



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)
(Stock Code: 08235)

INTERIM REPORT
2007

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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.

HIGHLIGHTS

- For the six months ended 30 June 2007, revenue of the Company was approximately RMB27 million, representing an increase of approximately 17% over the corresponding period in the previous year.
- Net profits from ordinary activities attributable to shareholders increased by approximately 255% as compared to the corresponding period in the previous year to approximately RMB2.93 million for the six months ended 30 June 2007.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2007.

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 2007, 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 2007 <i>RMB</i>	30 June 2006 <i>RMB</i>	30 June 2007 <i>RMB</i>	30 June 2006 <i>RMB</i>
Turnover	2	14,285,178	11,549,500	27,025,937	23,094,006
Cost of sales		(6,974,641)	(8,573,481)	(15,191,421)	(15,416,499)
Gross profit		7,310,537	2,976,019	11,834,516	7,677,507
Other revenue		103,067	20,511	115,629	114,904
Selling and distribution costs		(1,367,440)	(1,070,728)	(2,326,268)	(2,262,361)
Administrative expenses		(2,837,900)	(2,543,914)	(5,738,893)	(4,549,415)
Profits/(loss) before tax	4	3,208,264	(618,112)	3,884,984	980,635
Tax	5	(648,881)	–	(1,072,464)	(233,369)
Profits/(loss) before minority interests		2,559,383	(618,112)	2,812,520	747,266
Minority interests		52,600	27,348	119,502	79,533
Net profits/(loss) from ordinary activities attributable to shareholders		2,611,983	(590,764)	2,932,022	826,799
Earnings/(loss) per share – Basic (cents)	6	0.38	(0.1)	0.4	0.1
Dividends	7	–	–	–	–

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2007 RMB	Audited 31 December 2006 RMB
	<i>Note</i>		
PROPERTY, EQUIPMENT AND VEHICLE	8	29,512,173	29,605,616
INFORMATION DATABASE	8	16,499,240	18,316,979
DEFERRED TAX ASSETS		97,229	97,229
		<u>46,108,642</u>	<u>48,019,824</u>
CURRENT ASSETS			
Accounts receivable	9	9,143,901	5,353,614
Due from related parties		3,808,981	4,212,000
Prepayments, deposits and other receivables		1,153,068	1,571,862
Short-term investment		12,009,334	–
Cash and bank balances		57,245,733	67,476,556
		<u>83,361,017</u>	<u>78,614,032</u>
CURRENT LIABILITIES			
Salary and welfare payables		934,098	1,461,179
Accrued liabilities and other payables		9,842,285	11,539,741
Due to the immediate holding company	10	–	1,591,962
Tax payable		2,266,892	–
		<u>13,043,275</u>	<u>14,592,882</u>
NET CURRENT ASSETS		<u>70,317,742</u>	<u>64,021,150</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>116,426,384</u>	<u>112,040,974</u>
NON-CURRENT LIABILITIES			
Due to the immediate holding company	10	1,577,829	–
MINORITY INTERESTS		2,331,429	2,455,870
		<u>112,517,126</u>	<u>109,585,104</u>
CAPITAL AND RESERVES			
Issued capital		70,000,000	70,000,000
Reserves		42,517,126	39,585,104
		<u>112,517,126</u>	<u>109,585,104</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 2006	70,000,000	18,609,965	6,850,147	58,517	15,557,035	111,075,664
Profits for the period	-	-	-	-	826,799	826,799
As at 30 June 2006	<u>70,000,000</u>	<u>18,609,965</u>	<u>6,850,147</u>	<u>58,517</u>	<u>16,383,834</u>	<u>111,902,463</u>
As at 1 January 2007	70,000,000	18,609,965	7,005,874	58,517	13,910,748	109,585,104
Profits for the period	-	-	-	-	2,932,022	2,932,022
As at 30 June 2007	<u>70,000,000</u>	<u>18,609,965</u>	<u>7,005,874</u>	<u>58,517</u>	<u>16,842,770</u>	<u>112,517,126</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	For the six months ended	
	30 June 2007	30 June 2006
	<i>RMB</i>	<i>RMB</i>
Net cash inflow from operating activities	9,766,775	14,939,411
Net cash outflow from investing activities	(778,549)	(671,640)
Net cash outflow from financing activities	(12,009,334)	-
(Decrease)/increase in cash and cash equivalents	(3,021,108)	14,267,771
Cash and cash equivalents at beginning of period	60,266,841	45,999,070
Cash and cash equivalents at end of period	<u>57,245,733</u>	<u>60,266,841</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>57,245,733</u>	<u>60,266,841</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 2006.

