

09

Interim 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)
(Stock Code: 08235)

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

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This report, for which the directors of CCID Consulting Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to CCID Consulting Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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

- For the six months ended 30 June 2009, revenue of the Company was approximately RMB43.5 million, representing a decrease of approximately 30% over the corresponding period (restated) in the previous year.
- Net profits from ordinary activities attributable to shareholders decreased by approximately 71% as compared to the corresponding period (restated) in the previous year to approximately RMB2.3 million for the six months ended 30 June 2009.
- The Directors do not recommend the payment of any dividend for the six months ended 30 June 2009.
- New free reference reports can be downloaded freely from the Company website at <http://www.ccidconsulting.com/products/channel/cankao.asp>.



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 2009, together with the comparative unaudited figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited		Unaudited	
		For the three months ended 30 June 2009	30 June 2008	For the six months ended 30 June 2009	30 June 2008
		RMB	RMB (Restated)	RMB	RMB (Restated)
Turnover	2	24,317,553	33,596,638	43,481,258	62,332,020
Cost of sales	3	(13,984,332)	(18,535,409)	(25,486,900)	(34,486,292)
Gross profit		10,333,221	15,061,229	17,994,358	27,845,728
Other revenue/(other losses)		6,908	(381,373)	166,000	(2,903,554)
Selling and distribution costs		(2,460,175)	(1,643,547)	(5,254,350)	(3,634,441)
Administrative expenses		(4,393,777)	(4,586,500)	(9,609,023)	(10,075,377)
Profits before tax	4	3,486,177	8,449,809	3,296,985	11,232,356
Tax	5	(654,128)	(1,687,757)	(990,722)	(2,096,832)
Profits before minority interests		2,832,049	6,762,052	2,306,263	9,135,524
Minority interests		(201,463)	(566,831)	(40,609)	(1,105,909)
Net profits from ordinary activities attributable to shareholders		<u>2,630,586</u>	<u>6,195,221</u>	<u>2,265,654</u>	<u>8,029,615</u>
Earnings per share – Basic (cents)	6	<u>0.38</u>	<u>0.89</u>	<u>0.32</u>	<u>1.15</u>
Dividends	7	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2009 RMB	Audited 31 December 2008 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	8	11,936,648	11,376,714
Land lease prepayments		15,573,797	15,892,888
Intangible assets	8	15,000,000	15,000,000
Long term investments		1,990,000	1,990,000
		44,500,445	44,259,602
CURRENT ASSETS			
Accounts receivables and accrued assets	9	38,345,566	33,850,521
Due from related parties	9	22,394	22,394
Due from ultimate holding company	9	980,000	980,000
Prepayments, deposits and other receivables		5,354,475	6,062,539
Land lease prepayments		319,090	638,181
Short-term investments		241,080	213,570
Cash and Cash equivalents		24,861,640	31,248,911
		70,124,245	73,016,116
CURRENT LIABILITIES			
Accounts payables and accrued liabilities	10	7,449,368	8,832,187
Accrued salary and welfare		3,862,572	1,457,107
Accruals and other payables		8,576,220	15,913,104
Due to the immediate holding company	11	1,577,829	2,145,819
Current tax liabilities		2,361,361	1,184,627
		23,827,350	29,532,844
NET CURRENT ASSETS		46,296,895	43,483,272
NET ASSETS		90,797,340	87,742,874
EQUITY			
Issued capital		70,000,000	70,000,000
Reserves		11,699,363	8,906,186
Minority interests		9,097,977	8,836,688
TOTAL EQUITY		90,797,340	87,742,874

**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 funds <i>RMB</i>	Revaluation reserve funds <i>RMB</i>	Proposed final dividend <i>RMB</i>	Retained profits <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2008	70,000,000	18,609,965	9,475,219	58,517	-	9,800,000	19,543,575	127,487,276
Profits for the period	-	-	-	-	-	-	8,029,615	8,029,615
As at 30 June 2008	<u>70,000,000</u>	<u>18,609,965</u>	<u>9,475,219</u>	<u>58,517</u>	<u>-</u>	<u>9,800,000</u>	<u>27,573,190</u>	<u>135,516,891</u>
As at 1 January 2009	70,000,000	-	1,042,521	-	302,575	7,490,000	71,090	78,906,186
Profits for the period	-	-	-	-	-	-	2,265,654	2,265,654
As at 30 June 2009	<u>70,000,000</u>	<u>-</u>	<u>1,042,521</u>	<u>-</u>	<u>302,575</u>	<u>7,490,000</u>	<u>2,336,744</u>	<u>81,171,840</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited For the six months ended 30 June 2009 <i>RMB</i>	Audited 31 December 2008 <i>RMB</i>
Net cash (outflow)/inflow from operating activities	(6,349,659)	5,377,052
Net cash (outflow)/inflow from investing activities	(95,769)	(44,753,635)
Net cash (outflow)/inflow from financing activities	<u>58,157</u>	<u>(9,756,609)</u>
Net (decrease)/increase in cash and cash equivalents	(6,387,271)	(49,133,192)
Cash and cash equivalents at beginning of period	<u>31,248,911</u>	<u>80,382,103</u>
Cash and cash equivalents at end of period	<u><u>24,861,640</u></u>	<u><u>31,248,911</u></u>
Cash and bank balances	<u><u>24,861,640</u></u>	<u><u>31,248,911</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

