 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 and the name of the Company was changed to CCID Consulting Company Limited. Prior to the establishment of the Company, the businesses and operations (hereinafter collectively referred to as the "Predecessor Business") now undertaken by the Company were carried out by Beijing Online Investment Consulting Centre (hereinafter referred to as "Online Centre").

Pursuant to a reorganisation scheme (the "Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a transfer agreement was entered into between the Company and Online Centre. According to this transfer agreement, the Predecessor Business and the equipment and employees of Online Centre were transferred to the Company with effect from 14 March 2001 at a cash consideration of RMB290,793 which was determined with reference to the net book value of the equipment of Online Centre as at that date. All the Predecessor Business was transferred to the Company.

Further details of the Reorganisation are set out in the Company's prospectus dated 29 November 2002 (the "Prospectus") issued in respect of the listing of the Company's shares on the GEM of the Stock Exchange.

## 2. CORPORATE INFORMATION

The Group's principal activities were the provision of market research, data information management and management consultancy services for the years ended 31 December 2003 and 2002.

In the opinion of the directors, the Company's ultimate holding company is China Centre of Information Industry Development ("CCID") which is established in the PRC.

# Notes to Financial Statements

31 December 2003

## 3. IMPACT OF REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The revised Hong Kong Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" is effective for the first time for the current year's financial statements.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The adoption of this revised SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes and the related note disclosure thereon.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the group are eliminated on consolidation.

### Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

# Notes to Financial Statements

31 December 2003

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercises significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Property and equipment, and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property and equipment, the expenditure is capitalised as an additional cost of that asset.

# Notes to Financial Statements

31 December 2003

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property and equipment, and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The estimated useful lives of property and equipment have been taken as follows:

Buildings	30 years
Equipment	5 years

The gain or loss on disposal or retirement of a property and equipment recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant assets.

### Information database

The information database is stored in computer systems and provides data for the provision of consulting services. It is stated at cost less any impairment losses and accumulated amortisation and is amortised on the straight-line basis over the estimated useful life of 10 years.

### Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

### Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.



# Notes to Financial Statements

31 December 2003

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Contracts for services** *(Continued)*

When the outcome of a contract cannot be estimated reliably, contract revenues are recognised only to the extent of contract costs incurred that are probable of recovery, and contract costs are recognised as an expense in the period in which they are incurred.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date, plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

### **Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

# Notes to Financial Statements

31 December 2003

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in 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.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

# Notes to Financial Statements

31 December 2003

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Income tax** *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from the rendering of data information management and management consultancy services, on the basis as set out under the heading "Contract for services" above;
- (ii) from the rendering of market research services, when the research reports are delivered to customers; and
- (iii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Revenue is recorded net of sales surtaxes, where applicable.

### **Retirement benefits scheme**

Companies of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute 19% of its payroll costs to the central pension scheme, and the contributions are charged to the profit and loss account of the Group as they become payable in accordance with the rules of the scheme.

# Notes to Financial Statements

31 December 2003

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

### Foreign currencies

The books and records of the Group are maintained in Renminbi ("RMB"). Transactions in other currencies during the year are translated into RMB at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into RMB at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

During the year, substantially all the transactions were denominated in RMB. Accordingly, exchange differences recorded during the year were minimal.

### Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

## 5. 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 details 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

# Notes to Financial Statements

31 December 2003

## 5. SEGMENT INFORMATION (Continued)

- (c) the management consultancy segment provides services involving the application and implementation of enterprise management information digitalisation. This incorporates the functions of business process re-engineering, enterprise resource planning, customer relationship management, supply chain management, call centre and other electronic business pattern designs.

### (a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments:

Group	Market		Data Information		Management		Total	
	Research Services		Management Services		Consultancy Services			
	2003	2002	2003	2002	2003	2002	2003	2002
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<b>REVENUE</b>								
Sales to external customers	<u>31,085,773</u>	<u>32,175,721</u>	<u>12,040,895</u>	<u>17,852,762</u>	<u>5,704,403</u>	<u>4,106,371</u>	<u>48,831,071</u>	<u>54,134,854</u>
<b>RESULTS</b>								
Segment results	<b>20,906,806</b>	19,106,614	<b>2,634,220</b>	5,107,810	<b>2,132,997</b>	1,407,723	<b>25,674,023</b>	25,622,147
Unallocated expenses							<b>(13,688,768)</b>	(10,320,656)
Interest income							<b>124,663</b>	41,225
Profit before tax							<b>12,109,918</b>	15,342,716
Tax							<b>-</b>	-
Profit before minority interests							<b>12,109,918</b>	15,342,716
Minority interests							<b>(132,973)</b>	(256,043)
Net profit from ordinary activities attributable to shareholders							<b><u>11,976,945</u></b>	<u>15,086,673</u>

