



CCID Consulting

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

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

Interim Report

2004

CCID Consulting

CCID Consulting

CCID Consulting

CCID Consulting

CCID Consulting

CCID Consulting

CCID Consulting

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors of CCID Consulting Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## INTERIM RESULTS

The board of directors (the “Board”) of CCID Consulting Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiary (the “Group”) for the six months (the “Interim Period”) and the three months (the “Three-Month Period”) both ended 30 June 2004, together with the comparative unaudited figures for the corresponding period of last year as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Unaudited For the three months ended		Unaudited For the six months ended	
		30 June 2004 <i>RMB</i>	30 June 2003 <i>RMB</i>	30 June 2004 <i>RMB</i>	30 June 2003 <i>RMB</i>
Turnover	2	<b>18,128,206</b>	14,788,877	<b>29,531,174</b>	25,137,262
Cost of sales		<b>(7,078,980)</b>	(5,307,525)	<b>(13,187,429)</b>	(9,885,004)
Gross profit		<b>11,049,226</b>	9,481,352	<b>16,343,745</b>	15,252,258
Other revenue		<b>32,857</b>	31,079	<b>79,078</b>	55,897
Selling and distribution costs		<b>(1,132,908)</b>	(1,059,058)	<b>(1,983,698)</b>	(3,075,955)
Administrative expenses		<b>(2,283,176)</b>	(2,991,448)	<b>(4,944,992)</b>	(5,223,220)
Other operating income		–	80,000	–	170,200
Profit before tax	4	<b>7,665,999</b>	5,541,925	<b>9,494,133</b>	7,179,180
Tax	5	<b>(186,443)</b>	–	<b>(387,841)</b>	–
Profit before minority interests		<b>7,479,556</b>	5,541,925	<b>9,106,292</b>	7,179,180
Minority interests		<b>(259,005)</b>	(206,728)	<b>(216,146)</b>	(148,242)
Net profit from ordinary activities attributable to shareholders		<b>7,220,551</b>	5,335,197	<b>8,890,146</b>	<b>7,030,938</b>
Earning per share – Basic (cents)	6	<b>1.03</b>	0.76	<b>1.27</b>	1.00
Dividends	7	–	–	–	–

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2004 RMB	Audited 31 December 2003 RMB
PROPERTY AND EQUIPMENT	8	34,203,764	34,876,893
INFORMATION DATABASE	8	27,967,677	29,785,416
<b>CURRENT ASSETS</b>			
Accounts receivable	9	10,695,580	7,186,860
Due from related parties		15,800,000	10,451,453
Prepayments, deposits and other receivables		2,008,360	639,079
Cash and bank balances		46,041,166	50,261,504
		<u>74,545,106</u>	<u>68,538,896</u>
<b>CURRENT LIABILITIES</b>			
Salary and welfare payables		583,505	1,032,476
Accrued liabilities and other payables		9,798,949	8,838,893
Due to related parties		–	178,931
Due to immediate holding company	10	1,577,830	5,923,104
		<u>11,960,284</u>	<u>15,973,404</u>
<b>NET CURRENT ASSETS</b>		<u>62,584,822</u>	<u>52,565,492</u>
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<u>124,756,263</u>	<u>117,227,801</u>
<b>NON-CURRENT LIABILITIES</b>			
Due to immediate holding company	10	3,155,660	4,733,490
<b>MINORITY INTERESTS</b>		<u>2,866,541</u>	<u>2,650,395</u>
		<u>118,734,062</u>	<u>109,843,916</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital		70,000,000	70,000,000
Reserves		48,734,062	39,843,916
		<u>118,734,062</u>	<u>109,843,916</u>

