

INTERIM
REPORT

2005



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)

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

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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.

INTERIM RESULTS

The board of directors (the “Board”) of CCID Consulting Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months (the “Interim Period”) and the three months (the “Three-Month Period”) both ended 30 June 2005, 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 2005 <i>RMB</i>	30 June 2004 <i>RMB</i>	30 June 2005 <i>RMB</i>	30 June 2004 <i>RMB</i>
Turnover	2	9,332,503	18,128,206	21,604,882	29,531,174
Cost of sales		<u>(9,305,452)</u>	<u>(7,078,980)</u>	<u>(16,581,024)</u>	<u>(13,187,429)</u>
Gross profit		27,051	11,049,226	5,023,858	16,343,745
Other revenue		84,756	32,857	101,643	79,078
Selling and distribution costs		<u>(1,167,392)</u>	<u>(1,132,908)</u>	<u>(2,428,784)</u>	<u>(1,983,698)</u>
Administrative expenses		<u>(2,508,201)</u>	<u>(2,283,176)</u>	<u>(5,234,065)</u>	<u>(4,944,992)</u>
(Loss)/profit before tax	4	<u>(3,563,786)</u>	7,665,999	<u>(2,537,348)</u>	9,494,133
Tax	5	<u>-</u>	<u>(186,443)</u>	<u>(207,249)</u>	<u>(387,841)</u>
(Loss)/profit before minority interests		<u>(3,563,786)</u>	7,479,556	<u>(2,744,597)</u>	9,106,292
Minority interests		<u>44,994</u>	<u>(259,005)</u>	<u>114,110</u>	<u>(216,146)</u>
Net (loss)/profit from ordinary activities attributable to shareholders		<u><u>(3,518,792)</u></u>	<u><u>7,220,551</u></u>	<u><u>(2,630,487)</u></u>	<u><u>8,890,146</u></u>
(Loss)/earnings per share					
– Basic (cents)	6	<u><u>(0.5)</u></u>	<u><u>1.03</u></u>	<u><u>(0.38)</u></u>	<u><u>1.27</u></u>
Dividends	7	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2005 RMB	Audited 31 December 2004 RMB
PROPERTY, EQUIPMENT AND VEHICLE	8	32,845,354	33,795,422
INFORMATION DATABASE	8	24,332,198	26,149,937
DEFERRED TAX ASSETS		97,229	97,229
CURRENT ASSETS			
Accounts receivable	9	14,515,774	14,213,088
Due from related parties		7,615,853	15,934,245
Prepayments, deposits and other receivables		1,089,294	1,007,354
Cash and bank balances		50,737,572	46,398,408
		<u>73,958,493</u>	<u>77,553,095</u>
CURRENT LIABILITIES			
Salary and welfare payables		151,249	377,123
Accrued liabilities and other payables		9,421,397	10,973,099
Due to related parties		84,537	5,000
Due to the immediate holding company	10	1,875,212	1,882,597
Tax payable		-	334,559
		<u>11,532,395</u>	<u>13,572,378</u>
NET CURRENT ASSETS		<u>62,426,098</u>	<u>63,980,717</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>119,700,879</u>	<u>124,023,305</u>
NON-CURRENT LIABILITIES			
Due to the immediate holding company	10	1,577,829	3,155,659
MINORITY INTERESTS		<u>2,751,030</u>	<u>2,865,139</u>
		<u>115,372,020</u>	<u>118,002,507</u>
CAPITAL AND RESERVES			
Issued capital		70,000,000	70,000,000
Reserves		45,372,020	48,002,507
		<u>115,372,020</u>	<u>118,002,507</u>

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

	Issued share capital <i>RMB</i>	Capital reserve account <i>RMB</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 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>25,753,992</u>	<u>118,734,062</u>
As at 1 January 2005	70,000,000	18,609,965	5,520,820	58,517	23,813,205	118,002,507
(Loss) for the period	-	-	-	-	(2,630,487)	(2,630,487)
As at 30 June 2005	<u>70,000,000</u>	<u>18,609,965</u>	<u>5,520,820</u>	<u>58,517</u>	<u>21,182,718</u>	<u>115,372,020</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	For the six months ended	
	30 June 2005	30 June 2004
	<i>RMB</i>	<i>RMB</i>
Net cash inflow from operating activities	<u>4,539,977</u>	787,065
Net cash outflow from investing activities	<u>(200,813)</u>	(273,916)
Net cash outflow from financing activities	-	(4,733,487)
Increase/(decrease) in cash and cash equivalents	4,339,164	(4,220,338)
Cash and cash equivalents at beginning of period	<u>46,398,408</u>	50,261,504
Cash and cash equivalents at end of period	<u>50,737,572</u>	<u>46,041,166</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>50,737,572</u>	<u>46,041,166</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 Group’s unaudited consolidated results have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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 2004.

