

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

www.CCIDConsulting.com

2008
Interim Report



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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 2008, revenue of the Company was approximately RMB43.4 million, representing a significant increase of approximately 61% over the corresponding period in the previous year.
- Net profits from ordinary activities attributable to shareholders increased by approximately 16% as compared to the corresponding period in the previous year to approximately RMB3.4 million for the six months ended 30 June 2008.
- The increase has included a short-term investment loss of investing in PRC new issue securities and investment funds approximately RMB3.3 million, which consists of realized loss of approximately RMB3.0 million and unrealized loss of approximately RMB0.3 million.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2008.
- New free weekly reference reports can be downloaded freely from the Company website at <http://www.ccidconsulting.com/products/channel/cankao.asp> and www.cciddata.com.

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 2008, together with the comparative unaudited figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited		Unaudited	
		For the three months ended 30 June 2008	30 June 2007	For the six months ended 30 June 2008	30 June 2007
		RMB	RMB	RMB	RMB
Turnover	2	24,142,757	14,285,178	43,424,258	27,025,937
Cost of sales		(13,881,658)	(6,974,641)	(25,178,791)	(15,191,421)
Gross profit		10,261,099	7,310,537	18,245,467	11,834,516
Loss on short-term investment:					
– realised		(3,228,704)	–	(2,937,772)	–
– unrealised		2,619,109	–	(336,420)	–
Other revenue		193,309	103,067	300,815	115,629
Selling and distribution costs		(1,163,253)	(1,367,440)	(2,673,855)	(2,326,268)
Administrative expenses		(3,317,525)	(2,837,900)	(7,537,428)	(5,738,893)
Profits before tax	4	5,364,035	3,208,264	5,060,807	3,884,984
Tax	5	(1,522,566)	(648,881)	(1,766,450)	(1,072,464)
Profits before minority interests		3,841,469	2,559,383	3,294,357	2,812,520
Minority interests		36,644	52,600	101,041	119,502
Net profits from ordinary activities attributable to shareholders		<u>3,878,113</u>	<u>2,611,983</u>	<u>3,395,398</u>	<u>2,932,022</u>
Earnings per share					
– Basic (cents)	6	<u>0.55</u>	<u>0.37</u>	<u>0.49</u>	<u>0.42</u>
Dividends	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2008 RMB	Audited 31 December 2007 RMB
PROPERTY, EQUIPMENT AND			
VEHICLE	8	27,671,010	28,213,917
INFORMATION DATABASE	8	12,863,761	14,681,500
DEFERRED TAX ASSETS		97,229	97,229
		<u>40,632,000</u>	<u>42,992,646</u>
CURRENT ASSETS			
Accounts receivables	9	16,635,365	9,861,094
Due from ultimate holding company		3,070,000	3,070,000
Prepayments, deposits and other receivables		20,085,069	2,840,886
Land lease prepayment		638,181	638,181
Short-term investments		313,740	8,834,938
Cash and bank balances		64,406,781	72,906,100
		<u>105,149,136</u>	<u>98,151,199</u>
CURRENT LIABILITIES			
Accounts payables		1,101,615	903,096
Salary and welfare payables		2,739,518	1,161,935
Accrued liabilities and other payables		11,453,268	12,663,203
Due to the immediate holding company	10	1,577,829	2,102,428
Tax payables		3,440,626	2,240,301
		<u>20,312,856</u>	<u>19,070,963</u>
NET CURRENT ASSETS		<u>84,836,280</u>	<u>79,080,236</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>125,468,280</u>	<u>122,072,882</u>
CAPITAL AND RESERVES			
Issued capital		70,000,000	70,000,000
Reserves		53,193,045	49,696,601
MINORITY INTERESTS		<u>2,275,235</u>	<u>2,376,276</u>
TOTAL EQUITY		<u>125,468,280</u>	<u>122,072,882</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 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>
As at 1 January 2008	70,000,000	18,609,965	8,218,738	58,517	25,185,662	122,072,882
Profits for the period	—	—	—	—	3,395,398	3,395,398
As at 30 June 2008	<u>70,000,000</u>	<u>18,609,965</u>	<u>8,218,738</u>	<u>58,517</u>	<u>28,581,060</u>	<u>125,468,280</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	For the six months ended	
	30 June 2008	30 June 2007
	<i>RMB</i>	<i>RMB</i>
Net cash (outflow)/inflow from operating activities	(4,269,796)	9,766,775
Net cash (outflow) from investing activities	(264,750)	(778,549)
Net cash inflow/(outflow) from financing activities	11,695,594	(12,009,334)
Increase/(decrease) in cash and cash equivalents	7,161,048	(3,021,108)
Cash and cash equivalents at beginning of period	57,245,733	60,266,841
Cash and cash equivalents at end of period	<u>64,406,781</u>	<u>57,245,733</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>64,406,781</u>	<u>57,245,733</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 2007.

