

# 09

First Quarterly Report

## 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 with limited liability)

(Stock Code: 08235)

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

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

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

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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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

- Unaudited turnover for the period ended 31 March 2009 was about 33% lower than the (restated) turnover for the period ended 31 March 2008, reaching RMB19,163,705.
- Unaudited gross profit for the period ended 31 March 2009 was about 40% lower than the (restated) gross profit for the period ended 31 March 2008, reaching RMB7,661,137.
- The Group recorded an unaudited (loss) attributed to equity holders of (RMB364,932), which decreased by about 120% compared with the (restated) profits attributed to equity holders for the period ended 31 March 2008. Therefore, the Group issued a profit warning notice on 5 May 2009.
- The Board does not recommend the payment of dividend for the period ended 31 March 2009.
- Free weekly reference reports can be downloaded at [http://www.cciddata.com/portal/scyj/sdcbw/A080202index\\_1.htm](http://www.cciddata.com/portal/scyj/sdcbw/A080202index_1.htm).



The board of directors (the “Board”) of CCID Consulting Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiary (the “Group”) for the three months and the three months ended 31 March 2009, together with the comparative unaudited figures for the corresponding period of last year as follows:

### Consolidated Income Statement

		<b>Unaudited</b>	
		<b>For the three months</b>	
		<b>ended 31 March</b>	
		<b>2009</b>	2008
	<i>Note</i>	<b>RMB</b>	<i>RMB</i>
			(Restated)
Turnover	2	<b>19,163,705</b>	28,735,382
Cost of sales		<b>(11,502,568)</b>	(15,950,883)
Gross profits		<b>7,661,137</b>	12,784,499
Other revenue		<b>159,092</b>	(2,522,180)
Selling and distribution costs		<b>(2,794,175)</b>	(1,990,895)
Administrative expenses		<b>(5,215,246)</b>	(5,488,877)
(Loss)/profits before tax		<b>(189,192)</b>	2,782,547
Tax	3	<b>(336,594)</b>	(409,075)
(Loss)/profits before minority interests		<b>(525,786)</b>	2,373,472
Minority interests		<b>160,854</b>	(539,078)
Net (loss)/profits from ordinary activities attributable to shareholders		<b><u>(364,932)</u></b>	<b><u>1,834,394</u></b>
(Loss)/earnings per share			
– Basic and diluted (cents)	4	<b><u>(0.05)</u></b>	<b><u>0.26</u></b>
Dividend	6	<b><u>–</u></b>	<b><u>–</u></b>

Notes:

## 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 Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (The “GEM Listing Rules”).

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 2008. The Company acquired 70% equity interest in Beijing Information Engineering Supervision Co. Ltd. (CCID Supervision) on 8 September 2008. As the major shareholder of CCID Supervision is also the major shareholder of the Company, this financial report applies AG5 (Merger Accounting for Common Control Combinations) issued by the HKICPA to account for the result of CCID Supervision in the consolidated income statement.

## 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 services, public relationship consultancy services, and the information supervision 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. TAXATION

	Unaudited For the three months ended 31 March	
	2009	2008
	RMB	RMB
		(Restated)
PRC corporate income tax	<u>336,594</u>	<u>409,075</u>

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the three months ended 31 March 2009 (three months ended 31 March 2008: 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 of 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 tax 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%.

Beijing CCID Information Engineering Supervision Co. Ltd. (“CCID Supervision”) is registered in the Beijing New Technology Enterprise Development Zone, a subsidiary of the Company and has been certified by the relevant PRC authorities as a high technology enterprise. Pursuant to the Income Tax Law of the PRC, the company is subject to a corporate income tax at a rate of 15%. As the Company is still having a 50% concessionary benefit from the PRC tax authorities, so the effective tax rate of CCID Supervision is 7.5%.

There was no unprovided deferred tax with respect to the three months ended 31 March 2009 (three months ended 31 March 2008: nil).

#### **4. (LOSS)/EARNINGS PER SHARE**

The calculation of basic earnings per share for the three months ended 31 March 2009 was based on the net (loss) from ordinary activities attributable to shareholders of and (RMB364,932) (three months ended 31 March 2008: restated net profits of RMB1,834,394) and the weighted average of 700,000,000 (three months ended 31 March 2008: 700,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the three months ended 31 March 2009 and 2008 have not been calculated because no diluting events existed during these periods.