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 consultancy 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.

- (d) the public relationship segment provides consultancy service on marketing, brand name promotion, public relationship and advertising.

	Unaudited Market Research Services		Unaudited Data Information Management Services		Unaudited Management Consultancy Services		Unaudited Public Relationship Consultancy Services		Unaudited Total	
	For the six months ended 30 June									
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
REVENUE										
Sales to external customers	15,625,522	14,737,652	1,313,439	2,494,551	7,675,345	2,610,067	2,411,631	3,251,736	27,025,937	23,094,006
RESULTS										
Segment results	6,842,324	6,499,614	575,148	(351,250)	3,360,993	1,146,991	1,056,041	382,152	11,834,516	7,677,507
Unallocated expenses									(8,065,161)	(6,811,776)
Interest income									115,629	114,904
Profits before Tax									3,884,984	980,635
									(1,072,464)	(233,369)
Profits before minority interests									2,812,520	747,266
Minority interests									119,502	79,533
Net profits from ordinary activities attributable to shareholders									2,932,022	826,799

4. PROFITS BEFORE TAX

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

	Unaudited		Unaudited	
	For the three months ended 30 June 2007	30 June 2006	For the six months ended 30 June 2007	30 June 2006
	RMB	RMB	RMB	RMB
Staff costs (excluding directors remuneration)	6,975,362	4,468,683	10,808,035	9,115,762
Depreciation of property equipment and vehicle	436,812	602,603	871,992	1,198,271
Amortization of an information database	908,869	908,869	1,817,739	1,817,739
Other Income:				
Interest income	(47,108)	(20,511)	(99,465)	(114,904)
Short-term investment income	(16,164)	–	(16,164)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. TAX

	Unaudited		Unaudited	
	For the three months ended 30 June 2007	30 June 2006	For the six months ended 30 June 2007	30 June 2006
	RMB	RMB	RMB	RMB
PRC corporate income tax	648,881	–	1,072,464	233,369
	<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 2006 (six months ended 30 June 2005: 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%.

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 a 50% reduction in corporate income tax for the period between 1 January 2005 and 31 December 2007.

On 17 July 2007, CCID Chuangxin Marketing Co., Ltd. has granted a new name called Beijing CCID Classic Public Relationship Co., Ltd. (“CCID PR”) from Beijing Company Registry Office. CCID PR and CCID Shiji Exhibition Co., Ltd. (“CCID Exhibition”), the Company’s two subsidiaries established in the PRC, were in 2004. Pursuant to the Income Tax Law in the PRC, CCID PR and CCID Exhibition are subjected to corporate income tax at a rate of 33%.

There was no unprovided deferred tax with respect to the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2007 was based on the net profit from ordinary activities attributable to shareholders of RMB2,932,022 (six months ended 30 June 2006: RMB826,799 and the weighted average of 700,000,000 (six months ended 30 June 2006: 700,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2007 and 2006 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 2007 (six months ended 30 June 2006: Nil).

8. CAPITAL EXPENDITURE

	Property equipment and vehicle <i>RMB</i>	Information database <i>RMB</i>
For the six months ended 30 June 2007		
Net book value as at 1 January 2007	29,605,616	18,316,979
Additions	778,549	–
Depreciation/amortization	(871,992)	(1,817,739)
Net book value as at 30 June 2007	<u>29,512,173</u>	<u>16,499,240</u>

9. ACCOUNTS RECEIVABLE

	Unaudited	Audited
	30 June	31 December
	2007	2006
	RMB	RMB
The ageing of accounts receivable is analysed as follows:		
Outstanding balances with ages		
Within 180 days	7,700,440	4,081,307
181 days – 365 days	1,227,334	705,493
Over 365 days	216,127	566,814
	<hr/>	<hr/>
Less: Provision for doubtful debts	9,143,901	5,353,614
	<hr/> <hr/>	<hr/> <hr/>

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 2007 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 2006). 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