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		Unaudited		Unaudited		Unaudited		Unaudited	
	Market		Data Information		Management		Public		Unaudited	
	Research		Management		Consultancy		Relationship		Total	
	Services		Services		Services		Services		Total	
	For the six months ended 30 June									
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
REVENUE										
Sales to external customers	<u>26,224,406</u>	15,625,522	<u>1,558,143</u>	1,313,439	<u>13,262,186</u>	7,675,345	<u>2,379,523</u>	2,411,631	<u>43,424,258</u>	27,025,937
RESULTS										
Segment results	<u>10,955,416</u>	6,842,334	<u>729,005</u>	575,148	<u>5,649,790</u>	3,360,993	<u>911,256</u>	1,056,041	<u>18,245,467</u>	11,834,516
Unallocated expenses									<u>(10,211,283)</u>	(8,065,161)
Other revenue									<u>300,815</u>	115,629
Loss on short-term investment:										
– realised									<u>(2,937,772)</u>	–
– unrealised									<u>(336,420)</u>	–
Profits before									<u>5,060,807</u>	3,884,984
Tax									<u>(1,766,450)</u>	(1,072,464)
Profits before minority interests									<u>3,294,357</u>	2,812,520
Minority interests									<u>101,041</u>	119,502
Net profits from ordinary activities attributable to shareholders									<u><u>3,395,398</u></u>	<u><u>2,932,022</u></u>

4. PROFITS BEFORE TAX

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

	Unaudited		Unaudited	
	For the three months ended		For the six months ended	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Staff costs (excluding directors remuneration)	5,594,971	6,975,362	13,377,990	10,808,035
Depreciation of property equipment and vehicle	397,700	436,812	807,657	871,992
Amortization of an information database	908,869	908,869	1,817,739	1,817,739
Other revenue	(193,309)	(63,272)	(300,815)	(115,629)

5. TAX

	Unaudited		Unaudited	
	For the three months ended		For the six months ended	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
PRC corporate income tax	1,522,566	648,881	1,766,450	1,072,464

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 2008 (six months ended 30 June 2007: 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 a corporate income tax at a rate of 25%.

Beijing CCID Shiji Information Engineering Consulting Co., Ltd. ("CCID Info"), 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 Info is subject to a corporate income tax at a rate of 25%.

Beijing CCID Classic Public Relationship Co., Ltd. (“CCID PR”) and Beijing CCID Shiji Advertising Co., Ltd. (“CCID Advertising”), the Company’s two subsidiaries established in the PRC. Pursuant to the Income Tax Law in the PRC, CCID PR and CCID Advertising are subjected to a corporate income tax at a rate of 25%.

There was no unprovided deferred tax with respect to the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2008 was based on the net profit from ordinary activities attributable to shareholders of RMB3,395,398 (six months ended 30 June 2007: RMB2,932,022 and the weighted average of 700,000,000 (six months ended 30 June 2007: 700,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2008 and 2007 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 2008 (six months ended 30 June 2007: Nil).