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

The 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 2008.

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 statement of comprehensive income.

Impact of issued but not yet effective HKFRS

HKICPA has issued the following new or revised HKFRS, HKASs and HK(IFRIC)-Ints (“New Standards”) that would become effective from the accounting period beginning on or after the date set out below, viz:–

		Effective from
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 2 (Revised)	Share-based payment	1 January 2009
HKFRS 3 (Revised)	Business combination	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HKAS 23	Borrowing costs (revised)	1 January 2009
HK(IFRIC)-Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC)-Int 15	Agreements for construction of real estate	1 January 2009
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation	1 October 2008
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC)-Int 18	Transfer of assets from customers	1 July 2009
HKFRS 1 (Revised)	First time adoption of Hong Kong financial reporting standards	1 July 2009
Amendments to HKFRS 7	Improving disclosures about financial instruments	1 January 2009

The Company and the Group have not early adopted these New Standards in this set of financial statements. The Company and the Group have already commenced an assessment of the impact of these New Standards but is not yet in a position to state whether these New Standards would have a significant impact on its results of operation and financial position.

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, public relationship consultancy services and information supervision engineering 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 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, consultancy service on marketing, brand name promotion, public relationship and advertising consultancy service; and

- (c) The information supervision engineering services segment provides supervision services to the Government and private enterprises for the provision of software, network, communications and information security and IT inspection projects.

	Unaudited Market Research Services		Unaudited Management Consultancy Services		Unaudited Information Supervision Engineering Services		Unaudited Total	
	For the six months ended 30 June							
	2009	2008	2009	2008	2009	2008	2009	2008
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>		<i>(Restated)</i>
REVENUE	17,207,949	26,224,406	16,129,287	17,199,852	10,144,022	18,907,762	43,481,258	62,332,020
RESULTS								
Segment results	(10,086,582)	(14,509,116)	(9,454,315)	(9,516,122)	(5,946,003)	(10,461,054)	(25,486,900)	(34,486,292)
Unallocated expenses							(14,863,373)	(13,709,818)
Other revenue/(other losses)							166,000	(2,903,554)
Profits before taxation							3,296,985	11,232,356
Taxation							(990,722)	(2,096,832)
Profits before minority interests							2,306,263	9,135,524
Minority interests							(40,609)	(1,105,909)
Net profits from ordinary activities attributable to shareholders							2,265,654	8,029,615

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 2009	30 June 2008	30 June 2009	30 June 2008
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		<i>(Restated)</i>		<i>(Restated)</i>
Staff costs (excluding directors remuneration)	9,316,560	9,564,735	18,633,121	19,129,469
Property, plant and equipment	363,075	305,471	726,150	610,942
Other revenue/(other losses)	6,908	(381,373)	166,000	(2,903,554)

5. TAX

	Unaudited		Unaudited	
	For the three months ended		For the six months ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
PRC corporate income tax	654,128	1,687,757	990,722	2,096,832

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 2009 (six months ended 30 June 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 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%.

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 six months ended 30 June 2009 (six months ended 30 June 2008: nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2009 was based on the net profit from ordinary activities attributable to shareholders of RMB2,265,654 (six months ended 30 June 2008: RMB8,029,615 (restated) and the weighted average of 700,000,000 (six months ended 30 June 2008: 700,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2009 and 2008 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 2009 (six months ended 30 June 2008: Nil).

8. CAPITAL EXPENDITURE

	Property equipment and vehicle RMB	Intangible assets RMB
Net book value as at 1 January 2009	12,758,567	15,000,000
Additions	95,769	–
Depreciation/amortization	(726,150)	–
Net book value as at 30 June 2009	<u>11,936,648</u>	<u>15,000,000</u>

9. ACCOUNTS RECEIVABLES

Unaudited	Audited
30 June	31 December
2009	2008
RMB	RMB

The ageing of accounts receivable is analysed as follows:

Outstanding balances with ages		
Within 60 days	4,943,895	9,858,688
61 days - 180 days	22,195,469	10,164,432
181 days - 365 days	9,383,618	5,537,919
Over 365 days	1,822,584	8,289,482
	<u>38,345,566</u>	<u>33,850,521</u>

- (a) The general credit terms of the Group range from 60 to 180 days. The Group may on a case by case basis and after evaluation of the business relationship and credit worthiness, extend the credit period upon customers' request.

