

# 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)

政府決策第一智庫

企業戰略第一顧問

信息化諮詢第一品牌

# 思維創造世界

Third Quarterly Report 2010

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Perspective 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 characteristic 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 and no assurance 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 the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

*This report, in both English and Chinese versions, is available on the Company’s website at [www.ccidconsulting.com](http://www.ccidconsulting.com) (the “Company Website”).*

*Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the “Corporate Communications”) via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.*

*Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications. Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Share Registrar of the Company, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at [is-ecom@hk.tricorglobal.com](mailto:is-ecom@hk.tricorglobal.com).*

## HIGHLIGHTS

- For the nine months ended 30 September 2010, the revenue of the Company was approximately RMB79.4 million, representing an increase of approximately 14% over the corresponding period in the previous year;
- For the nine months ended 30 September 2010, gross profit of the Company was approximately 39 million, representing an increase of approximately 18% over the corresponding period in the previous year;
- For the nine months ended 30 September 2010, the net profits from ordinary activities attributable to shareholders of the Company was approximately RMB13.4 million, representing an increase of 68% over the corresponding period in the previous year. The increase was mainly attributable to the Group's continuous efforts to promote business reform, to foster the upgrading of research consulting business, to foster the "4 in 1" product consulting supply chain system construction, to promote proactive service system and to facilitate big customers breakthrough;
- For the nine months ended 30 September 2010, gross profit margin of the Company was approximately 49%, representing an increase of approximately 3% over the corresponding period in the previous year;
- For the three months and the nine months ended 30 September 2010, the basic earnings per share were about RMB0.73 cents and about RMB1.91 cents respectively;
- The board of directors (the "Board") does not recommend the payment of any dividend for the nine months ended 30 September 2010.

## 2010 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 2010, together with the comparative unaudited figures for the corresponding period of last year as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Unaudited		Unaudited	
		For the three months		For the nine months	
		ended 30 September		ended 30 September	
		2010	2009	2010	2009
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Turnover	2	<b>27,509,629</b>	25,965,820	<b>79,365,737</b>	69,447,078
Cost of sales		<b>(14,129,140)</b>	(10,884,880)	<b>(40,295,453)</b>	(36,371,780)
Gross profits		<b>13,380,489</b>	15,080,940	<b>39,070,284</b>	33,075,298
Other revenue		<b>32,585</b>	21,039	<b>75,294</b>	187,039
Selling and distribution costs		<b>(2,868,104)</b>	(2,053,998)	<b>(8,793,894)</b>	(7,308,348)
Administrative expenses		<b>(3,578,994)</b>	(5,366,619)	<b>(12,758,422)</b>	(14,975,642)
Profits before tax		<b>6,965,976</b>	7,681,362	<b>17,593,262</b>	10,978,347
Tax	3	<b>(518,248)</b>	(299,064)	<b>(2,514,647)</b>	(1,289,786)
Profits before non-controlling interests		<b>6,447,728</b>	7,382,298	<b>15,078,615</b>	9,688,561
Non-controlling interests		<b>(1,342,593)</b>	(1,671,787)	<b>(1,693,456)</b>	(1,712,396)
Net profits from ordinary activities attributable to shareholders		<b>5,105,135</b>	5,710,511	<b>13,385,159</b>	7,976,165
Earnings per share					
– Basic (cents)	4	<b>0.73</b>	0.82	<b>1.91</b>	1.14
Dividend	6	<b>–</b>	–	<b>–</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 2009.

#### Impact of issued but not yet effective HKFRS

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

		Effective from
Improvement to HKFRSs	Amendments to HKFRSs and related basis for conclusions and guidance made in response to the IASB annual improvements project	1 July 2009
Improvement to HKFRSs 2009	Amendments to HKFRSs and related basis for conclusions and guidance made in response to the IASB annual improvements project 2009	1 July 2009
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 1 (Revised)	First time adoption of HKFRS	1 July 2009
HKFRS 3 (Revised)	Business combination	1 July 2009
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC)-Int 18	Transfer of assets from customers	1 July 2009
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to HKAS 32	Financial instruments: Presentation	1 February 2010
Amendment to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
Amendment to HKFRS 1	First time adoption of HKFRS – for first-time adopters additional exemptions	1 January 2010
Amendment to HKFRS 2	Share-based payment – Group cash-settled share-based payment transactions	1 January 2010
Amendment to HK(IFRIC)-Int 14	HKAS 19 – The limit on defined benefit asset, minimum funding requirements and their interactions	1 January 2011

The Company as well as the Group have early adopted HKAS 24 (Revised) and HKAS 27 (Revised), HKFRS 3 (Revised) in this set of financial statements. Improvement to HKFRSs and Improvement to HKFRSs 2009.

The Company as well as the Group have not early adopted the other New Standards and Amendments in this set of financial statements. The Company and the Group have already commenced an assessment of the impact of the other New Standards and Amendments but not yet in a position to state whether the other New Standards and Amendments would have a significant impact on their operating results and financial positions.