# Notes to Financial Statements

31 December 2003

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

Group	Market		Data Information		Management		Total	
	Research Services		Management Services		Consultancy Services			
	2003	2002	2003	2002	2003	2002	2003	2002
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<b>ASSETS</b>								
Segment assets	30,227,640	33,450,203	56,243,768	53,878,373	7,776,006	9,007,848	94,247,414	96,336,424
Less: Intersegment assets	-	-	(13,550,727)	(8,496,933)	-	-	(13,550,727)	(8,496,933)
Unallocated corporate assets	-	-	-	-	-	-	52,504,518	45,342,576
Total assets	<u>30,227,640</u>	<u>33,450,203</u>	<u>42,693,041</u>	<u>45,381,440</u>	<u>7,776,006</u>	<u>9,007,848</u>	<u>133,201,205</u>	<u>133,182,067</u>
<b>LIABILITIES</b>								
Segment liabilities	810,400	242,313	3,235,867	3,529,933	20,000	75,000	4,066,267	3,847,246
Unallocated corporate liabilities	-	-	-	-	-	-	16,640,627	21,950,428
Total liabilities	<u>810,400</u>	<u>242,313</u>	<u>3,235,867</u>	<u>3,529,933</u>	<u>20,000</u>	<u>75,000</u>	<u>20,706,894</u>	<u>25,797,674</u>
<b>OTHER INFORMATION</b>								
Capital expenditure	-	25,598,706	300,000	10,619	-	7,220,148	300,000	32,829,473
Unallocated capital expenditure							846,141	514,330
Depreciation for property and equipment	682,315	430,664	495,017	494,418	184,540	115,740	1,361,872	1,040,822
Unallocated depreciation for property and equipment							649,306	458,890
Amortisation of an information Database	-	-	3,635,479	3,635,479	-	-	3,635,479	3,635,479
Provision for doubtful debts, net	285,018	1,024,568	-	-	-	-	285,018	1,024,568

# Notes to Financial Statements

31 December 2003

## 5. SEGMENT INFORMATION *(Continued)*

### (b) Geographical segments

No further analysis of geographical segment information is presented as substantially all the assets, operations and customers of the Group are located in the PRC, which is considered as one geographic location in an economic environment with similar risks and returns.

## 6. TURNOVER

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

## 7. PROFIT FROM OPERATING ACTIVITIES

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

	<b>2003</b>	2002
	<b>RMB</b>	RMB
Cost of services provided	<b>21,028,097</b>	23,579,743
Auditors' remuneration	<b>390,000</b>	450,000
Staff costs (excluding directors' remuneration)	<b>14,905,152</b>	14,543,889
Depreciation of property and equipment	<b>2,011,178</b>	1,499,712
Amortisation of an information database	<b>3,635,479</b>	3,635,479
Operating lease rentals in respect of land and buildings	<b>53,265</b>	2,198,250
Provision for doubtful debts	<b>585,018</b>	1,024,568
Recovery of doubtful debts	<b>(300,000)</b>	–
Interest income	<b>(124,663)</b>	(41,225)
	<b><u>                    </u></b>	<b><u>                    </u></b>
Cost of services provided included:		
Staff costs	<b>9,900,139</b>	9,330,082
Depreciation of property and equipment	<b>1,263,566</b>	1,006,222
Amortisation of an information database	<b>3,635,479</b>	3,635,479
Operating lease rentals in respect of land and buildings	<b>–</b>	261,581
	<b><u>                    </u></b>	<b><u>                    </u></b>
Staff costs included:		
Research and development costs	<b>3,137,656</b>	2,709,732
Pension scheme contributions *	<b>1,017,025</b>	1,358,000
	<b><u>                    </u></b>	<b><u>                    </u></b>

\* At 31 December 2003, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2002: Nil).

# Notes to Financial Statements

31 December 2003

## 8. DIRECTORS' REMUNERATION

Director's remuneration disclosed pursuant to the GEM Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2003	2002
	RMB	RMB
Fees	26,000	21,000
Basic salaries, housing benefits, other allowances and benefits in kind	639,170	784,209
Bonuses	81,500	54,200
Pension scheme contributions	20,688	35,121
	<u>767,358</u>	<u>894,530</u>

The five executive directors of the Company received emoluments of approximately RMB2,000, RMB14,333, RMB138,460, RMB214,081 and RMB381,484 for the year ended 31 December 2003, and approximately RMB3,000, RMB124,760, RMB187,075, RMB205,781 and RMB271,705 for the year ended 31 December 2002.

Four of the non-executive directors of the Company received fees of RMB2,000 each and two of the non-executive directors of the Company received fees of RMB1,000 each for the year ended 31 December 2003. Each of the five non-executive directors of the Company received fees of RMB3,000 each for the year ended 31 December 2002.

