

09

Third 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)

(Stock Code: 08235)

TEN YEAR RECORD

Year-end 31 Dec	Revenue £m	Pre-tax profits £m	Profit margin %	EPS pence	Dividend pence
2002	14,315	719	5.0	4.0	3.4
2001	12,803	636	5.0	4.0	3.4
2000	5,913	438	7.4	2.8	2.3
1999	2,217	268	12.1	1.0	0.8
1998	7,481	150	2.0	12.0*	1.0
1997	2,842	(411)			

* Formed through demerger in 1997.



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

- For the nine months ended 30 September 2009, revenue of the Company was approximately RMB69 million, representing an decrease of approximately 16% over the corresponding period in the previous year.
- For the nine months ended 30 September 2009, gross profits was approximately RMB33 million, representing an decrease of approximately 6% over the corresponding period in the previous year.
- Net profits from ordinary activities attributable to shareholders was approximately RMB8 million increased by approximately 5% as compared to the corresponding period in the previous year. The increase was mainly due to the approximately RMB2.8 million short-term investment loss made in the corresponding period of the previous year.
- The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2009.



2009 THIRD QUARTERLY RESULT

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 nine months ended 30 September 2009, together with the comparative unaudited figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Unaudited For the three months ended 30 September		Unaudited For the nine months ended 30 September	
		2009 RMB	2008 RMB	2009 RMB	2008 RMB
Turnover	2	25,965,820	22,269,750	69,447,078	82,573,445
Cost of sales		<u>(10,884,880)</u>	<u>(12,499,751)</u>	<u>(36,371,780)</u>	<u>(47,504,484)</u>
Gross profits/(losses)		15,080,940	9,769,999	33,075,298	35,068,961
Other revenue		21,039	36,380	187,039	(2,827,098)
Selling and distribution costs		<u>(2,053,998)</u>	<u>(2,338,592)</u>	<u>(7,308,348)</u>	<u>(5,880,313)</u>
Administrative expenses		<u>(5,366,619)</u>	<u>(5,599,013)</u>	<u>(14,975,642)</u>	<u>(15,897,934)</u>
Profits before tax		7,681,362	1,868,774	10,978,347	10,463,616
Tax	3	<u>(299,064)</u>	<u>(393,574)</u>	<u>(1,289,786)</u>	<u>(2,281,630)</u>
Profits before minority interests		7,382,298	1,475,200	9,688,561	8,181,986
Minority interests		<u>(1,671,787)</u>	<u>(1,738,127)</u>	<u>(1,712,396)</u>	<u>(1,637,086)</u>
Net profits/(loss) from ordinary activities attributable to shareholders		<u>5,710,511</u>	<u>(262,927)</u>	<u>7,976,165</u>	<u>6,544,900</u>
Earnings/(loss) per share					
– Basic (cents)	4	<u>0.82</u>	<u>(0.04)</u>	<u>1.14</u>	<u>0.93</u>
Dividend	6	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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		Unaudited	
	For the three months ended	For the three months ended	For the nine months ended	For the nine months ended
	30 September	30 September	30 September	30 September
	2009	2008	2009	2008
	RMB	RMB	RMB	RMB
PRC corporate income tax	<u>299,064</u>	<u>393,574</u>	<u>1,289,786</u>	<u>2,281,630</u>

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the nine months ended 30 September 2009 (nine months ended 30 September 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.

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. 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%.

There was no unprovided deferred tax with respect to the nine months ended 30 September 2009 (nine months ended 30 September 2008: nil).

4. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the three months and the nine months ended 30 September 2009 was based on the net profits from ordinary activities attributable to shareholders of RMB5,710,511 and RMB7,976,165 respectively (three months and nine months ended 30 September 2008: net profits/(loss) of RMB(262,927) and RMB6,544,900 respectively) and the weighted average of 700,000,000 (three months and nine months ended 30 September 2008: 700,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the nine months ended 30 September 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	18,609,965	8,218,738	58,517	-	-	13,009,386	39,896,606
Profits for the period	-	-	-	-	-	6,544,900	6,544,900
Addition (Restated)	-	-	-	(44,538,492)	-	-	(44,538,492)
As at 30 September 2008	<u>18,609,965</u>	<u>8,218,738</u>	<u>58,517</u>	<u>(44,538,492)</u>	<u>-</u>	<u>19,554,286</u>	<u>1,903,014</u>
As at 1 January 2009	-	1,042,521	-	-	302,575	71,090	1,416,186
Profits for the period	-	-	-	-	-	7,976,165	7,976,165
As at 30 September 2009	<u>-</u>	<u>1,042,521</u>	<u>-</u>	<u>-</u>	<u>302,575</u>	<u>8,047,255</u>	<u>9,392,351</u>