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

- (b) Due from Related Parties and Ultimate Holding Company

An analysis of the amount due from related parties is as follows:

	Unaudited	Audited
	30 June	31 December
	2009	2008
	RMB	RMB
Beijing CCID Software Licensing Co., Ltd.	6,270	6,270
Beijing CCID Information Technology Appraisal Co., Ltd.	16,124	16,124
	<u>22,394</u>	<u>22,394</u>
(c) CCID	<u>980,000</u>	<u>3,070,000</u>

The above related parties are controlled by CCID. The amounts due from related parties and ultimate holding company is unsecured, interest-free and have no fixed terms of repayment.

The amounts due from ultimate holding company are unsecured, interest-free and have no fixed terms of repayment.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

An ageing analysis of the accounts payable is as follows:

	Unaudited 30 June 2009 RMB	Audited 31 December 2008 RMB
Within 60 days	789,073	2,212,779
61 days to 180 days	1,149,824	2,129,993
181 days to 365 days	4,342,772	542,926
Over 365 days	1,167,699	3,946,489
	<u>7,449,368</u>	<u>8,832,187</u>

Accounts and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured, accounts and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

11. DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company as at 30 June 2009 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 and 26 of annual accounts of the Company for the year ended 31 December 2008). The amount payable is interest-free and repayable according to the following schedule in accordance with the terms of the relevant property purchase agreement:

	Audited 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	<u>1,577,829</u>

12. 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:

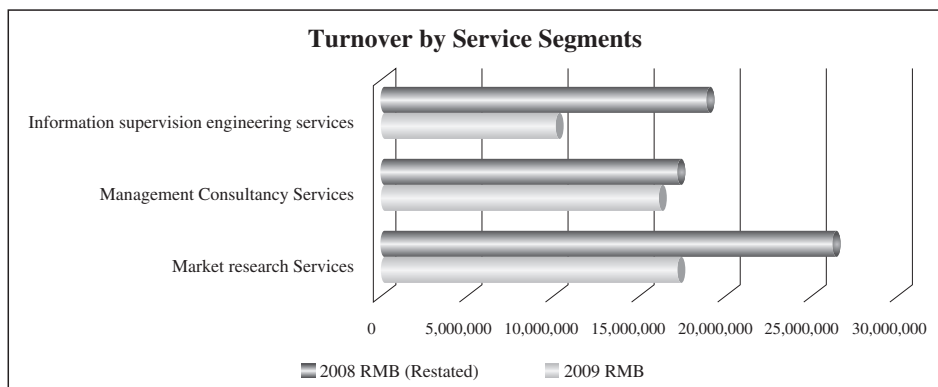
		Unaudited	
		For the six months ended	
	<i>Notes</i>	30 June 2009	30 June 2008
		RMB	RMB
			<i>(Restated)</i>
Gross revenue earned before sales surtaxes			
Provision for consulting services to:			
CCID	<i>(a)</i>	<u>15,000</u>	<u>200,000</u>
		<u>15,000</u>	<u>200,000</u>
Expense related			
Promotional expenses charged by CCID Net	<i>(a)</i>	83,604	–
Call Centre expenses charged by			
CCID Call Center Co., Ltd.	<i>(a)</i>	43,420	130,991
Agency expenses charged by			
Beijing China Electronics News Technology			
Development Co., Ltd.	<i>(a)</i>	88,200	411,283
Translation expenses charged by CCID			
Translation Technology Limited	<i>(a)</i>	138,531	–
Property Management expenses and			
IT network expenses charged by CCID	<i>(a)</i>	748,973	288,300
Data exploit expenses charged by			
CCID Information Inspection Co., Ltd.	<i>(a)</i>	148,625	–
Promotional expenses charged by			
Beijing CCID Exhibition Co., Ltd.	<i>(a)</i>	<u>–</u>	<u>24,000</u>
		<u>1,251,353</u>	<u>854,574</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 2009, the turnover by operations can be classified as follows:

	For the six months ended 30 June 2009		For the six months ended 30 June 2008	
	Turnover RMB (approximately)	Percentage	Turnover RMB (approximately) (Restated)	Percentage
Market Research Service	17,207,949	40%	26,224,406	42%
Management Consultancy Service	16,129,287	37%	17,199,852	28%
Information Supervision Engineering Service	10,144,022	23%	18,907,762	30%
Total	<u>43,481,258</u>	<u>100%</u>	<u>62,332,020</u>	<u>100%</u>

Business Review

For the six months ended 30 June 2009, the turnover and gross profit of the Group amounted to RMB43,481,258 and RMB17,994,358 respectively.