8. CAPITAL EXPENDITURE

	Property equipment and vehicle RMB	Information database RMB
Net book value as at 1 January 2008	28,213,917	14,681,500
Additions	264,750	–
Depreciation/amortization	(807,657)	(1,817,739)
	<hr/>	<hr/>
Net book value as at 30 June 2008	<u>27,671,010</u>	<u>12,863,761</u>

9. ACCOUNTS RECEIVABLES

Unaudited	Audited
30 June	31 December
2008	2007
RMB	RMB

The ageing of accounts receivable is analysed as follows:

Outstanding balances with ages		
Within 180 days	10,497,127	8,723,420
181 days - 365 days	4,956,950	810,371
Over 365 days	1,181,288	327,303
	<u>16,635,365</u>	<u>9,861,094</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 as at 30 June 2008 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 2007). 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 liabilities

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 2008	30 June 2007
		RMB	RMB
Gross revenue earned before sales surtaxes			
Provision for services to:			
Beijing CCID Information Engineering Supervision Co. Ltd.	<i>(a)</i>	330,623	–
CCID	<i>(a)</i>	200,000	–
Beijing CCID Net IT Co., Ltd. (“CCID Net”)	<i>(a)</i>	–	65,000
		<u>530,623</u>	<u>65,000</u>
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
Promotional expenses charged by			
CCID Call Center Co., Ltd.	<i>(a)</i>	130,991	162,479
Promotional and translation expenses charged by			
Beijing China Electronics News Technology Development Co., Ltd.	<i>(a)</i>	411,283	–
Promotional expenses charged by			
China Software Testing Centre	<i>(a)</i>	288,300	485,112
Data exploit and research expenses charged by			
CCID Information Industry (Group) Co., Ltd.	<i>(a)</i>	–	980,000
Promotional expenses charged by			
Beijing CCID Exhibition Co., Ltd.	<i>(a)</i>	24,000	–
		<u>854,574</u>	<u>1,783,790</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 2008, the turnover by operations can be classified as follows:

	For the six months ended 30 June 2008		For the six months ended 30 June 2007	
	Turnover RMB (approximately)	Percentage	Turnover RMB (approximately)	Percentage
Market Research Service	26,224,406	60%	15,625,522	58%
Data Information				
Management Service	1,558,143	4%	1,313,439	5%
Management Consultancy Service	13,262,186	31%	7,675,345	28%
Public Relationship				
Consultancy Service	2,379,523	5%	2,411,631	9%
Total	<u>43,424,258</u>	<u>100%</u>	<u>27,025,937</u>	<u>100%</u>

Business Review

For the six months ended 30 June 2008, the turnover and gross profit of the Group amounted to RMB43,424,258 and RMB18,245,467 respectively.

In terms of market research, as at 30 June 2008, the Group had issued 358 annual research reports and it also had completed 60 quarterly analysis reports, thus realizing a revenue of RMB26,224,406 for the six months ended 30 June 2008, which constituted approximately 60% of the Group's turnover. The operation's turnover was increased by approximately 68% as compared to the corresponding period of last year, which was mainly due to rapid increase in market demand during the period.

In terms of data information management, relying on 35 constantly revising data banks and advanced data-mining technique, the Group had possessed a stable customer base as at 30 June 2008. 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 RMB1,558,143 for the six months ended 30 June 2008, which constituted approximately 4% of the Group's turnover. The operation's turnover was increased by approximately 19% as compared to the corresponding period of last year. The increase was mainly due to increased market demand of management consultancy service during the period.