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

	Share capital <i>RMB</i>	Capital reserve account <i>RMB</i>	Statutory reserve funds <i>RMB</i>	Discretionary reserve fund <i>RMB</i>	Proposed final dividend <i>RMB</i>	Retained profits <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2003	70,000,000	18,609,965	2,438,551	58,517	7,000,000	6,759,938	104,866,971
Profit for the period	-	-	-	-	-	7,030,938	7,030,938
Dividend	-	-	-	-	(7,000,000)	-	(7,000,000)
As at 30 June 2003	<u>70,000,000</u>	<u>18,609,965</u>	<u>2,438,551</u>	<u>58,517</u>	<u>-</u>	<u>13,790,876</u>	<u>104,897,909</u>
As at 1 January 2004	70,000,000	18,609,965	4,311,588	58,517	-	16,863,846	109,843,916
Profit for the period	-	-	-	-	-	8,890,146	8,890,146
As at 30 June 2004	<u>70,000,000</u>	<u>18,609,965</u>	<u>4,311,588</u>	<u>58,517</u>	<u>-</u>	<u>25,753,992</u>	<u>118,734,062</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June 2004</b>	30 June 2003
	<i>RMB</i>	<i>RMB</i>
Net cash inflow from operating activities	<u>787,065</u>	4,696,983
Net cash outflow from investing activities	<u>(273,916)</u>	(424,560)
Net cash outflow from financing activities	<u>(4,733,487)</u>	(5,187,380)
Decrease in cash and cash equivalents	<u>(4,220,338)</u>	(914,957)
Cash and cash equivalents at beginning of period	<u>50,261,504</u>	50,666,956
Cash and cash equivalents at end of period	<u><u>46,041,166</u></u>	<u><u>49,751,999</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><u>46,041,166</u></u>	<u><u>49,751,999</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

The accounting policies and basis of preparation of the unaudited consolidated results are consistent with those used in the annual financial statements for the year ended 31 December 2003.

## 2. TURNOVER

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

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

## 3. SEGMENT INFORMATION

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

- (a) the market research segment provides two kinds of services: standard research on specific sectors and tailor-made research;
- (b) the data information management segment mainly includes the supply and provision of data information products and services, government data information management solutions and total enterprise information management solutions; and

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

	Unaudited Market Research Services		Unaudited Data Information Management Services		Unaudited Management Consultancy Services		Unaudited Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	For the six months ended 30 June							
REVENUE								
Sales to external customers	<b>18,394,735</b>	14,324,216	<b>9,023,513</b>	7,474,830	<b>2,112,926</b>	3,338,216	<b>29,531,174</b>	25,137,262
RESULTS								
Segment results	<b>10,983,445</b>	9,067,780	<b>4,307,109</b>	2,953,409	<b>(652,067)</b>	1,122,012	<b>14,638,487</b>	13,143,201
Unallocated expenses							<b>(5,223,432)</b>	(6,019,918)
Interest income							<b>79,078</b>	55,897
Profit before tax							<b>9,494,133</b>	7,179,180
Tax							<b>(387,841)</b>	–
Profit before minority interests							<b>9,106,292</b>	7,179,180
Minority interests							<b>(216,146)</b>	(148,242)
Net profit from ordinary activities attributable to shareholder							<b>8,890,146</b>	7,030,938

#### 4. PROFIT BEFORE TAX

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

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>30 June 2004</b>	<b>30 June 2003</b>	<b>30 June 2004</b>	<b>30 June 2003</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Staff costs (excluding directors remuneration)	<b>4,522,931</b>	3,333,348	<b>8,754,987</b>	7,402,642
Depreciation of property and equipment	<b>517,991</b>	476,713	<b>1,026,123</b>	997,017
Amortisation of an information database	<b>908,870</b>	908,870	<b>1,817,739</b>	1,817,739
Interest income	<b>(32,857)</b>	(24,818)	<b>(79,078)</b>	(55,897)

#### 5. TAX

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>30 June 2004</b>	<b>30 June 2003</b>	<b>30 June 2004</b>	<b>30 June 2003</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
PRC corporate income tax	<b>186,443</b>	–	<b>387,841</b>	–

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2004 (six months ended 30 June 2003: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the period.

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



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

There was no unprovided deferred tax with respect to the six months ended 30 June 2004 (six months ended 30 June 2003: Nil).

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2004 was based on the net profit from ordinary activities attributable to shareholders of RMB8,890,146 (six months ended 30 June 2003: RMB7,030,938) and the weighted average of 700,000,000 (six months ended 30 June 2003: 700,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2004 and 2003 have not been calculated because no diluting events existed during these periods.

## 7. DIVIDEND

The Board does not recommend payment of a dividend for the six months ended 30 June 2004 (six months ended 30 June 2003: Nil).