Each of the two independent non-executive directors of the Company received fees of RMB2,000 each (2002: RMB3,000) for the year ended 31 December 2003.

Each of the three supervisors of the Company received fees of RMB1,000 each for the year ended 31 December 2003 (2002: nil). Each of the three supervisors of the Company received emoluments of approximately of RMB3,000, RMB3,000 and RMB75,209, for the year ended 31 December 2002.

Fees include RMB26,000 payable to the executive directors, non-executive directors, independent non-executive directors and supervisors during the year ended 31 December 2003. For the year ended 31 December 2002, fees include RMB21,000 payable to the non-executive directors and independent non-executive directors.



# Notes to Financial Statements

31 December 2003

## 8. DIRECTORS' REMUNERATION *(Continued)*

There were no other emoluments payable to the non-executive director and independent non-executive directors during the year (2002: Nil). There were no other emoluments payable to the supervisors during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

There was no emolument paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2002: three) executive directors, details of their remuneration are set out in Note 8 above. Details of the remuneration of the remaining three (2002: two) non-director, highest paid employees are as follows:

	Group	
	2003	2002
	RMB	RMB
Basic salaries, housing benefits, other allowances and benefits in kind	686,906	465,482
Bonuses	16,000	6,000
Pension scheme contributions	30,439	8,967
	<u>733,345</u>	<u>480,449</u>

The remuneration of each of the non-director, highest paid employees during the years ended 31 December 2003 and 2002 fell within the band of nil to RMB1,000,000.

There was no emolument paid by the Group to the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

# Notes to Financial Statements

31 December 2003

## 10. TAX

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (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 year.

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 an 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 an 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.

At the balance sheet date, neither the Group, nor the Company had any significant temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purpose.

## 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was RMB9,960,423 (2002: RMB10,221,851).

# Notes to Financial Statements

31 December 2003

## 12. DIVIDENDS

	Group	
	2003 RMB	2002 RMB
Proposed final – Nil (2002: RMB0.01) per ordinary share	–	7,000,000
	<hr/>	<hr/>
	–	7,000,000
	<hr/>	<hr/>

Under the PRC Company Law and the Company's articles of association, net profit after tax as reported in the PRC financial statements can only be distributed as dividends after allowance has been made for the following:

- (i) Making up prior years' cumulative losses, if any.
- (ii) Allocations to the statutory common reserve fund of at least 10% of profit after tax, until the fund aggregates 50% of the Company's registered capital. For the purpose of calculating the transfer to reserves, the profit after tax shall be the amount determined under PRC accounting principles. The transfer to this reserve must be made before any distribution of dividends to shareholders.

The statutory common reserve fund can be used to offset prior years' losses, if any, and part of the statutory common reserve fund can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the registered capital of the Company.

- (iii) Allocations of 5% to 10% of profit after tax, as determined under PRC accounting principles and regulations, to the Company's statutory public welfare fund, which will be established for the purpose of providing collective welfare benefits to the Company's employees such as the construction of dormitories, canteens and other staff welfare facilities. The fund forms part of the shareholders' equity as individual employees can only use these facilities, while the title of which will remain with the Company. The transfer to this fund must be made before any distribution of dividends to shareholders.
- (iv) Allocations to the discretionary reserve fund if approved by the shareholders. Discretionary reserve fund can be used to offset prior years' losses, if any, and capitalised as the Company's share capital.

# Notes to Financial Statements

31 December 2003

## 12. DIVIDENDS *(Continued)*

In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distributions/dividends will be deemed to be the lesser of (i) the net profit determined in accordance with PRC accounting principles and financial regulations; and (ii) the net profit determined in accordance with Hong Kong accounting standards.

Pursuant to a resolution passed at a directors meeting on 10 March 2004, the directors do not recommend any payment of final dividend for the year ended 31 December 2003 (2002: RMB0.01 per ordinary share).

## 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 of RMB11,976,945 (2002: RMB15,086,673) and the weighted average of 700,000,000 (2002: 520,410,959) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the previous year's earnings per share includes the issued share capital of the Company of 510,000,000 shares, based on the assumption that 510,000,000 shares, which were in issue at the date of the Prospectus, had been in issue throughout 2002. The weighted average number of shares used in the previous year's earnings per share calculation also includes the 190,000,000 new shares issued by way of placing in connection with the public listing of the Company's shares on 12 December 2002.

Diluted earnings per share amounts for the years ended 31 December 2003 and 2002 have not been calculated because no diluting events existed during these years.