2. TURNOVER

The Company is principally engaged in the provision of market research and management consultancy services. The principal activities of the subsidiaries comprise the provision of data information management and public relationship 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 Others		Unaudited Total	
	For the six months ended 30 June									
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
REVENUE										
Sales to external customers	15,133,893	18,394,735	2,504,112	9,023,513	3,254,004	2,112,926	712,873	-	21,604,882	29,531,174
RESULTS										
Segment results	5,372,071	10,983,445	(2,370,992)	4,307,109	(782,244)	(652,067)	365,378	-	2,584,213	14,638,487
Unallocated expenses									(5,223,204)	(5,223,432)
Interest income									101,643	79,078
(Loss)/profit before tax									(2,537,348)	9,494,133
Tax									(207,249)	(387,841)
(Loss)/profit before minority interests									(2,744,597)	9,106,292
Minority interests									114,110	(216,146)
Net (loss)/profit from ordinary activities attributable to shareholders									<u>(2,630,487)</u>	<u>8,890,146</u>

4. (LOSS)/PROFIT BEFORE TAX

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

	Unaudited		Unaudited	
	For the three months ended		For the six months ended	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Staff costs (excluding directors remuneration)	5,266,150	4,522,931	10,617,576	8,754,987
Depreciation of property, equipment and vehicle	593,258	517,991	1,150,881	1,026,123
Amortization of an information database	908,869	908,870	1,817,739	1,817,739
Interest income	(84,756)	(32,857)	(101,643)	(79,078)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. TAX

	Unaudited		Unaudited	
	For the three months ended		For the six months ended	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
PRC corporate income tax	—	186,443	207,249	387,841
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 2005 (six months ended 30 June 2004: 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 a 50% reduction in corporate income tax for the period between 1 January 2004 and 31 December 2006.

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 for the period between 1 January 2002 and 31 December 2004. CCID Data can further apply for a 50% reduction in corporate income tax for a period of

three years prior to 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 Shiji Exhibition Co., Ltd. (“CCID Exhibition”) and CCID Chuangxin Marketing Co., Ltd. (“CCID Marketing”), the Company’s two subsidiaries established in the PRC, were incorporated in 2004. Pursuant to the Income Tax Law in the PRC, CCID Exhibition and CCID Marketing are subject to corporate income tax at a rate of 33%.

There was no unprovided deferred tax with respect to the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss) per share for the six months ended 30 June 2005 was based on the net (loss) from ordinary activities attributable to shareholders of RMB(2,630,487) (six months ended 30 June 2004: RMB8,890,146) and the weighted average of 700,000,000 (six months ended 30 June 2004: 700,000,000) ordinary shares in issue during the period.

Diluted (loss)/earnings per share amounts for the six months ended 30 June 2005 and 2004 have not been calculated because no diluting events existed during these periods.

7. DIVIDENDS

The Board does not recommend payment of a dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

8. CAPITAL EXPENDITURE

	Property, equipment and vehicle	Information database
	<i>RMB</i>	<i>RMB</i>
For the six months ended 30 June 2005		
Net book value as at 1 January 2005	33,795,422	26,149,937
Additions	200,813	–
Depreciation/amortization	<u>(1,150,881)</u>	<u>(1,817,739)</u>
Net book value as at 30 June 2005	<u><u>32,845,354</u></u>	<u><u>24,332,198</u></u>

9. ACCOUNTS RECEIVABLE

The ageing of accounts receivable is analysed as follows:

	Unaudited	Audited
	30 June 2005	31 December 2004
	<i>RMB</i>	<i>RMB</i>
Outstanding balances with ages:		
Within 180 days	6,333,280	11,991,386
181 days – 365 days	7,876,673	1,265,164
Over 365 days	1,860,387	2,511,103
	<u>16,070,340</u>	<u>15,767,653</u>
Less: Provision for doubtful debts	<u>(1,554,566)</u>	<u>(1,554,565)</u>
	<u><u>14,515,774</u></u>	<u><u>14,213,088</u></u>

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

10. DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company at 30 June 2005 included 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 2004). The amount payable is interest-free and repayable according to the following schedule in accordance with the terms of the relevant property purchase agreement:

RMB

Current

By 31 March 2006

1,577,830

Non-current

Within 10 days from the date of ownership certificate
of the 9th and 10th floors of the CCID Plaza
is transferred to the Company

1,577,829

11. RELATED PARTY TRANSACTIONS

The following companies mentioned are within the organization of China Centre of Information Industry Development (“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 this report, the Group had the following material transactions with related parties during the period:

		Unaudited	
		For the six months ended	
	<i>Notes</i>	30 June 2005	30 June 2004
		<i>RMB</i>	<i>RMB</i>
Gross revenue earned before sales surtaxes			
Provision for consulting services to:			
CCID	<i>(a)</i>	9,450	6,500,000
Beijing CCID Net IT Co., Ltd. (“CCID Net”)	<i>(a)</i>	38,078	69,000
China Information World	<i>(a)</i>	100,000	–
		<u>147,528</u>	<u>6,569,000</u>
Promotional expenses (including advertising services, and website and hyperlink services)			
Design and production expenses charged by CCID Public Relationship Co., Ltd.	<i>(a)</i>	19,877	2,250
Design and production expenses charged by CCID Printing Co., Ltd.	<i>(a)</i>	–	44,585
Promotional expenses charged by CCID Net	<i>(a)</i>	–	68,650
Promotional expenses charged by CCID Call Center Co., Ltd.	<i>(a)</i>	319,481	38,000
Promotional and translation expenses charged by Beijing China Electronics News Technology Development Co., Ltd.	<i>(a)</i>	333,468	50,000
Promotional expenses charged by Beijing CCID Jingwei Culture Communication Co., Ltd.	<i>(a)</i>	–	50,000
Promotional expenses charged by China Software Testing Centre	<i>(a)</i>	5,000	–
Promotional expenses charged by CCID Information Industry (Group) Co., Ltd.	<i>(a)</i>	1,820	–
		<u>679,646</u>	<u>253,485</u>

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover Analysis

For the six months ended 30 June 2005, the turnover by operations can be classified as follows:

	For the six months ended 30 June 2005		For the six months ended 30 June 2004	
	Turnover RMB	Percentage (approximately)	Turnover RMB	Percentage (approximately)
Market Research	15,133,893	70%	18,394,735	62%
Data Information Management	2,504,112	12%	9,023,513	31%
Management Consultancy	3,254,004	15%	2,112,926	7%
Others	712,873	3%	–	–
Total	<u>21,604,882</u>	<u>100%</u>	<u>29,531,174</u>	<u>100%</u>

Business Review

For the six months ended 30 June 2005, the turnover and gross profit of the Group amounted to RMB21,604,882 and RMB5,023,858 respectively. They were decreased by approximately 27% and 32% respectively, as compared to the corresponding period of last year. The decreases were mainly attributable to (1) IT market was still depressed, (2) keen competitions existed in the industry, (3) related parties transactions were minimized and (4) unsatisfactory results of new products launched during the period. Due to productions and promotions of the new products during the period, the cost of sales and selling and distribution costs were significantly increased and the Group experienced its first loss period since incorporation.

In terms of market research, for the six months ended 30 June 2005, the Group had issued 350 annual research reports, 64 trend and feature research reports, and it also had completed 14 monthly monitoring reports and 56 quarterly analysis reports, thus realizing a revenue of RMB15,133,893 for the six months ended 30 June 2005, which constituted approximately 70% of the Group's turnover. The segment's turnover was decreased by approximately 18% as compared to the corresponding period of last year. The decrease was mainly due to the demand for regular research reports was dropped under the depressing IT market and keen competitions during the period.

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 2005. 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 RMB2,504,112 for the six months ended 30 June 2005, which constituted approximately 12% of the Group's turnover. The segment's turnover was decreased by approximately 72% as compared to the corresponding period of last year. The decrease was mainly due to the minimization of related party transactions during the period.

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 RMB3,254,004 for the six months ended 30 June 2005 in management consultancy service, which constituted approximately 15% of the Group's turnover and increased by approximately 54% as compared to the corresponding period of last year.

Market Promotions and Publicity

For the six months ended 30 June 2005, the Group enhanced efforts in market promotions and publicity. During the period the Group hosted or co-sponsored research meetings, including "China's Automobile Market 2005 Annual Conference", "China's IT Market 2005 Annual Conference", "China's Semiconductor Market 2005 Annual Conference", "China's Telecommunication Market 2005 Annual Conference", "China's Consumer Electronics 2005 Annual Conference", "China IT Governance 2005 Annual Conference" and "China VSAT Market 2005 Annual Conference" in Beijing and Shanghai.

Prospect

In year 2005, the Group will strengthen and improve the present product mix, start the new technology product research and service with detailed consideration and planning, through establishing and improving the professional subdivided market research data banks, to actively promote its market research services and data information management services. The Group will also keep on bringing in professional consulting talents and to provide quality management consultancy services to our customers. The Group will continue to build on the brand name image of CCID Consulting as an international consultancy company with emphasis on both management and market consultancy.

Liquidity and Financial Resources

The Group held cash and bank deposits of HK\$26,894,706, RMB20,515,172 and USD189,049 as at 30 June 2005. 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 had adequate operating funds for its present needs.

Significant Investment

The Group has no significant investment during the six months ended 30 June 2005.

Future Plans for Material Investments

As at 30 June 2005, the Group has no future plans for material investments or capital assets.