In terms of management consultancy service, the Group had accumulated many customer resources and possessed established channels and technical support in management consultancy with its understanding and follow-up and recent trends grasp of the IT market since its formal commencement of this kind of business. Therefore, the position of the Group in respect of this kind of business can be enhanced by its strengths to promote management efficiency of enterprises and governments, i.e. enterprise digitalization and e-government, through advanced information techniques. The Group had earned RMB13,262,186 for the six months ended 30 June 2008 in management consultancy service, which constituted approximately 31% of the Group's turnover. The operation's turnover was increased by approximately 73% as compared to the corresponding period of last year. The increase was mainly due to increased demand of management consultancy service during the period.

In terms of public relationship, 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 marketing consultancy was RMB2,379,523 for the six months ended 30 June 2008 which constituted approximately 5% of the Group's turnover. The operation's turnover was decreased by approximately 1% as compared to the corresponding period of last year. The decrease was mainly due to a decrease in market demand on public relationship consulting during the period.

Market Promotions and Publicity

For the six months ended 30 June 2008, the Group enhanced efforts in market promotions and publicity. During the period the Group hosted or co-sponsored research meetings, including, "2008 China IDC Business Forum", "2008 China Small Electronic Appliance Market Annual Conference", "2008 China Internet Market Annual Conference", "2008 China IT Market Annual Conference", "2008 Semi Conductor Market Annual Conference", "2008 Consumerable Electronic Market Annual Conference", "2008 Communication Market Annual Conference", "2008 Brand Competitive Press Forum" in major cities like Beijing and Shanghai etc..

Future Developments

In 2008, the Group will strengthen its profitability and increase company's professional and branding competitiveness through deepening its business remodeling and enhancement, optimizing internal management system, and attracting professional talents.

The Group will enhance organizational coordination to increase Company's core business value and comprehensive competitiveness by improving data online business. The Group will further develop overseas markets and enhance business cooperation with strategic partners in United States, Japan, Korea, Singapore etc. The Group will also increase the company branding popularity and reputation through highly effective branding publicity, including a series of media advertisements, activities, and network marketing. In the meantime, the Group will further improve the system of flows in internal regulation and management; enhance the strength of quality control in study and consulting; facilitate the sharing of knowledge; and establish the evaluation and training system in its professional ability.

In sum, the Group will endeavor to deepen the branding influence of the Company in the areas of market study and management consulting in the market; expedite the development in information technology consulting and marketing consulting; establish new brands with popularity; and further enrich the product chain in consulting services, all with the goal of creating a brand group in consulting services that is well established internationally.

Liquidity and Financial Resources

The Group held cash and bank deposits of HKD35,337, RMB64,375,362 and USD46 as at 30 June 2008. 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 2008.

Material Acquisitions and Disposals

The Group has no material acquisition or disposal during the six months ended 30 June 2008.

Staff

As at 30 June 2008, the Group has 205 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 2008 is summarized below:

	<i>RMB</i>	<i>Percentage</i>
Capital and Reserves	123,193,045	98%
Minority Interests	2,275,235	2%
Total	<u>125,468,280</u>	<u>100%</u>

Contingent Liabilities

As at 30 June 2008, the Group has no contingent liabilities (as at 31 December 2007: Nil).

Pledge of Assets

As at 30 June 2008, the Group did not have any pledged assets.

Gearing Ratio

As at 30 June 2008, the Group's gearing ratio was about 16%, 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 = RMB0.88. In the process of pursuing business objectives, the above funds may have to be changed into Reminbi or other currencies, which should 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 2008, the interests and short positions of the Directors, Supervisors, and chief executive in the share capital, 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")), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of the Company:

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 an interest or short position in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 to 5.67 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 2008, 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 2008, 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%
Lam William Ka Chung (note 3)	Interest of controlled corporation	Personal	14,600,000 H shares	6.99%	2.09%
J.P. Morgan Chase & Co. (note 4)	Investment manager and other	Corporate	15,000,000 H shares	7.18%	2.13%
J.P. Morgan Fleming Asset Management Holdings Inc. (note 4)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.13%
J.P. Morgan Fleming Asset Management (Asia) Inc. (note 4)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.13%
JF Asset Management Limited (note 4)	Investment manager	Corporate	10,700,000 H shares	5.12%	1.53%

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.
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. 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. Lam William Ka Chung beneficially owns or controls approximately 40% equity interests in Kingsway International Holdings Limited. Mr. Lam William Ka Chung is deemed to be interested in 14,600,000 H Shares of the Company.
4. 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 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 15,000,000 H shares of the Company.