# Notes to Financial Statements

31 December 2003

## 14. PROPERTY AND EQUIPMENT

### Group

	<b>Buildings</b> <i>RMB</i>	<b>Equipment</b> <i>RMB</i>	<b>Total</b> <i>RMB</i>
Cost:			
At 1 January 2003	32,818,854	4,740,447	37,559,301
Additions	–	1,146,141	1,146,141
	<u>32,818,854</u>	<u>5,886,588</u>	<u>38,705,442</u>
At 31 December 2003	<u>32,818,854</u>	<u>5,886,588</u>	<u>38,705,442</u>
Accumulated depreciation:			
At 1 January 2003	692,842	1,124,529	1,817,371
Depreciation provided during the year	1,039,726	971,452	2,011,178
	<u>1,732,568</u>	<u>2,095,981</u>	<u>3,828,549</u>
At 31 December 2003	<u>1,732,568</u>	<u>2,095,981</u>	<u>3,828,549</u>
Net book value:			
At 31 December 2003	<u>31,086,286</u>	<u>3,790,607</u>	<u>34,876,893</u>
At 31 December 2002	<u>32,126,012</u>	<u>3,615,918</u>	<u>35,741,930</u>

# Notes to Financial Statements

31 December 2003

## 14. PROPERTY AND EQUIPMENT *(Continued)*

### Company

	<b>Buildings</b> <i>RMB</i>	<b>Equipment</b> <i>RMB</i>	<b>Total</b> <i>RMB</i>
Cost:			
At 1 January 2003	32,818,854	2,135,095	34,953,949
Additions	–	846,141	846,141
	<u>32,818,854</u>	<u>2,981,236</u>	<u>35,800,090</u>
At 31 December 2003	<u>32,818,854</u>	<u>2,981,236</u>	<u>35,800,090</u>
Accumulated depreciation:			
At 1 January 2003	692,842	477,583	1,170,425
Depreciation provided during the year	1,039,726	476,435	1,516,161
	<u>1,732,568</u>	<u>954,018</u>	<u>2,686,586</u>
At 31 December 2003	<u>1,732,568</u>	<u>954,018</u>	<u>2,686,586</u>
Net book value:			
At 31 December 2003	<u>31,086,286</u>	<u>2,027,218</u>	<u>33,113,504</u>
At 31 December 2002	<u>32,126,012</u>	<u>1,657,512</u>	<u>33,783,524</u>

On 25 April 2002, the Company signed a sale and purchase agreement (the "S&P Agreement") with its holding company, MIICMD, to purchase the ninth and tenth floors of the CCID Plaza in Beijing at a total consideration of RMB32,818,854, including deed tax of RMB1,262,264.

# Notes to Financial Statements

31 December 2003

## 14. PROPERTY AND EQUIPMENT *(Continued)*

MIICMD has obtained a mortgage loan facility from a PRC commercial bank (the "Mortgage Bank") by pledging the entire block of CCID Plaza with the Mortgage Bank. The Mortgage Bank was advised of the above sale by MIICMD and a written consent was obtained from the Mortgage Bank. Although the administrative procedures of applying for the ownership certificates of the CCID Plaza from relevant government authorities by MIICMD are in progress, according to the PRC legal opinion obtained from the Company's legal counsel, there is not expected to be any legal obstacle for MIICMD to obtain good title over the CCID Plaza. Pursuant to the S&P Agreement, MIICMD has committed to make all necessary arrangements for the transfer of the ownership certificate of the ninth and tenth floors to the Company once its title over the CCID Plaza and the Mortgage Bank's approval of the transfer are obtained or upon the settlement of all outstanding principal and interest by MIICMD of the mortgage loan relating to the said floors of the CCID Plaza. However, if MIICMD is in default of the terms as set out in the respective mortgage loan agreement with the Mortgage Bank, the Mortgage Bank has the right to sell CCID Plaza and apply the proceeds to settle all outstanding amounts due to the Mortgage Bank by MIICMD. Should this event occur, pursuant to the S&P Agreement, MIICMD has committed to repay to the Company the consideration received from the Company in respect of the purchase within seven days without interest (the "MIICMD Undertaking"). In addition, pursuant to an undertaking letter dated 30 September 2002, supplemented by a confirmation and executed by CCID, the ultimate holding company of MIICMD and the Company, CCID has undertaken to utilise its own financial resources and procure members of the CCID Group to utilise their respective financial resources to honour the MIICMD Undertaking should MIICMD fail to honour such an undertaking itself. As at 31 December 2003, the Company had settled a total sum of RMB22,089,613 (2002: RMB16,902,233) to MIICMD relating to the purchase of the ninth and tenth floors of the CCID Plaza. The ninth and tenth floors of the CCID Plaza are currently being occupied by the Group as offices and for other ancillary purposes.

# Notes to Financial Statements

31 December 2003

## 15. INFORMATION DATABASE

An information database is stored in computer systems and provides data for the provision of consulting services.