## 8. CAPITAL EXPENDITURE

	<b>Property and equipment</b> <i>RMB</i>	<b>Information database</b> <i>RMB</i>
For the six months ended 30 June 2004		
Net book value as at 1 January 2004	34,876,893	29,785,416
Additions	352,994	–
Depreciation/amortization	(1,026,123)	(1,817,739)
Net book value as at 30 June 2004	<u>34,203,764</u>	<u>27,967,677</u>

## 9. ACCOUNTS RECEIVABLE

The ageing of accounts receivable is analysed as follows:

	<b>Unaudited 30 June 2004 RMB</b>	Audited 31 December 2003 RMB
Outstanding balances with ages:		
Within 180 days	<b>6,839,337</b>	5,645,375
181 days – 365 days	<b>3,927,712</b>	848,057
Over 365 days	<b>639,722</b>	1,593,619
	<b>11,406,771</b>	8,087,051
Less: Provision for doubtful debts	<b>(711,191)</b>	(900,191)
	<b><u>10,695,580</u></b>	<b><u>7,186,860</u></b>

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

## 10. DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company at 30 June 2004 consisted of the amount payable to the Research Centre of Computer and Microelectronics Development (“Research Centre”), the immediate holding company of the Company, for the acquisition of the 9th and 10th floors of CCID Plaza (see Note 14 of annual accounts of the Company for the year ended 31 December 2003). 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 2005	<b><u>1,577,830</u></b>
Non-current	
By 31 March 2006	1,577,830
Within 10 days from the date of ownership certificate of the 9th and 10th floors of the CCID Plaza is transferred to the Company	<b><u>1,577,830</u></b>
	<b><u>3,155,660</u></b>

## 11. RELATED PARTY TRANSACTIONS

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

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
	<i>Notes</i>	<b>30 June 2004</b>	30 June 2003
		<b><i>RMB</i></b>	<i>RMB</i>
<b>Gross revenue earned before sales surtaxes</b>			
Provision for consulting services to:			
CCID	(a)	<b>6,500,000</b>	1,500
Beijing CCID Net IT Co., Ltd. (“CCID Net”)	(a)	<b>69,000</b>	–
CCID Information Industry (Group) Co., Ltd	(a)	–	1,500,000
Electronic Information Centre, MII	(a)	–	5,720,000
China Computer Users	(a)	–	8,000
		<hr/>	<hr/>
		<b><u>6,569,000</u></b>	<u>7,229,500</u>

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
		<b>30 June 2004</b>	30 June 2003
<i>Notes</i>		<b>RMB</b>	<b>RMB</b>
<b>Promotional expenses (including advertising services, and website and hyperlink services)</b>			
Design and production expenses charged by CCID Public Relationship Co., Ltd.	<i>(a)</i>	<b>2,250</b>	–
Design and production expenses charged by CCID Printing Co., Ltd.	<i>(a)</i>	<b>44,585</b>	–
Promotional expenses charged by CCID Net	<i>(a)</i>	<b>68,650</b>	–
Promotional expenses charged by CCID Call Center Co., Ltd.	<i>(a)</i>	<b>38,000</b>	–
Promotional expenses charged by Beijing China Electronics News Technology Development Co., Ltd.	<i>(a)</i>	<b>50,000</b>	–
Promotional expenses charged by Beijing CCID Jingwei Culture Communication Co., Ltd.	<i>(a)</i>	<b>50,000</b>	–
Promotional expenses charged by CCID Advertising	<i>(a)</i>	–	529,980
Translation fee charged by Research Centre	<i>(a)</i>	–	340,156
		<b><u>253,485</u></b>	<b><u>870,136</u></b>

*Notes:*

- (a) The Company and the related companies are within the CCID Group and are under common control of the same ultimate shareholder.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Set out below is a comparison between the Group's actual business progress up to 30 June 2004 and its business objectives as stated in the prospectus of the Company dated 20 November 2002:

### **Business objectives for**

**the six months ended 30 June 2004**

**Actual business progress**

#### **– Development of new products and services**

Providing 30 kinds of Monthly Monitoring Report

Providing 126 kinds of Monthly Monitoring Report

Providing 45 kinds of Quarterly Analysis Report

Providing 99 kinds of Quarterly Analysis Report

#### **Management consultancy operations new products**

ERP – Fully upgrade knowledge data bank, continue to enhance consultancy quality, provide high standard overall consultancy services

No achievement with respect to this business objective in the first half of 2004

CRM – Fully upgrade knowledge data bank, continue to enhance consultancy quality, provide high standard overall consultancy services

No achievement with respect to this business objective in the first half of 2004

e-Government – Fully upgrade data bank, continue to enhance consultancy quality, provide high standard overall consultancy services