Save as disclosed above, as at 30 June 2008, 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 2008.

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. Mr. Guo Xinping is the Chairman of the audit committee. The Audit Committee has reviewed the Group's financial statements for the period ended 30 June 2008 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 2008.

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.

PROPOSED SPECIFIC MANDATE TO ISSUE NEW H SHARES RELATING TO A POSSIBLE PLACING OF NEW H SHARES

On 31 August 2007, the Board resolved to convene an extraordinary general meeting (the "EGM"), a class meeting of the holders of H shares (the "H shares") and a class meeting of the holders of domestic shares of the Company (together, the "Class Meetings") for the shareholders, the holders of H shares and the holders of domestic shares of the Company (collectively, the "Shareholders") to consider and approve (if thought fit) respectively the grant of a specific mandate (the "Proposed Specific Mandate") to issue new H shares to the Board. The EGM and the Class Meetings was held on 12 November 2007 and approved the Board in the grant of the Proposed Specific Mandate.

The major terms of the Proposed Specific Mandate are as follows:

- (1) to issue not more than 200,000,000 new H Shares representing not more than approximately 28.57% of the total issued share capital of the Company as at 12 November 2007;

- (2) the new H Shares will be issued at a price not more than HK\$0.60 per H Share, but in any event, the issue price should not be lower than the higher of either (i) HK\$0.25; or (ii) the latest audited net asset value per share of the Company;
- (3) the Proposed Specific Mandate is for the period from the passing of the relevant resolutions at the EGM and the Class Meetings up to the earliest of: (i) the expiration of the 12-month period following the passing of the relevant resolution(s) at the EGM and/or the Class Meetings; or (ii) the revocation or variation of the authority given under the relevant resolution(s) at the EGM and/or the Class Meetings by special resolution(s) of the Shareholders in a general or a class meeting.

Issue of new H Shares pursuant to the Proposed Specific Mandate is subject to, among other things, the obtaining of the necessary approvals from the relevant PRC regulatory authorities, including the China Securities Regulatory Commission for the issue of the new H Shares and the National Social Security Fund Council of the PRC and the State-owned Assets Supervision and Administration Commission of the State Council for the disposal of the state-owned shares. Depending on market conditions, the directors may or may not exercise the Proposed Specific Mandate (if granted) to issue new H Shares. If the directors proceed to issue and allot new H Shares pursuant to the Proposed Specific Mandate (if granted), a separate announcement will be made as required by the GEM Listing Rules.

The possible placing of new H Shares will enlarge the shareholder and capital bases of the Company and strengthen the financial position of the Group.

Should the Board, proceed to exercise the Proposed Specific Mandate to issue new H Shares, the Company will apply to the GEM Listing Committee for the listing and permission to deal in all of the new H Shares to be issued and placed pursuant to the possible placing and the H Shares converted from domestic shares involved in the disposal of the state-owned shares.

ACKNOWLEDGMENT

Hereby, 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	<i>(Executive Director and Chairman)</i>
Mr. Luo Wen	<i>(Executive Director and General Manager)</i>
Mr. Li Jun	<i>(Executive Director and Chief Executive Officer)</i>
Ms. Li Ying	<i>(Non-executive Director)</i>
Mr. Liu Liehong	<i>(Non-executive Director)</i>
Mr. Guo Xiping	<i>(Independent non-executive Director)</i>
Mr. Pan Xingwu	<i>(Independent non-executive Director)</i>
Mr. Han Fuling	<i>(Independent non-executive Director)</i>

Beijing, The People's Republic of China
1st August 2008