### Group

	<i>RMB</i>
Cost:	
At 1 January 2003 and 31 December 2003	<u>38,268,201</u>
Accumulated amortisation:	
At 1 January 2003	4,847,306
Provided during the year	<u>3,635,479</u>
At 31 December 2003	<u>8,482,785</u>
Net book value:	
At 31 December 2003	<u><u>29,785,416</u></u>
At 31 December 2002	<u><u>33,420,895</u></u>

## 16. INTEREST IN A SUBSIDIARY

	<b>Company</b>	
	<b>2003</b>	2002
	<i>RMB</i>	<i>RMB</i>
Equity interests, at cost	<b>43,952,021</b>	43,952,021
Due to a subsidiary	<b><u>(13,550,727)</u></b>	<u>(8,496,933)</u>
	<b><u><u>30,401,294</u></u></b>	<u><u>35,455,088</u></u>

The amount due to a subsidiary is interest-free, unsecured and does not have any fixed repayment terms. The amount due to a subsidiary is not repayable within 1 year from the balance sheet date.



# Notes to Financial Statements

31 December 2003

## 16. INTEREST IN A SUBSIDIARY (Continued)

The Company has one subsidiary, the particulars of which are as follows:

Name	Place of incorporation and operations	Nominal value of registered capital <i>RMB</i>	Percentage of equity directly attributable to the Company	Principal activities
CCID Datasource Co., Ltd. ("CCID Data")	Beijing, PRC	50,000,000	95	Provision of data services and establishment of information database services

CCID Data was originally an associate formed by the Company on 1 August 2001. The registered capital was fully paid up on 31 July 2001. Upon its establishment, 20%, equivalent to RMB10,000,000, and 80%, equivalent to RMB40,000,000 of the registered capital of CCID Data, were contributed by the Company and Electronic Information Centre, MII ("EIC"), respectively. In October 2001, EIC transferred its entire 80% interest in CCID Data to CCID Information Industry (Group) Company Limited ("CCID Information Industry") for a consideration of RMB40,000,000, representing 80% of the then registered capital of CCID Data. On 31 October 2001, the Company further acquired from CCID Information Industry a 75% equity interest in CCID Data for a consideration of RMB33,952,021 determined with reference to the net asset value of CCID Data at 31 October 2001. Subsequent to this acquisition, the Company has a 95% direct equity interest in CCID Data.

# Notes to Financial Statements

31 December 2003

## 17. ACCOUNTS RECEIVABLE

The ageing of accounts receivable is analysed as follows:

	Group	
	2003 RMB	2002 RMB
Outstanding balances with ages:		
Within 180 days	5,645,375	10,229,183
181 days – 365 days	848,057	864,084
Over 365 days	1,593,619	860,533
	<hr/>	<hr/>
	8,087,051	11,953,800
Less: Provision for doubtful debts	(900,191)	(1,024,568)
	<hr/>	<hr/>
	<u>7,186,860</u>	<u>10,929,232</u>

Included in the balance of the Group's accounts receivable at 31 December 2003 was an amount due from database information contract customers of RMB264,535 (2002: RMB1,800,000).

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

## 18. BALANCES WITH RELATED PARTIES

The balances with related parties at 31 December 2003 are interest-free, unsecured and have no fixed repayment terms.

Included in the balance of the Group's amounts due from related parties at 31 December 2003 was an aggregate amount due, arising from contract services provided of RMB10,301,453 (2002: Nil).

# Notes to Financial Statements

31 December 2003

## 19. CASH AND BANK BALANCES

	Group		Company	
	2003 RMB	2002 RMB	2003 RMB	2002 RMB
Cash and bank balances	18,100,504	50,666,956	14,798,642	42,531,423
Time deposits	32,161,000	–	32,161,000	–
	<u>50,261,504</u>	<u>50,666,956</u>	<u>46,959,642</u>	<u>42,531,423</u>

## 20. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in the balance of the Group's accrued liabilities and other payables at 31 December 2003 was an amount due to database information contract customers of RMB24,972 (2002: RMB199,532).

In addition, included in the balance of the Group's accrued liabilities and other payables at 31 December 2003 were provisions for social insurance fees and the public housing fund of RMB4,972,715 (2002: RMB4,544,991).

## 21. DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company at 31 December 2003 consisted of the amount payable to MIICMD, the immediate holding company of the Company, for the acquisition of the ninth and tenth floors of CCID Plaza (see Note 14 above). 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>4,733,487</u>
Non-current	
By 31 March 2005	1,577,830
By 31 March 2006	1,577,830
Within 10 days from the date the ownership certificate of the ninth and tenth floors of the CCID Plaza is transferred to the Company	<u>1,577,830</u>
	<u>4,733,490</u>

# Notes to Financial Statements

31 December 2003

## 21. DUE TO THE IMMEDIATE HOLDING COMPANY *(Continued)*

The amount due to the immediate holding company as at 31 December 2003 is unsecured, interest-free and has no fixed repayment terms.