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	
		30 June 2007	30 June 2006
	<i>Notes</i>	RMB	RMB
Gross revenue earned before sales surtaxes			
Provision for conference services to:			
Beijing CCID Net IT Co., Ltd. (“CCID Net”)	<i>(a)</i>	65,000	–
Promotional expenses (including advertising services, and website and hyperlink services)			
Public relationship expenses charged by			
CCID Public Relationship Co., Ltd.	<i>(a)</i>	124,764	–
Promotional expenses charged by CCID Net	<i>(a)</i>	31,435	27,990
Promotional expenses charged by			
CCID Call Center Co., Ltd.	<i>(a)</i>	162,479	73,421
Promotional and translation expenses charged			
by Beijing China Electronics			
News Technology			
Development Co., Ltd.	<i>(a)</i>	–	171,110
Promotional expenses charged by			
China Software Testing Centre	<i>(a)</i>	485,112	418,581
Data exploit and research expenses charged by			
CCID Information Industry (Group) Co., Ltd.	<i>(a)</i>	980,000	–
Promotional expenses charged by			
CCID Animated Advertising Co., Ltd.	<i>(a)</i>	–	8,000
		1,783,790	699,102

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 2007, the turnover by operations can be classified as follows:

	For the six months ended 30 June 2007		For the six months ended 30 June 2006	
	Turnover RMB	Percentage (approximately)	Turnover RMB	Percentage (approximately)
Market Research	15,625,522	58	14,737,652	64%
Data Information Management	1,313,439	5	2,494,551	11%
Management Consultancy	7,675,345	28	2,610,067	11%
Public Relationship Consultancy	2,411,631	9	3,251,736	14%
Total	<u>27,025,937</u>	<u>100</u>	<u>23,094,006</u>	<u>100%</u>

Business Review

For the six months ended 30 June 2007, the turnover and gross profit of the Group amounted to RMB27,025,937 and RMB11,834,516 respectively. They were increased by approximately 17% and 54% respectively, as compared to the corresponding period of last year. The increases were mainly attributable to (1) tightened cost control and proactive performance appraisal, (2) the management consultancy services had contributed an extra RMB5 million in the Group's turnover. Same as last year, though the Group faced (1) IT market was still depressed, (2) keen competitions existed in the industry, (3) and unsatisfactory results of new products launched during the period. The Group's turnover still increased by 17% and gross profits increased by 54%.

In terms of market research, for the six months ended 30 June 2007, the Group had issued 366 annual research reports, 19 trend and feature research reports, and it also had completed 13 monthly monitoring reports and 18 quarterly analysis reports, thus realizing a revenue of RMB15,625,522 for the six months ended 30 June 2007, which constituted approximately 58% of the Group's turnover. The segment's turnover was increased by approximately 6% as compared to the corresponding period of last year. The increase was mainly due to the tightened cost control and proactive performance appraisal 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 2007. 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 RMB1,313,439 for the six months ended 30 June 2007, which constituted approximately 5% of the Group's turnover. The segment's turnover was decreased by 47% as compared to the corresponding period of last year. The decrease was main due to its business was synergized to the management consultancy segment 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 RMB7,675,345 for the six months ended 30 June 2007 in management consultancy service, which constituted approximately 28% of the Group's turnover and increased by approximately 194% as compared to the corresponding period of last year. The increase was mainly due to the synergy effect by absorbing part of the Data Information management segments's business.

In terms of public relationship consultancy, on 17 July 2007 the Company has granted a new name called Beijing CCID Classic Public Relationship Co., Ltd. ("CCID PR"), from Beijing Company Registry Office relying on CCID Group's networking in media, the Group has build up a team of experienced staff and provided consultancy services on marketing, brand name promotion, public relationship and advertising. The revenue in public relationship consultancy was RMB2,411,631 for the six months ended 30 June 2007 which constituted approximately 9% of the Group's turnover.

Market Promotions and Publicity

For the six months ended 30 June 2006, the Group enhanced efforts in market promotions and publicity. During the period the Group hosted or co-sponsored research meetings, including, 2007 China's Small Home Appliance Market Annual Conference, 2007 China Internet Market, 2007 China Communication Market, 2007 China IT Market, China IC Market, 2007 China New Material Market, 2007 China Consuming Electronics Market, 2007 China Daily Chemical Market, 2007 China Data Management Technology Annual Conference, 2007 China Mobile Phone Industry Summit, 2007 China IP Communication Conference, 2007 Global IT Industry Development Trend Forum, 2007 China Brand Competitiveness Forum in Beijing and Shanghai.

