

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)

2011

Interim Report

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

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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 (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.

HIGHLIGHTS

- For the six months ended 30 June 2011, the revenue of the Company was approximately RMB61.8 million, representing an increase of approximately 19% over the corresponding period in the previous year;
- For the six months ended 30 June 2011, gross profit margin of the Company was approximately 53%, representing an increase of approximately 8% over the corresponding period in the previous year;
- For the six months ended 30 June 2011, the net profits from ordinary activities attributable to shareholders of the Company was approximately RMB8.87 million, representing an increase of 7% over the corresponding period in the previous year;
- For the six months ended 30 June 2011, the basic earnings per share were about RMB1.27 cents;
- The board of directors (the “Board”) does not recommend the payment of any dividend for the six months ended 30 June 2011.

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 2011, 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 ended 30 June 2011	30 June 2010	For the six months ended 30 June 2011	30 June 2010
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Turnover	2	35,541,282	32,579,045	61,793,219	51,856,108
Cost of sales	3	(15,918,496)	(15,735,567)	(28,767,969)	(26,166,313)
Gross profit		19,622,786	16,843,478	33,025,250	25,689,795
Other revenue		17,856	18,136	112,511	42,709
Selling and distribution costs		(4,027,246)	(3,168,547)	(7,858,204)	(5,925,790)
Administrative expenses		(4,748,078)	(3,840,847)	(13,075,639)	(9,179,428)
Profits before tax	4	10,865,318	9,852,220	12,203,918	10,627,286
Tax	5	(2,238,062)	(1,609,261)	(3,114,422)	(1,996,399)
Profits before non-controlling interests		8,627,256	8,242,959	9,089,496	8,630,887
Non-controlling interests		(616,946)	(698,906)	(219,741)	(350,863)
Net profits from ordinary activities attributable to shareholders		<u>8,010,310</u>	<u>7,544,053</u>	<u>8,869,755</u>	<u>8,280,024</u>
Earnings per share					
– Basic (cents)	6	<u>1.14</u>	<u>1.08</u>	<u>1.27</u>	<u>1.18</u>
Dividends	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2011 RMB	Audited 31 December 2010 RMB
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	25,754,947	25,942,536
Intangible assets	8	14,681,500	14,681,500
Accrued assets	9	22,541,159	23,863,545
Long term investments		1,990,000	1,990,000
Deferred tax assets		485,849	367,087
		65,453,455	66,844,668
CURRENT ASSETS			
Accounts receivables and accrued assets	9	44,692,406	33,432,269
Due from ultimate holding company	9	1,146,743	1,146,743
Prepayments, deposits and other receivables		9,425,344	6,224,271
Cash and Cash equivalents		22,581,801	27,268,070
Short-term investments		228,690	235,620
		78,074,984	68,306,973
CURRENT LIABILITIES			
Accounts payables and accrued liabilities	10	1,074,214	1,205,408
Accrued salary and welfare		4,909,688	3,692,216
Accruals and other payables		14,122,295	13,451,065
Due to the immediate holding company	11	1,920,771	1,920,771
Current tax liabilities		3,451,307	375,488
		25,478,275	20,644,948
NET CURRENT ASSETS		52,596,709	47,662,025
Total assets less current liabilities		118,050,164	114,506,693
Non-current liabilities			
Accounts payable and accrued liabilities	10	10,008,641	10,878,663
Deferred tax liabilities		-	1,262,925
		10,008,641	12,141,588
NET ASSETS		108,041,523	102,365,105
EQUITY			
Issued capital		70,000,000	70,000,000
Reserves		28,764,414	22,281,002
		98,764,414	92,281,002
Non-controlling interests		9,277,109	10,084,103
TOTAL EQUITY		108,041,523	102,365,105

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Issued share capital	Statutory reserve & others	Non- controlling interests reserve	Proposed final dividend	Retained profits	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
As at 1 January 2010	70,000,000	2,483,194	9,234,907	3,990,000	7,007,257	92,715,358
Change for the period	<u>–</u>	<u>1,426,076</u>	<u>350,863</u>	<u>–</u>	<u>8,280,024</u>	<u>10,056,963</u>
As at 30 June 2010	<u><u>70,000,000</u></u>	<u><u>3,909,270</u></u>	<u><u>9,585,770</u></u>	<u><u>3,990,000</u></u>	<u><u>15,287,281</u></u>	<u><u>102,772,321</u></u>
As at 1 January 2011	70,000,000	3,271,434	10,084,103	3,010,000	15,999,568	102,365,105
Change for the period	<u>–</u>	<u>(3,193,337)</u>	<u>(219,741)</u>	<u>–</u>	<u>9,089,496</u>	<u>5,676,418</u>
As at 30 June 2011	<u><u>70,000,000</u></u>	<u><u>78,097</u></u>	<u><u>9,864,362</u></u>	<u><u>3,010,000</u></u>	<u><u>25,089,064</u></u>	<u><u>108,041,523</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited For the six months ended 30 June 2011 <i>RMB</i>	Audited 31 December 2010 <i>RMB</i>
Net cash (outflow)/inflow from operating activities	(4,342,937)	(570,219)
Net cash (outflow)/inflow from investing activities	(343,332)	(1,055,545)
Net cash (outflow)/inflow from financing activities	—	(4,418,444)
Net (decrease)/increase in cash and cash equivalents	(4,686,269)	(6,044,208)
Cash and cash equivalents at beginning of period	<u>27,268,070</u>	<u>33,312,278</u>
Cash and cash equivalents at end of period	<u>22,581,801</u>	<u>27,268,070</u>
Cash and cash equivalents	<u>22,581,801</u>	<u>27,268,070</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 2010.