## 5. RESERVE

	Capital reserve account <i>RMB</i>	Statutory reserve funds <i>RMB</i>	Discretionary reserve fund <i>RMB</i>	Acquisition reserve funds <i>RMB</i>	Revaluation reserve <i>RMB</i>	Retained profits <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2008 (Restated)	18,609,965	9,475,219	58,517	7,000,000	-	12,543,575	47,687,276
Profits for the period (Restated)	-	-	-	-	-	1,834,394	1,834,394
As at 31 March 2008	<u>18,609,965</u>	<u>9,475,219</u>	<u>58,517</u>	<u>7,000,000</u>	<u>-</u>	<u>14,377,969</u>	<u>49,521,670</u>
As at 1 January 2009	-	1,042,521	-	-	302,575	71,090	1,416,186
(Loss) for the period	-	-	-	-	-	(364,932)	(364,932)
As at 31 March 2009	<u>-</u>	<u>1,042,521</u>	<u>-</u>	<u>-</u>	<u>302,575</u>	<u>(293,842)</u>	<u>1,051,254</u>

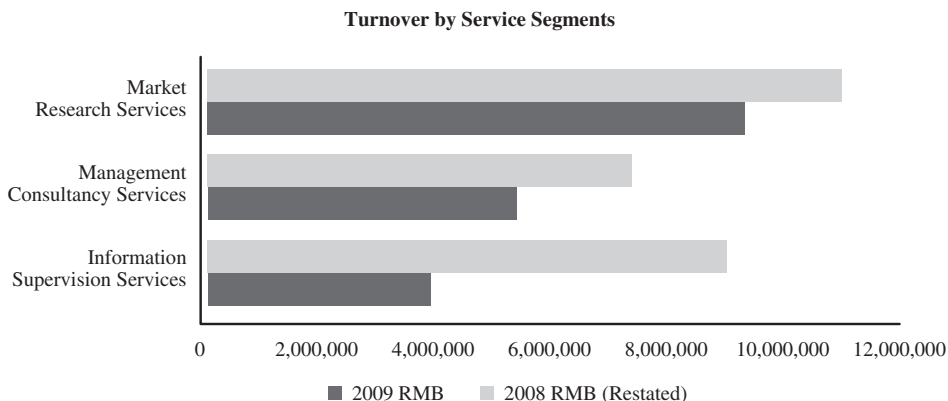
## 6. DIVIDEND

The Board does not recommend payment of a dividend for the three months ended 31 March 2009 (three months ended 31 March 2008: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Turnover Analysis

For the three months ended 31 March 2009, the turnover by operations can be classified as follows:



	For the three months ended 31 March 2009		For the three months ended 31 March 2008	
	Turnover RMB (approximately)	Percentage	Turnover RMB (Restated) (approximately)	Percentage (Restated)
Market Research Services	9,779,284	51%	11,593,300	40%
Management Consultancy Services	5,445,703	28%	7,688,201	27%
Information Supervision Services	3,938,718	21%	9,453,881	33%
<b>Total</b>	<b>19,163,705</b>	<b>100%</b>	<b>28,735,382</b>	<b>100%</b>

### Business Review

For the three months ended 31 March 2009, the turnover and gross profits of the Group amounted to RMB19,163,705 and RMB7,661,137 respectively. They were decreased by approximately 33% and 40% 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) unsatisfactory results of new products launched during the period, and (4) the rapid decline of market demand due to the recent global financial crisis. Hence, the Group's turnover decreased by 33% and gross profits decreased by 40%. Therefore, the Group issued a profit warning notice on 5 May 2009.



In terms of market research, for the three months ended 31 March 2009, the Group had issued 305 annual research reports, 30 quarterly analysis reports and 10 weekly reference reports, thus realizing a revenue of RMB9,779,284 for the three months ended 31 March 2009, which constituted approximately 51% of the Group's turnover. The segment's turnover was decreased by approximately 15% as compared to the corresponding period of last year. The decrease were mainly due to the decline of market demand in the recent financial crisis.

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 RMB5,445,703 for the three months ended 31 March 2009 in management consultancy service, which constituted approximately 28% of the Group's turnover and decreased by approximately 29% as compared to the corresponding period of last year. The decrease was mainly due to the decline of market demand.

On 8 September 2008, the Group has completed a 70% equity interest on Beijing Information Engineering Supervision Co. Ltd., which provides software, networking, telecommunication, internet safety etc, IT project quality assurance services to the PRC Government and private entities. The revenue in information supervision consultancy was RMB3,938,718 for the three months ended 31 March 2009, which constituted approximately 21% of the Group's turnover, and decreased by approximately 58%. The decrease was mainly due to the rapid decline of market demand in the recent financial crisis.

### **Market Promotions and Publicity**

For the three months ended 31 March 2009, the Group enhanced efforts in market promotions and publicity. During the period the Group hosted or co-sponsored research meetings, including, "2009 Corporate Client Fraternity Gathering", "2009 Semi Conductor Market Annual Conference", "2009 China Small Electronic Appliance Market Annual Conference", "2009 China Internet Market Annual Conference", "2009 China IT Market Annual Conference", "2009 Consumerable Electronic Market Annual Conference" and "2009 Communication Market Annual Conference" in major cities like Beijing and Shanghai etc.