## 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	30 September	For the nine months ended	30 September
	<b>30 September</b>	2009	<b>30 September</b>	2009
	<b>2010</b>	<i>RMB</i>	<b>2010</b>	<i>RMB</i>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
PRC corporate income tax	<b><u>518,248</u></b>	<u>299,064</u>	<b><u>2,514,647</u></b>	<u>1,289,786</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 2010 (nine months ended 30 September 2009: 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 2010 (nine months ended 30 September 2009: nil).

#### 4. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and the nine months ended 30 September 2010 was based on the net profits from ordinary activities attributable to shareholders of RMB5,105,135 and RMB13,385,159 respectively (three months and nine months ended 30 September 2009: net profits of RMB5,710,511 and RMB7,976,165 respectively) and the weighted average of 700,000,000 (three months and nine months ended 30 September 2009: 700,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the nine months ended 30 September 2010 and 2009 have not been calculated because no diluting events existed during these periods.

#### 5. RESERVE

	Issued share capital <i>RMB</i>	Statutory reserve funds <i>RMB</i>	Non- controlling interest <i>RMB</i> (Restated)	Proposed final dividend <i>RMB</i>	Retained profits <i>RMB</i> (Restated)	Total <i>RMB</i> (Restated)
As at 1 January 2009	70,000,000	1,042,521	8,820,763	7,490,000	71,090	87,424,374
Profits for the period	–	1,066,703	1,712,396	–	7,976,165	10,755,264
As at 30 September 2009	<u>70,000,000</u>	<u>2,109,224</u>	<u>10,533,159</u>	<u>7,490,000</u>	<u>8,047,255</u>	<u>98,179,638</u>
As at 1 January 2010	70,000,000	2,483,194	9,234,907	3,990,000	7,007,257	92,715,358
Profits for the period	–	1,426,076	1,693,456	–	13,385,159	16,504,691
As at 30 September 2010	<u>70,000,000</u>	<u>3,909,270</u>	<u>10,928,363</u>	<u>3,990,000</u>	<u>20,392,416</u>	<u>109,220,049</u>

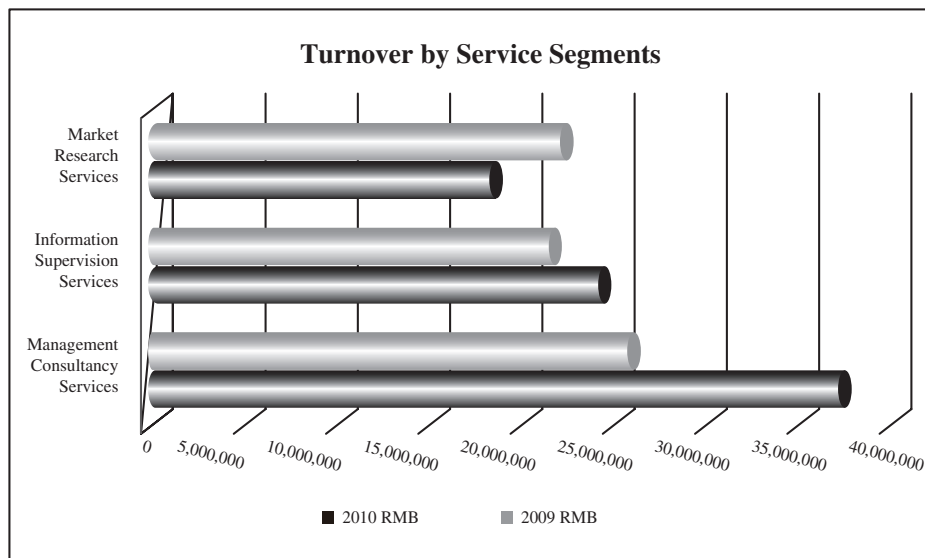
#### 6. DIVIDEND

The Board does not recommend payment of a dividend for the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Turnover Analysis

For the nine months ended 30 September 2010, the turnover by operations can be classified as follows:



	For the nine months ended 30 September 2010		For the nine months ended 30 September 2009	
	<i>Turnover RMB</i>	<i>Percentage (approximately)</i>	<i>Turnover RMB</i>	<i>Percentage (approximately)</i>
Management Consultancy Services	37,245,109	47%	25,416,660	37%
Information Supervision Services	24,116,941	30%	21,719,248	31%
Market Research Services	18,003,687	23%	22,311,170	32%
<b>Total</b>	<b>79,365,737</b>	<b>100%</b>	<b>69,447,078</b>	<b>100%</b>



## **Business Review**

For the nine months ended 30 September 2010, the turnover and gross profit of the Group amounted to RMB79,365,737 and RMB39,070,284 respectively. They were increased by approximately 14% and 18% as compared to the corresponding period of last year. The increase was mainly attributable to the Group's continuous efforts to promote business reform, to foster the upgrading of research consulting business, to foster the "4 in 1" product consulting supply chain system construction, to promote proactive service system and to facilitate big customers breakthrough.

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 RMB37,245,109 for the nine months ended 30 September 2010 in management consultancy service, which constituted approximately 47% of the Group's turnover. The operation's turnover was increased by approximately 47% as compared to the corresponding period of last year. The increase was mainly due to the improved market demand of management consultancy service during the period.