During the first half of 2004, the Group provided consultancy services to 5 customers in Beijing, Shanghai, Heilongjiang and Qingdao

Science park industrial planning – Maintain relationship with existing clients and attract more clients

No new project was performed in the first half of 2004

**Business objectives for  
the six months ended 30 June 2004**

**Actual business progress**

**Data information management services**

Industry data bank data information services (for such industries as computer, software, communication, network, electronics, etc) – Continue to maintain and enrich the database and further expand the scale of database service

Since the relevant new data bank has not completed yet, there is no achievement with respect to this business objective in the first half of 2004

Product data bank data information services (for such products as television, video recorder, microwave and refrigerator) – Continue to maintain and enrich the database and further expand the scale of database service

Since the relevant new data bank has not completed yet, there is no achievement with respect to this business objective in the first half of 2004

Local area data bank data information services (for such regions as Beijing, Shanghai, Guangdong, Dalian and Sichuan) – Continue to maintain and enrich the database and further expand the scale of database service

Since the relevant new data bank has not completed yet, there is no achievement with respect to this business objective in the first half of 2004

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

**Knowledge data bank**

Industry data bank (for such industries as computer, software, communications, network, electronics, etc) – Incorporate more tailor-made and user-friendly features

The Group is considering and looking for a way to build up a more economically efficient knowledge data bank

Local area data bank (for such products as television, video recorder, microwave and refrigerator) – Incorporate more tailor-made and user-friendly features

The Group is considering and looking for a way to build up a more economically efficient knowledge data bank

Product data bank (for such regions as Beijing, Shanghai, Guangdong, Dalian and Sichuan) – Incorporate more tailor-made and user-friendly features

The Group is considering and looking for a way to build up a more economically efficient knowledge data bank

**Business objectives for  
the six months ended 30 June 2004**

**Actual business progress**

**– Expansion of sales network**

Set up branches in PRC – Set up Shenyang branch

No achievement in respect of this business objective in the first half of 2004

Overseas development of agency business – set up two more agents

The Group signed an cooperation agreement with a new agent in the United States

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

**Brand-name establishment** – set up the brand name image of CCID Consulting as an international consultancy company

Through continuing increase in the number of overseas agent and holding a series of market conferences and forums in the PRC, the Group was gradually building up a brand name image of CCID Consulting as an international consultancy 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:

	<i>Notes</i>	For the six months ended 30 June 2004		From the date listed on GEM on 12 December 2002 to 30 June 2004	
		Proposed <i>HKD</i>	Actual <i>HKD</i>	Proposed <i>HKD</i>	Actual <i>HKD</i>
Development of new product and services		2,188,679	2,016,535	5,811,321	5,495,978
Setting up – databank for different industries	(a)	–	–	4,000,000	–
– simulated information platforms and demonstration centers	(b)	1,207,547	–	7,200,000	–
Expanding sales network		1,258,868	865,967	2,938,113	2,050,551
Marketing and brand name establishment		2,000,000	1,914,160	3,698,113	3,239,177
		<u>6,655,094</u>	<u>4,796,662</u>	<u>23,647,547</u>	<u>10,785,706</u>

*Notes:*

- (a) The Group is considering and looking for a way to build up a more economically efficient knowledge data bank.
- (b) The Group is considering and looking for a way to build up more economically efficient simulated information platforms and demonstration centers.
- (c) The Company currently deposits the unused funds in banks to generate interest income.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Turnover Analysis

For the six months ended 30 June 2004, the turnover by operations can be classified as follows:

	For the six months ended 30 June 2004		For the six months ended 30 June 2003	
	Turnover RMB	Percentage (approximately)	Turnover RMB	Percentage (approximately)
Market Research	18,394,735	62%	14,324,216	57%
Data Information Management	9,023,513	31%	7,474,830	30%
Management Consultancy	2,112,926	7%	3,338,216	13%
Total	<u>29,531,174</u>	<u>100%</u>	<u>25,137,262</u>	<u>100%</u>

### Business Review

For the six months ended 30 June 2004, the turnover and gross profit of the Group amounted to RMB29,531,174 and RMB16,343,745 respectively.

In terms of market research, for the six months ended 30 June 2004, the Group had issued 140 annual research reports, 25 trend and feature research reports, and it also had completed 126 monthly monitoring reports and 99 quarterly analysis reports, thus realizing a revenue of RMB18,394,735 for the six months ended 30 June 2004, which constituted approximately 62% of the Group's turnover.