Future Developments

In the year 2007, the Group will strengthen and improve the present product mix, enhance understanding of customers' needs, increase flexibility of the services pattern, start the new technology product research and service, through establishing and improving the professional subdivided market research data banks, to 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 and marketing consultancy services to our customers.

The Group will gradually promote the core competitive ability from primarily the market research service to both the market consultation service and the management consultation service in order to create new synergic service coordination, and will further consummate the conventional research quality control in maximizing the service value to customers. In addition, the Group will strengthen more and more business cooperation partners from both the domestic and the international markets. By the advancement of the Group's consultancy service, data collection and the marketing channel, these three stratification plans, which will strengthen the Group's overseas brand promotion dynamics, and will continue to make our Group be a well-known brand name of the China information industry.

Based from the Group's present foundation, the Group will further expand by possible acquisition of strategic synergy related business. Also, the Group will use a proactive approach to better use the RMB20 million idle fund for short-term investment purposes. Moreover, during the period the Group issued several free weekly magazine for strategic promotional purposes, which can be downloaded in the Company's website www.ccidconsulting.com.

To conclude, the Group will continue to build up the brand name image of CCID Consulting as an international consultancy company with emphasis on management and market consultancy in the field of information technology industry to establish a new well-known brand name.

Liquidity and Financial Resources

The Group held cash and bank deposits of HK\$1,507,870, RMB55,067,695 and USD8,377 as at 30 June 2007. 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 2007.

Future Plans for Material Investments

The Group is considering a possible issue of new H shares and related possible acquisitions and has engaged a financial adviser to evaluate their feasibilities. Should the Group proceed with the aforesaid transactions, the Group will strictly comply with the relevant disclosure, reporting (if applicable) and/or shareholders' approval requirements under the GEM Listing Rules.

Material Acquisitions and Disposals

The Group has no material acquisition or disposal during the six months ended 30 June 2007.

Staff

As at 30 June 2007, the Group has 147 employee.

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 2007 is summarized below:

	<i>RMB</i>	<i>Percentage</i>
Capital and Reserves	110,185,697	98%
Minority Interests	2,331,429	2%
	<hr/>	<hr/>
Total	<u>112,517,126</u>	<u>100%</u>

Contingent Liabilities

As at 30 June 2007, the Group has no contingent liabilities (as at 31 December 2006: Nil).

Pledge of Assets

As at 30 June 2007, the Group did not have any pledged assets.

Gearing Ratio

As at 30 June 2007, the Group's gearing ratio was about 11%, calculated by dividing total liability by total net assets.

Exchange Risk

The 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 = RMB0.98. In the process of pursuing business objectives, the above funds may have to be changed into Reminbi 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 2007, 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
Luo Wen	The Company	Personal	1,020,000 domestic shares	0.15%

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 2007, 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 2007, the following persons (other than the directors and supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in shares

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

Note:

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.

- 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.

Save as disclosed above, as at 30 June 2007, 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 2007.

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 comprises three members, Mr. Guo Xinping, Mr. Pan Ying Wu and Mr. Han Fuling. All of them are independent non-executive directors.

Due to the resignation of Mr. Lu Mai on 29 December 2006, the Audit Committee comprised two members until Mr. Pan Xingwu joined on 14 May 2007. Therefore, the Company failed to strictly comply with Rule 5.28 of the GEM Listing Rules which requires that a listed issuer shall establish an audit committee comprising a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2). The Audit Committee has reviewed the Group's financial statements for the period ended 30 June 2007 and has provided advice and comments thereon.

CORPORATE GOVERNANCE

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 2007.

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.

On behalf of the Board
Zhuang Xingfang
Chairman

The Board comprises:

Mr. Zhuang Xingfang (*Executive Director and Chairman*)
Mr. Luo Wen (*Executive Director*)
Mr. Li Jun (*Executive Director and Chief Executive Officer*)
Ms. Li Ying (*Non-executive Director*)
Mr. Liu Liehong (*Non-executive Director*)
Mr. Guo Xinping (*Independent non-executive Director*)
Mr. Pan Xingwu (*Independent non-executive Director*)
Mr. Han Fuling (*Independent non-executive Director*)

Beijing, The People's Republic of China
10 August 2007