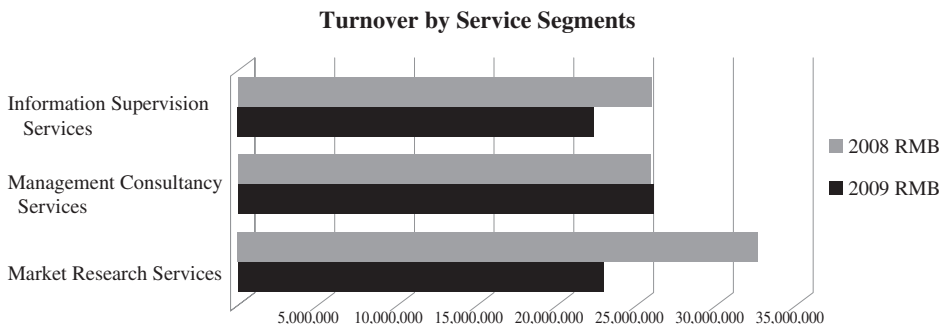
6. DIVIDEND

The Board does not recommend payment of a dividend for the nine months ended 30 September 2009 (nine months ended 30 September 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover Analysis

For the nine months ended 30 September 2009, the turnover by operations can be classified as follows:



	For the nine months ended 30 September 2009		For the nine months ended 30 September 2008	
	Turnover RMB (approximately)	Percentage	Turnover RMB (approximately)	Percentage
Market Research Services	22,311,170	32%	32,008,947	39%
Management Consultancy Services	25,416,660	37%	25,245,342	30%
Information Supervision Services	21,719,248	31%	25,319,156	31%
Total	69,447,078	100%	82,573,445	100%

Business Review

For the nine months ended 30 September 2009, the turnover and gross profits of the Group amounted to RMB69,447,078 and RMB33,075,298 respectively. They were decreased by approximately 16% and 6% 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 effect of world-wide economic financial crisis which leads the diminishing market demand on market research report, management and information supervision service. Hence, the Group's turnover decreased by 16% and gross profits decreased by 6%, as compared to the corresponding period of last year.

In terms of market research, for the nine months ended 30 September 2009, the Group had issued 425 annual research reports and 90 quarterly analysis reports, thus realizing a revenue of RMB22,311,170 for the nine months ended 30 September 2009, which constituted approximately 32% of the Group's turnover. The segment's turnover was decreased by approximately 30% as compared to the corresponding period of last year. The main reasons were due to the diminishing market demand.

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 recent trends of the IT market since its formal commencement of business. Therefore, the position of the Group in the business is enhanced by its strengths to promote management efficiency of enterprises and governments, e.g. enterprise digitalization and e-government through advanced information techniques. The Group had earned RMB25,416,660 for the nine months ended 30 September 2009 in management consultancy service, which constituted approximately 37% of the Group's turnover and increased by approximately 1% as compared to the corresponding period of last year. The increase was mainly due to the recovery 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 RMB21,719,248 for the nine months ended 30 September 2009, which constituted approximately 31% of the Group's turnover, such consolidated arrangement are explained in note 1.

Market Promotions and Publicity

For the nine months ended 30 September 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", and "2009 Mobile Phone Service Forum" 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.

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

As at 30 September 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 September 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 September 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%

Name	Capacity	Nature of interest	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of issued share capital
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%	2.14%
J.P. Morgan Fleming Asset Management Holdings Inc. (note 4)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.14%
J.P. Morgan Fleming Asset Management (Asia) Inc. (note 4)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.14%
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 September 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 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 nine months ended 30 September 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 nine months ended 30 September 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.

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.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank the management and staff for their dedication and commitment throughout the period. Besides, I would like to thank all shareholders, business partners, customers and vendors for their support and encouragement given to the Group in the past period. My thanks are also extended to the lawyers, auditors, consultants and relevant enterprises who always give us help and support.

By order of the Board
Mr. Luo Wen
Chairman

The Board comprises:

Mr. Luo Wen	<i>(Executive Director and Chairman)</i>
Mr. Li Jun	<i>(Executive Director)</i>
Mr. Lv Guoying	<i>(Executive Director)</i>
Mr. Wang Peng	<i>(Non-executive Director)</i>
Mr. Guo Xiping	<i>(Independent non-executive Director)</i>
Mr. Han Fuling	<i>(Independent non-executive Director)</i>
Mr. Pan XingWu	<i>(Independent non-executive Director)</i>

Beijing, The People's Republic of China
13 November 2009