In terms of Information Engineering Supervision service, 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 RMB24,116,941 for the nine months ended 30 September 2010, which constituted approximately 30% of the Group's turnover, increased by approximately 11% as compared to the corresponding period of last year. The increase was mainly due to the improved market demand.

In terms of market research service, the Group had issued 330 annual research reports, of which 240 are annual reports and 90 are quarterly analysis reports, thus realizing a revenue of RMB18,003,687 for the nine months ended 30 September 2010, which constituted approximately 23% of the Group's turnover. The operation's turnover was decreased by approximately 19% as compared to the corresponding period of last year, which was mainly due to decline of market demand during the period.

## **Market Promotions and Publicity**

For the nine months ended 30 September 2010, the Group hosted or co-sponsored research meetings, including, "2010 China Small Electronic Appliance Market Annual Conference", "2009 China Mobile Products Annual Conference", "2010 China IT Market Annual Conference", "2010 Semi Conductor Market Annual Conference", "2010 China Internet Market Annual Conference", "2010 China Consuming Electronic Market Annual Conference", "2010 China Communication Market Annual Conference", "2010 China PRC – Taiwan Information Service Cooperation Forum", "2010 China's Next Generation Data Center Forum" and "2010 China's Mobile Phone Service Market Annual Meeting" in major cities like Beijing and Shanghai etc.

## **Future Developments**

In 2010, the Group will continue to strengthen the transformational principle of “Upward Advancing, Downward Consolidating” in improving its profitability through business remodeling and improvement, developing larger customer base, increasing the Company’s professional and branding competitiveness and attracting professional talents.

### **Follow a basic idea**

Pay close attention to business transformation to enhance business strategy consulting, information technology implementation and the promotion of investment and financing efforts; the strengthening of capacity-building in core data, speed up the construction of the database such as industrial databases, marketing databases, import and export databases, investment databases etc.

### **The Company will create two public platforms**

Knowledge-Sharing Platform – CCID Consulting Online (internal knowledge-sharing, external business operation-sharing);

Business Collaboration Platform – Company information systems (project management, performance appraisal, research collaboration, client management).

### **The Company will focus on three changes**

Speed up the upgrading of business model to enhance technical consulting services value, transform from a consulting firm to technology solution oriented.

Speed up the innovation model changes in order to enhance knowledge management, knowledge innovation capability, innovation and achievement from the individual to the organization of innovation and transformation;

Speed up the transformation of business model in order to foster economic scale of both production and capital operation, to make production operation and capital operation as two-wheeled drive.

### **Take five concrete measures**

Rigid-Flex mixed, the Company will use information technology planning as a starting point, to the overall planning, performance evaluation, system implementation, outsourcing services, extension, build the whole process of information technology consulting services;

Advisory driven, the Company will use information engineering supervision as the break through point, to expand the development of information engineering cost assessment, counseling and planning services, and gradually form a consulting business plan business driven layout in the supervision related businesses;

Rooted in IT, the Company will rely on market research, timely to explore industrial investment, financing and merger and acquisition opportunities, to be the national PE of China's electronic information technology field;

The Company will use an extension of services to industrial planning based on six focus areas and provide Investment value-added services;

The Company will integrate resources in order to CCID Consulting's online platform to enhance value-added data, and technical services and build for the field of industry and information technology data and technology service providers.

Despite of the challenges ahead, the Board and I have full confidence in the future of the Group, and I will lead 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 2010, 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%
Lu Shan	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 2010, 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 2010, 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”) <i>(note 1)</i>	Interest of controlled corporation	Corporate	485,900,000 domestic shares	98.96%	69.41%
Research Centre of MII Technology Computer and Microelectronics Industry Development, (“Research Centre”) <i>(note 1)</i>	Beneficial owner	Corporate	392,610,000 domestic shares	79.96%	56.09%
Beijing CCID Riyue Investment Co. Ltd. <i>(note 1)</i>	Beneficial owner	Corporate	93,290,000 domestic shares	19.00%	13.32%
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%	2.14%
J.P. Morgan Fleming Asset Management Holdings Inc. <i>(note 4)</i>	Investment manager	Corporate	15,000,000 H shares	7.18%	2.14%
J.P. Morgan Fleming Asset Management (Asia) Inc. <i>(note 4)</i>	Investment manager	Corporate	15,000,000 H shares	7.18%	2.14%
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 30 September 2010, 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 Xinping, Mr. Pan Xingwu and Mr. Han Fuling. Mr. Guo Xinping 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 2010 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 2010.

## **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 25 September 2009, 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 2009.

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 2009;
- (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*

Beijing, The People's Republic of China  
12 November 2010

*As at the date of this report, Mr. Luo Wen and Mr. Li Jun are executive Directors, Mr. Lu Shan and Mr. Wang Peng are the non-executive Directors, Mr. Guo Xinping, Mr. Han Fuling and Mr. Pan Xingwu are the independent non-executive Directors.*