## 22. ISSUED CAPITAL

### Shares

	2003 RMB	2002 RMB
Registered, issued and fully paid:		
485,900,000 (2002: 485,900,000) State legal person shares of RMB0.10 each	48,590,000	48,590,000
5,100,000 (2002: 5,100,000) legal person shares of RMB0.10 each	510,000	510,000
209,000,000 (2002: 209,000,000) H shares of RMB0.10 each	20,900,000	20,900,000
	<u>70,000,000</u>	<u>70,000,000</u>

### Share option scheme

The Company adopted a share option scheme on 20 November 2002, pursuant to which the board of directors of the Company may, at its discretion, grant options to any full-time employees of the Group to subscribe for shares in the Company, to a maximum of 30% of the Company's H shares in issue from time to time. The exercise price will be determined by the board of directors, and will not be less than the highest of: (a) the closing price of the H shares as stated in the GEM's daily quotations sheet on the date of offer, which must be a business day; (b) the average closing prices of the H shares as stated in the GEM's daily quotation sheets for the five business days immediately preceding the date of offer; and (c) the nominal value of an H share. However, employees who are Chinese nationals in Mainland China shall not be entitled to exercise the option until the current restrictions on these persons for subscribing or dealing in H shares imposed by the laws and regulations in Mainland China have been amended or removed. For the year ended and as at 31 December 2003, no options were granted to the Group's employees.

# Notes to Financial Statements

31 December 2003

## 23. RESERVES

### Company

	Capital reserve account <i>RMB</i> <i>Note (ii)</i>	Statutory reserve funds <i>RMB</i>	Discretionary reserve fund <i>RMB</i>	Retained profits <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2002	–	175,550	58,517	1,936,111	2,170,178
Profit for the year	–	–	–	10,221,851	10,221,851
Proposed final dividend	–	–	–	(7,000,000)	(7,000,000)
Transfer to statutory reserve funds ( <i>Note (i)</i> )	–	2,263,001	–	(2,263,001)	–
Issue of shares	31,350,000	–	–	–	31,350,000
Share issue expenses	(13,250,000)	–	–	–	(13,250,000)
As at 31 December 2002 and 1 January 2003	18,100,000	2,438,551	58,517	2,894,961	23,492,029
Profit for the year	–	–	–	9,960,423	9,960,423
Transfer to statutory reserve funds ( <i>Note (i)</i> )	–	1,873,037	–	(1,873,037)	–
As at 31 December 2003	<u>18,100,000</u>	<u>4,311,588</u>	<u>58,517</u>	<u>10,982,347</u>	<u>33,452,452</u>

#### Notes:

- (i) In accordance with the relevant PRC regulations applicable to PRC companies, the Company and CCID Data are required to transfer 15% of profit after tax, if any, to the statutory reserve funds. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve funds may be used to offset against the accumulated losses of the respective companies, capitalised as the Company's share capital and used to provide collective welfare benefits to the staff (Note 12). No discretionary reserve fund was appropriated for 2003 (2002: Nil).
- (ii) Capital reserve account can only be used to increase share capital.

# Notes to Financial Statements

31 December 2003

## 24. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

### Non-cash transaction

	2003 RMB	2002 RMB
Acquisition of building (see Note 14 above)	<u>–</u>	<u>15,916,621</u>

## 25. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group, nor the Company had any significant contingent liabilities.

## 26. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for one year.

As at 31 December 2003, the Group had total future minimum lease payments of RMB52,494 (2002: RMB 12,960) under non-cancellable operating leases falling due within one year.

As at 31 December 2003, the Company had total future minimum lease payments of RMB42,234 (2002: Nil) under non-cancellable operating leases falling due within one year.

## 27. COMMITMENTS

At the balance sheet date, neither the Group, nor the Company had any significant capital commitments.