In terms of data information management, relying on 35 constantly revising and advanced data-mining technique data banks, the Group had provided membership and data subscription service to over 200 customers for the six months ended 30 June 2004. 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 RMB9,023,513 for the six months ended 30 June 2004, which constituted approximately 31% of the Group's turnover.

In terms of management consultancy service, the Group has accumulated many customer resources and possessed established channels and technical support in management consultancy with its understanding and follow-up and recent trends grasp of the IT market since its formal commencement of this kind of business. Therefore, the position of the Group with respect to this kind of business can be enhanced by its strengths to promote management

efficiency of enterprises and governments, i.e. enterprise digitalization and e-government, through advanced information techniques. The Group had earned RMB2,112,926 for the six months ended 30 June 2004 in management consultancy service, which constituted approximately 7% of the Group's turnover.

### **Market Promotions and Publicity**

For the six months ended 30 June 2004, the Group enhanced efforts in market promotions and publicity. By improving its brand name and reputation, the Group had experienced rapid development. During the period the Group hosted or co-sponsored research meetings, including "China's IT Market 2004 Annual Conference", "China's Semiconductor Market 2004 Annual Conference", "China's Telecommunication Market 2004 Annual Conference", "China's Consumer Electronics 2004 Annual Conference", "China's Computer Software 2004 Forum", "China's Automobile Electronics Development 2004 Forum" and "China's e-Government Application 2004 Annual Conference" in Beijing, Shanghai and Tianjin.

### **Prospect**

The Group will put its greatest effort on promoting our management consultancy services. By bringing in professional consulting talents and training 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. The Group will keep on starting new technology product research and service.

### **Liquidity and Financial Resources**

The Group held cash and bank deposits of HK\$27,653,369, RMB13,784,849 and USD337,564 as at 30 June 2004. During the period, 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.

### **Significant Investment**

The Group has no significant investment during the six months ended 30 June 2004.

### **Future Plans for Material Investments**

The Group has no plan for material investment other than those set out in the Company's prospectus dated 29 November 2002.

## Material Acquisitions and Disposals

The Group has no material acquisition or disposal during the six months ended 30 June 2004.

## Staff

As at 30 June 2004, the Group has 230 employees.

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.

## Capital Structure

The capital structure as at 30 June 2004 is summarized below:

	<i>RMB</i>	<i>Percentage</i>
Capital and Reserves	118,734,062	98%
Minority Interests	2,866,541	2%
Total	<u>121,600,603</u>	<u>100%</u>

## Contingent Liabilities

As at 30 June 2004, the Group has no contingent liabilities (as at 31 December 2003: Nil).

## Pledge of Assets

As at 30 June 2004, the Group did not have any pledged assets.

## Gearing Ratio

As at 30 June 2004, the Group's gearing ratio was about 13%, calculated by dividing total liability by total net assets.

## 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.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30 June 2004, the interests and short positions of the directors and supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 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.

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

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

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

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 20 November 2002. A summary of principle terms and conditions of the share option scheme are set out in the section headed "Summary of principle terms of the share option scheme" in Appendix IV of the prospectus of the Company dated 29 November 2002. Up to 30 June 2004, no option has been granted pursuant to this share option scheme.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

As at 30 June 2004, the following persons (other than the directors and supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### Long positions in shares

Name	Capacity	Nature of interest	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of issued share capital
China Center of Information Industry Development ("CCID") (note 1)	Interest of controlled corporation	Corporate	485,900,000 domestic shares	98.96%	69.41%
Research Centre of Computer and Microelectronics Development, MII ("Research Centre") (note 1)	Beneficial owner	Corporate	392,610,000 domestic shares	79.96%	56.09%
Beijing CCID Riyue Investment Co., Ltd. (note 1)	Beneficial owner	Corporate	93,290,000 domestic shares	19.00%	13.32%

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

Name	Capacity	Nature of interest	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of issued share capital
Lam William Ka Chung (note 5)	Interest of controlled corporation	Personal	14,710,000 H shares	7.04%	2.10%
Lam Wong Yuk Sin Mary (note 5)	Interest of controlled corporation	Personal	14,710,000 H shares	7.04%	2.10%
Kingsway International Holdings Limited (note 5)	Interest of controlled corporation	Corporate	14,710,000 H shares	7.04%	2.10%
Kingsway Securities Holdings Limited (note 5)	Interest of controlled corporation	Corporate	14,710,000 H shares	7.04%	2.10%
Kingsway Financial Services Limited (note 5)	Beneficial owner	Corporate	14,710,000 H shares	7.04%	2.10%