Material Acquisitions and Disposals

The Group has no material acquisition or disposal during the six months ended 30 June 2005.

Staff

As at 30 June 2005, the Group has 220 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 2005 is summarized below:

	<i>RMB</i>	<i>Percentage</i>
Capital and Reserves	115,372,020	98%
Minority Interests	2,751,030	2%
Total	<u>118,123,050</u>	<u>100%</u>

Contingent Liabilities

As at 30 June 2005, the Group has no contingent liabilities (as at 31 December 2004: Nil).

Pledge of Assets

As at 30 June 2005, the Group did not have any pledged assets.

Gearing Ratio

As at 30 June 2005, the Group's gearing ratio was about 11%, 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, the interests of the directors in the shares 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 Issuers 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. (<i>note</i>)	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 registered interests 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 the 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 Issuers Rule 5.46 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 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 subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors and supervisors 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 2005, no option has been granted pursuant to such share option scheme.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2005, 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”) <i>(note 1)</i>	Interest of controlled corporation	Corporate	485,900,000 domestic shares	98.96%	69.41%
Research Centre of Computer and Microelectronics Development, MII (“Research Centre”) <i>(note 1)</i>	Beneficial owner	Corporate	392,610,000 domestic shares	79.96%	56.09%
Beijing CCID Riyue Investment Co., Ltd. <i>(note 1)</i>	Beneficial owner	Corporate	93,290,000 domestic shares	19.00%	13.32%
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%

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 Chase & Co. (note 3)	Investment manager and other	Corporate	14,620,000 H shares	6.99%	2.09%
J.P. Morgan Fleming Asset Management Holdings Inc. (note 3)	Investment manager	Corporate	14,620,000 H shares	6.99%	2.09%
J.P. Morgan Fleming Asset Management (Asia) Inc. (note 3)	Investment manager	Corporate	14,620,000 H shares	6.99%	2.09%
Choi Koon Shum Jonathan (note 4)	Interest of controlled corporation	Personal	14,600,000 H shares	6.99%	2.09%
Lam William Ka Chung (note 4)	Interest of controlled corporation	Personal	14,600,000 H shares	6.99%	2.09%
Lam Wong Yuk Sin Mary (note 4)	Interest of controlled corporation	Personal	14,600,000 H shares	6.99%	2.09%
Kingsway International Holdings Limited (note 4)	Interest of controlled corporation	Corporate	14,600,000 H shares	6.99%	2.09%
Kingsway Securities Holdings Limited (note 4)	Interest of controlled corporation	Corporate	13,510,000 H shares	6.46%	1.93%
Kingsway Financial Services Limited (note 4)	Beneficial owner	Corporate	13,510,000 H shares	6.46%	1.93%

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 10,420,000 H shares of the Company. JF International Management Inc. holds 4,200,000 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 Holdings Inc. is a wholly-owned subsidiary of J.P. Morgan Chase & Co.. J.P. Morgan Fleming Asset Management (Asia) Inc., J.P. Morgan Fleming Asset Management Holdings Inc. and J.P. Morgan Chase & Co. are deemed to be interested in 14,620,000 H shares of the Company.
4. Kingsway Financial Services Limited holds 13,510,000 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. Kingsway Lion Spur Technology Limited holds 1,090,000 H shares of the Company. Kingsway Lion Spur Technology Limited is a wholly-owned subsidiary of Festival Developments Limited. Festival Developments Limited is a wholly-owned subsidiary of SW Kingsway Capital Holdings Limited. World Developments Limited holds 74% equity interest in SW Kingsway Capital Holdings Limited. World Developments Limited is a wholly-owned subsidiary of Innovation Assets Limited. Innovation Assets Limited is a wholly-owned subsidiary of Kingsway International Holdings Limited. Mr. Choi Koon Shum Jonathan beneficially owns or control approximately 46% equity interest in 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. Mr. Choi Koon Shum Jonathan, Mr. Lam William Ka Chung and Lam Wong Yuk Sin are deemed to be interested in 14,600,000 H shares of the Company.

Save as disclosed above, as at 30 June 2005, 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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 2005.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rules 5.28 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 three members comprising the three independent non-executive directors of the Company, namely Guo Xinping, Lu Mai and Han Fuling. 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 2005 and was of the view that the preparation of the results has complied with all applicable accounting standards and relevant regulations and laws, and made sufficient disclosure.

CORPORATE GOVERNANCE

The Company has been organizing for Remuneration Committee and looking for candidates to be the members but has not yet been completed. The Board anticipates that the Committee will be established and the members will be appointed within the year. Save as disclosed above, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2005.

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 Jinshou (*Non-executive Director*)
Ms. Li Ying (*Non-executive Director*)
Mr. Liu Chunlu (*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*)
Mr. Han Fuling (*Independent non-executive Director*)

Beijing, The People's Republic of China
9 August 2005