Similar to last year, the decreases were mainly attributable to (1) IT industry continued to slump, (2) keen competitions existed in the industry, (3) unsatisfactory results of new products launched during the period, and (4) the significant effect of recent global financial crisis; hence, the Group's the market demand for annual report of market research and management, management and supervision services have fallen, the Group's turnover and gross profits decreased by 30% and 35% respectively as compared to the corresponding period of last year.

In terms of market research, as at 30 June 2009, the Group had issued 305 annual research reports and it also had completed 60 quarterly analysis reports and 30 investment strategy reports, thus realizing a revenue of RMB17,207,949 for the six months ended 30 June 2009, which constituted approximately 40% of the Group's turnover. The operation's turnover was decreased by approximately 34% 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 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 RMB16,129,287 for the six months ended 30 June 2009 in management consultancy service, which constituted approximately 37% of the Group's turnover. The operation's turnover was decreased by approximately 6% as compared to the corresponding period of last year. The decrease was mainly due to decreased demand of management consultancy service during the period.

On 8 September 2008, the Group has completed a 70% equity interest on Beijing CCID Information Engineering Supervision Co. Ltd., the consolidated treatment method was explained in page 7 note 1. The subsidiary provides software, networking, telecommunication, internet safety etc, IT project quality assurance services to the PRC Government and private entities. The revenue in information supervision engineering consultancy was RMB10,144,022 for the six months ended 30 June 2009, which constituted approximately 23% of the Group's turnover, decreased by 46% as compared to the corresponding period of last year. The decrease was mainly due to decreased in market demand.

Market Promotions and Publicity

For the six months ended 30 June 2009, the Group enhanced efforts in market promotions and publicity. During the period the Group hosted or co-sponsored research meetings, including, "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 Insurance Electronic Market Annual Conference", "2009 China IDC Business Forum", "2009 Insurance Electronic Commercial Conference", "2009 Euro-China E-government Top Design Forum", "2009 Electronic Communication Market Annual Conference", "2009 China 3G Industry Forum", "2009 China-Euro Informative Social Case Conference", in major cities like Beijing and Shanghai etc.

Future Developments

In 2009, the Group will continue to strengthen its profitability through deepening its business remodeling and enhancement, strengthening the development of large customers, increasing 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 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 internal regulation and managing internal flow control; 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 provide comprehensive service such as policy research for and society, consulting plans, information engineering supervision, media advertisement and product testing. The Group will continue to promote the competitiveness of professional, branding and data channels, and deepen the branding influence 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.

Despite of the challenges ahead, the Board and I, have full confidence in the future of the Group will go on leading the Group to overcome all difficulties together with all employees in order to create the maximum values for all shareholders.

Liquidity and Financial Resources

The Group held cash and bank deposits of HKD36,500, RMB24,829,049 and USD69 as at 30 June 2009. 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 2009.

Material Acquisitions and Disposals

The Group has no material acquisition or disposal during the six months ended 30 June 2009.

Staff

As at 30 June 2009, the Group has 317 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 2009 is summarized below:

	<i>RMB</i>	<i>Percentage</i>
Capital and Reserves	81,699,363	90%
Minority Interests	9,097,977	10%
Total	<u>90,797,340</u>	<u>100%</u>

Contingent Liabilities

As at 30 June 2009, the Group has no contingent liabilities (as at 31 December 2008: Nil).

Pledge of Assets

As at 30 June 2009, the Group did not have any pledged assets.

Gearing Ratio

As at 30 June 2009, the Group's gearing ratio was about 26%, 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 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:

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 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 30 June 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%
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 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.

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 2009.

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 2009 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 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.

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 was held on 24 November 2008 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 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, 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.

INTERNAL CONTROL

The Board reviews the internal monitoring system regularly to guarantee that related systems are effective and appropriate. The Board of directors holds meetings regularly to discuss matters concerning finance, operation and risk management and monitoring.

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.

On behalf of the Board

Luo Wen

Chairman

As at the date of this report, Mr. Luo Wen, Mr. Li Jun, Mr. Lv Guoying, are executive Directors, Mr. Wang Peng is the non-executive Directors, Mr. Guo Xinping, Mr. Han Fuling and Mr. Pan XingWu are the independent non-executive Directors.

Beijing, The People's Republic of China
7 August 2009