# Notes to Financial Statements

31 December 2003

## 28. RELATED PARTY TRANSACTIONS

The following companies mentioned are within the organisation of CCID, the ultimate holding company of the Company, which include its subsidiaries, associates, institutions and agents under its control (the "CCID Group"). In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2003 RMB	2002 RMB
<b>Gross revenue earned before sales surtaxes</b>			
Provision for consulting services to:			
CCID	(a)	4,000,000	2,575,000
CCID Information Industry	(a)	1,500,000	–
Information Technology Training Centre, EIC, MII	(a)	1,000,000	–
China Computer Users	(a)	293,921	920,000
EIC	(a)	120,000	–
Beijing CCID Net IT Co., Ltd. ("CCID Net")	(a)	–	1,020
China Federation of IT Promotion (formerly known as "Expert Group of China IT Dynamic Market Information" and "Expert Group of China IT Market")	(a)	–	470,000
Beijing CIW Investments Co., Ltd.	(a)	–	100,000
		<b>6,913,921</b>	<b>4,066,020</b>
Provision for data management services to:			
EIC	(a)	7,970,000	1,700,000
CCID Net	(a)	164,500	–
China Electronics News	(a)	16,000	–
CCID	(a)	3,000	7,800,750
MIICMD	(a)	–	5,000,000
CCID Exposition Co., Ltd.	(a)	–	19,200
Beijing CCID Advertising Co., Ltd. ("CCID Advertising")	(a)	–	1,000
		<b>8,153,500</b>	<b>14,520,950</b>

# Notes to Financial Statements

31 December 2003

## 28. RELATED PARTY TRANSACTIONS (Continued)

	Notes	2003 RMB	2002 RMB
<b>Promotional expenses (including advertising services, and website and hyperlink services)</b>			
Advertising and promotional expenses charged by CCID Advertising	(a)	531,980	2,443,979
Promotional expenses charged by CCID Net	(a)	368,576	207,492
Translation fee charged by CCID Trans Tech Co., Ltd.	(a)	340,564	65,000
Promotional expenses charged by CCID Call Center Co., Ltd	(a)	190,676	–
Promotional expenses charged by Beijing Kanjinzhaoh File & TV Culture Communication Co., Ltd.	(a)	25,000	10,100
Website maintenance fee charged by CCID Advertising	(a)	–	150,000
Conference service fee charged by CCID Hotel	(a)	–	65,855
		<u>1,456,796</u>	<u>2,942,426</u>
<b>Other expenses</b>			
Operating lease expenses in respect of land and buildings charged by MIICMD	(a), (b)	–	2,185,290
		<u>–</u>	<u>2,185,290</u>
<b>Purchases of assets</b>			
Purchase of property from MIICMD	(a)	–	31,556,590
		<u>–</u>	<u>31,556,590</u>



# Notes to Financial Statements

31 December 2003

## 28. RELATED PARTY TRANSACTIONS *(Continued)*

*Notes:*

- (a) The Company and the related companies are within the CCID Group and are under common control of the same ultimate shareholder.
- (b) Apart from other land and buildings, the Company leased the CCID Plaza from MIICMD as its office premises for a period of two years from 1 October 2001 at a monthly rental of RMB206,000. On 25 April 2002, the Company signed an S&P Agreement with MIICMD to purchase the ninth and tenth floors of the CCID plaza (see Note 14 above). Accordingly, the rental agreements previously signed by the Group with MIICMD were terminated.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the usual course of business and charged at cost incurred plus a reasonable profit margin.

## 29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 March 2004.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Shareholders of CCID Consulting Company Limited (the “Company”) will be held at the 2nd Floor CCID Plaza, No. 66 Zizhuyuan Road, Haidian District, Beijing, The People’s Republic of China on Tuesday, 18 May 2004 at 2:00 p.m. for the following purposes:

1. To consider and approve the report of the directors of the Company for the year 2003;
2. To consider and approve the report of the Supervisory Committee of the Company for the year 2003;
3. To consider and approve the audited financial statements and the report of the auditors of the Company for the year ended 31 December 2003;
4. To consider and approve the re-appointment of Ernest & Young as auditors of the Company for the financial year ended 31 December 2004, and to authorise the Board of Directors of the Company to fix their remuneration;
5. To authorise the Board of Directors to fix Directors’ remuneration of the Company for the financial year ended 31 December 2004;
6. To review, consider and, if thought fit, pass (with or without modifications) the following resolution upon the terms set out below which will be proposed as an ordinary resolution (Note 1):

**“THAT:-**

- a) the continuing connected transactions (the “Transactions”) in respect of the provision of value-added services by CCID Datasource Co., Ltd (“CCID Data”), a subsidiary of the Company, to China Center of Information Industry Development (“CCID”) and its subsidiaries, and associates, institutions, organisations, departments, agencies and other entities under its control but excluding the Group (collectively, the “CCID Group”) in relation to the development and exploration of technology systems of data banks and operation, collaborating, editing, processing and disseminating data pursuant to and as provided for and contemplated under a co-operation agreement dated 28 November 2002 (the “CCID Data Co-operation Agreement”) entered into between CCID Data and CCID (for itself and on behalf of all other members of the CCID Group); and
- b) the annual cap amounts of RMB17,655,000 and RMB19,450,000 in respect of the Transactions for the Group’s financial year ended 31 December, 2003 and 2004, respectively, be and are hereby re-approved; and

# Notice of Annual General Meeting

7. To consider and approve any motion proposed by any shareholders holding 5% or more of the shares with voting rights at such meeting, if any.