### **Future Developments**

In 2009, the Group will continue to strengthen its profitability through advancing its business remodeling and improvement, strengthening the development of large customers, increasing the Company's professional and branding competitiveness and attracting professional talents.

The Group will break through important government customers by systematically advancing the business remodeling from government industry plan, analysis of investment environment competitiveness, cost analysis of attracting foreign capital, e-government evaluation and information engineering supervision. The Group will improve the construction of data channels and promote the upgrade of data online business. The Group will further develop overseas markets and enhance business cooperation with strategic partners from United States, Japan, Korea, Singapore etc. The Group will also increase the Company's branding popularity and reputation through highly effective branding publicity, including a series of media advertisements, promotion, and network marketing. In the meantime, the Group will further improve the managing standard of internal flow control; enhance the strength of quality control by facilitating the sharing of knowledge; and establish the evaluation and training system in evaluating staffs' professional ability.

The Group will endeavor to provide comprehensive services on policy research, consulting plan, information engineering supervision, media advertisement and product testing for government and society. The Group will continue to promote the competitiveness of professional ability, branding and data channels, and to deepen the branding influence of the Company in the areas of market research and management consultancy; expedite the development in information engineering consulting and public relation consulting; establish new brands with popularity; and further enrich the product chain in the field of consulting services, with the goal of creating a well-established internationally brand name in the field of professional consulting services.

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 the 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 the United States, Japan, Korea, and 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 flows in internal control and management; enhance the strength of quality control in research consulting; facilitate the sharing of professional experience and knowledge; and establish the evaluation and training standard 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; excel in the development in information technology consulting and marketing consulting; establish new brands with popularity; and further enrich the product chain in consulting services, in the focus of creating a well-known international brand name in the consulting industry.

## **DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31 March 2009, 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:

<b>Name of director</b>	<b>Company/ associated corporations</b>	<b>Nature of interests</b>	<b>Number and class of shares</b>	<b>Approximate percentage of issued share capital</b>
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.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2009, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

## 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 31 March 2009, no option has been granted pursuant to such share option scheme.

## SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2009, the following persons (other than the directors and supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### Long positions in shares

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

<b>Name</b>	<b>Capacity</b>	<b>Nature of interest</b>	<b>Number and class of shares</b>	<b>Approximate percentage in the same class of shares</b>	<b>Approximate percentage of issued share capital</b>
Employees' Shareholding Society of Legend Holdings Ltd <i>(note 2)</i>	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Legend Holdings Limited <i>(note 2)</i>	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Legend Group Limited <i>(note 2)</i>	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Legend Holdings (BVI) Limited <i>(note 2)</i>	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Legend Express Agency & Services Limited <i>(note 2)</i>	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Grade Win International Limited <i>(note 2)</i>	Beneficial owner	Corporate	20,000,000 H shares	9.57%	2.86%
Lam William Ka Chung <i>(note 3)</i>	Interest of controlled corporation	Personal	14,600,000 H shares	6.99%	2.09%
J.P. Morgan Chase & Co. <i>(note 4)</i>	Investment manager and other	Corporate	15,000,000 H shares	7.18%	2.13%
J.P. Morgan Fleming Asset Management Inc. <i>(note 4)</i>	Investment manager Holdings	Corporate	15,000,000 H shares	7.18%	2.13%
J.P. Morgan Fleming Asset Management (Asia) Inc. <i>(note 4)</i>	Investment manager	Corporate	15,000,000 H shares	7.18%	2.13%
JF Asset Management Limited <i>(note 4)</i>	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 31 March 2009, 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.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rules 5.28 to 5.33 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 Mr. Guo Xiping, Mr. Pan Xingwu and Mr. Han Fuling. Mr. Guo Xiping is the chairman of the audit committee. The audit committee has reviewed the Group's unaudited consolidated results for the three months ended 31 March 2009 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 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 three months ended 31 March 2009.

## **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.

## **SUBSEQUENT EVENT: PROPOSED SPECIFIC MANDATE TO ISSUE NEW H SHARES RELATING TO A POSSIBLE PLACING OF NEW H SHARES**

On 9 September 2008, 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 will be held on 24 November 2008.

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 24 November 2008;
- (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, upon obtaining the Proposed Specific Mandate, 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.



## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has complied with the public float requirement under Rule 11.23 of the GEM Listing Rules.

## COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation in the accordance with the HKICPA AG 5 guideline.

## 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.

By order of the Board  
**Mr. Liu Lichong**  
*Chairman*

*The Board comprises:*

Mr. Luo Wen	<i>(Executive Director and General Manager)</i>
Mr. Li Jun	<i>(Executive Director and Chief Executive Officer)</i>
Mr. Lv Guo Ying	<i>(Executive Director and Deputy General Manager)</i>
Mr. Liu Lichong	<i>(Non-executive Director and Chairman)</i>
Mr. Wang Peng	<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  
15 May 2009