*Notes:*

1. CCID, through Research Centre (which is controlled by, and under the supervision of, CCID) and Beijing CCID Riyue Investment Co., Ltd. (which is, directly and indirectly, wholly-owned by CCID) have effective interests in the Company comprising the 392,610,000 domestic shares held directly by Research Centre and the 93,290,000 domestic shares held directly by Beijing CCID Riyue Investment Co., Ltd.
2. Grade Win International Limited holds 20,000,000 H shares of the company. Grade Win International Limited is a wholly owned subsidiary of Legend Express Agency & Services Limited; Legend Express Agency & Services Limited is a wholly owned subsidiary of Legend Holdings (BVI) Limited; Legend Holdings (BVI) Limited is a wholly owned subsidiary of Legend Group Limited; Legend Holdings Limited holds 57.76% equity interests in Legend Group Limited; Employees' Shareholding Society of Legend Holdings Ltd holds 35.00% equity interests in Legend Holdings Limited, the above corporations are deemed to be interested in 20,000,000 H shares of the Company.
3. JF Asset Management Limited holds 10,700,000 H shares of the Company. JF International Management Inc. holds 4,300,000 H shares of the Company. J.P. Morgan Fleming Asset Management (Asia) Inc. holds 99.99% and 100% equity interests in JF Asset Management

Limited and JF International Management Inc. respectively. J.P. Morgan Fleming Asset Management (Asia) Inc. is a wholly owned subsidiary of J.P. Morgan Fleming Asset Management Holdings Inc., J.P. Morgan Fleming Asset Management (Asia) Inc. and J.P. Morgan Fleming Asset Management Holdings Inc. are deemed to be interested in 15,000,000 H shares of the Company.

4. 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.
5. Kingsway Financial Services Limited holds 14,710,000 H shares of the Company. Kingsway Financial Services Limited is a wholly owned subsidiary of Kingsway Securities Holdings Limited. Kingsway Securities Holdings Limited is a wholly owned subsidiary of Kingsway International Holdings Limited. Mr. Lam William Ka Chung and his spouse, Lam Wong Yuk Sin beneficially own or control approximately 40% equity interests in Kingsway International Holdings Limited, and are deemed to be interested in 14,710,000 H shares of the Company.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **SPONSOR'S INTERESTS**

As at 30 June 2004, the associates (as referred in Note 3 to Rule 6.35 of the GEM Listing Rules) of Kingsway Capital Limited (the "Sponsor") held 14,710,000 H shares in the Company. Save as disclosed herein, neither the Sponsor nor any of its respective directors or employees had any interest in the share capital of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or of any members of the Group.

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

## **COMPETING INTEREST**

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



## SECURITIES TRANSACTIONS BY DIRECTORS

Although the Company has not adopted any internal code of conduct regarding directors' securities transactions, it has made specific enquiry of all Directors and the Directors have confirmed that they have complied with all the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the six months ended 30 June 2004.

## AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rules 5.28 to 5.30 of the GEM Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee has two members comprising the two independent non-executive directors of the Company, namely Guo Xinping and Lu Mai. Guo Xinping is the chairman of the audit committee. The audit committee has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2004 and was of the view that the compilation of the results compiled with all applicable accounting standard and relevant regulations and laws, and made sufficient disclosure.

## COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the period.

By order of the Board  
**Zhuang Xingfang**  
Chairman

The Board comprises:

Mr. Zhuang Xingfang (*Executive Director and Chairman*)

Mr. Yang Tianxing (*Executive Director*)

Mr. Luo Wen (*Executive Director*)

Mr. Huang Yong (*Executive Director*)

Mr. Xu Jinshow (*Non-executive Director*)

Ms. Li Ying (*Non-executive Director*)

Mr. Liu Chunlu (*Non-executive Director*)

Mr. Chen Dazhi (*Non-executive Director*)

Mr. Yu Bing (*Non-executive Director*)

Mr. Zhang Xuming (*Non-executive Director*)

Mr. Guo Xinping (*Independent non-executive Director*)

Mr. Lu Mai (*Independent non-executive Director*)

Beijing, The People's Republic of China  
12 August 2004