By order of the Board  
**CCID Consulting Company Limited\***  
**Zhuang Xingfang**  
*Chairman*

Beijing, the People's Republic of China  
19 March 2004

*Notes:*

1. As disclosed in the section headed "Waivers from compliance with the GEM Listing Rules" in the prospectus dated 29 November, 2002 (the "Prospectus") issued by the Company, each of the transactions contemplated under the CCID Data Co-operation Agreement (i.e., including the Transactions) constitutes a non-exempt continuing connected transactions of the Company under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and, except for a waiver granted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), is normally subject to the reporting requirements set out in Rule 20.34, the announcement requirements set out in Rule 20.35 and the shareholders' approval requirements set out in Rule 20.36 of the GEM Listing Rules.

As the Transactions were, and will continue to be, entered into in the ordinary and usual course of business of CCID Data on a continuing basis, the Directors of the Company consider that disclosure in relation to, and shareholders' approval of, each of such Transactions in full compliance with the requirements set out in the GEM Listing Rules would be impracticable and unduly burdensome, and would add unnecessary administrative costs to the Company.

Accordingly, the Company has applied for, and the Stock Exchange has granted to the Company, a conditional waiver from strict compliance with the normal disclosure and shareholders' approval requirements as required under Rules 20.35 and 20.36 of the GEM Listing Rules in respect of, among other transactions, the Transactions. The waiver was granted on the condition that, among other things:

- a) the annual cap regarding the annual sum receivable by CCID Data from the CCID Group in respect of the Transactions will not exceed RMB17,655,000 and RMB19,450,000 for the Company's financial year ended 31 December, 2003 and 2004.
- b) as each of the annual cap amounts set out in paragraph (a) above exceeds HK\$10 million, as required by Rule 20.30 of the GEM Listing Rules, the Transactions and the annual cap amounts set out in paragraph (a) above will be subject to review and re-approval by independent shareholders of the Company at the Annual General Meeting and at each subsequent annual general meeting in respect of each of the two financial years ended 31 December, 2003 and 2004 so long as the Transactions continue.

# Notice of Annual General Meeting

Based on above, pursuant to Rule 20.30 of the GEM Listing Rules, the Transactions and each of the annual cap amounts set out in paragraph (a) above are subject to review and re-approval by independent shareholders (i.e., shareholders of the Company other than members of the CCID Group) at the Annual General Meeting.

2. Shareholders whose names appear on the Company's register of shareholders at the close of business on Friday, 16 April, 2004 will be entitled to attend and vote at the Annual General Meeting.
3. The H share register of shareholders of the Company will be closed from Monday, 19 April, 2004 to Monday, 17 May, 2004 (both days inclusive), during which period no transfer of H shares will be effected. Shareholders of H shares of the Company who intend to attend the Annual General Meeting are required to lodge their respective instrument(s) of transfer and the relevant share certificate(s) to the H share registrar of the Company, Tengis Limited, by 4:00 p.m. on Friday, 16 April, 2004.
4. Any holder of the Company's shares entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint in written from one or more proxies to attend and vote at the Annual General Meeting on his behalf. A proxy need not be a shareholder of the Company.
5. A proxy form for the Annual General Meeting is enclosed. In order to be valid, the instrument appointing a proxy shall be in writing under the hand of appointer or his attorney duly authorised in writing or, if the appointer is a corporation or a legal person, it shall be under seal or under the hand of a director or an attorney duly authorised in writing.
6. The instrument appointing a proxy shall be deposited to the Company's H share registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 24 hours before the time designated for holding the Annual General Meeting or any adjournment thereof.
7. Shareholders of the Company who intend to attend the Annual General Meeting should notify (in the case of H shares shareholders) the Company's H share registrar, Tengis Limited, or (in the case of holders of domestic shares) the Company, in writing of their intention of attendance on or before Wednesday, 28th April, 2004. The written notification may be delivered by hand, by post or by fax.
8. Shareholders who attend the Annual General Meeting shall bear their own traveling and accommodation expenses.

# Notice of Annual General Meeting

9. The Company's place of business is situated at:

10th Floor, CCID Plaza  
No. 66 Zizhuyuan Road  
Haidian District  
Beijing  
The People's Republic of China  
Tel No.: 8610-88558512  
Fax No.: 8610-88559009

The address and contact details of Tengis Limited are set out as follows:

Ground Floor, Bank of East Asia Harbour View Center  
56 Gloucester Road  
Wanchai  
Hong Kong  
Tel No.: 852-29801333  
Fax No.: 852-28108185