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 (“Revised Standards and Amendments”) that would become effective from the accounting period beginning on or after the date set out below, viz:

		Effective from
Amendment to HKFRS 1	First-time Adoption of HKFRSs – Limited Exemption for First-time Adopters	1 July 2010
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of Financial Assets	1 July 2011
HKFRS 9 (Revised)	Financial instruments	1 January 2013
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to HKAS 12	Income taxes	1 January 2012
Amendment to HKAS 32	Financial instruments: Presentation – Classification of right issues	1 February 2010
Amendment to HK(IFRIC)-Int 14	HKAS 19 – The limit on defined benefit asset, minimum funding requirements and their interactions	1 January 2011
Improvement to HKFRSs 2010	Amendments to HKFRS and related basis for conclusion and guidance made in response to the IASB annual improvement project in 2010	1 July 2010 or 1 January 2011

The Company as well as the Group had early adopted HKAS 24 (Revised) in the financial statements for 2010.

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, 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. 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 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 and advertising consultancy service; and
- (b) The information engineering supervision 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;
- (c) the market research service segment provides two kinds of services: standard research on specific sectors and tailor-made research.

	Unaudited Management Consultancy Service		Unaudited Information Supervision Engineering Service		Unaudited Market Research Services		Unaudited Total	
	For the six months ended 30 June							
	2011 RMB	2010 RMB	2011 RMB	2010 RMB	2011 RMB	2010 RMB	2011 RMB	2010 RMB
REVENUE	33,533,250	25,654,768	13,277,230	12,992,902	14,982,739	13,208,438	61,793,219	51,856,108
Segment expenses	<u>(15,611,478)</u>	<u>(12,945,258)</u>	<u>(6,252,178)</u>	<u>(6,556,148)</u>	<u>(6,904,313)</u>	<u>(6,664,907)</u>	<u>(28,767,969)</u>	<u>(26,166,313)</u>
SEGMENT RESULTS	<u>17,921,772</u>	<u>12,709,510</u>	<u>7,025,052</u>	<u>6,436,754</u>	<u>8,078,426</u>	<u>6,543,531</u>	<u>33,025,250</u>	<u>25,689,795</u>
Unallocated expenses							(20,933,843)	(15,105,218)
Other revenue							112,511	42,709
Profits before taxation							12,203,918	10,627,286
Taxation							<u>(3,114,422)</u>	<u>(1,996,399)</u>
Profits before non-controlling interests							9,089,496	8,630,887
Non-controlling interests							<u>(219,741)</u>	<u>(350,864)</u>
Net profits from ordinary activities attributable to shareholders							<u>8,869,755</u>	<u>8,280,024</u>

4. PROFITS BEFORE TAX

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

	Unaudited For the three months ended		Unaudited For the six months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	RMB	RMB	RMB	RMB
Staff costs (excluding directors remuneration)	15,594,213	10,658,226	31,188,426	21,316,453
Property, plant and equipment depreciation	321,716	312,934	643,432	625,867
Other revenue	<u>(17,856)</u>	<u>(18,136)</u>	<u>(112,511)</u>	<u>(42,709)</u>

5. TAX

	Unaudited		Unaudited	
	For the three months ended		For the six months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
PRC corporate income tax	<u>2,238,062</u>	<u>1,609,261</u>	<u>3,114,422</u>	<u>1,996,399</u>

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 2011 (six months ended 30 June 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.

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 15% but the Company is still prepaid 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 Strategic Consulting CCID Co., Ltd. ("CCID SC") and Beijing CCID Innovative Investment Consulting Co., Ltd. ("CCID IIC"), the Company's two subsidiaries established in the PRC. Pursuant to the Income Tax Law in the PRC, CCID SC and CCID IIC 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 six months ended 30 June 2011 (six months ended 30 June 2010: nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2011 was based on the net profit from ordinary activities attributable to shareholders of RMB8,869,755 (six months ended 30 June 2010: RMB8,280,024 and the weighted average of 700,000,000 (six months ended 30 June 2010: 700,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 June 2011 and 2010 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 2011 (six months ended 30 June 2010: Nil).

8. CAPITAL EXPENDITURE

	Unaudited	
	Property equipment and vehicle	Intangible assets
	<i>RMB</i>	<i>RMB</i>
Net book value as at 1 January 2011	25,942,536	14,681,500
Additions	455,843	–
Depreciation/amortization	(643,432)	–
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Net book value as at 30 June 2011	25,754,947	14,681,500
	<hr/> <hr/>	<hr/> <hr/>

9. ACCOUNTS RECEIVABLES AND ACCRUED ASSETS

The ageing of accounts receivable and accrued assets is analysed as follows:–

	Unaudited	Audited
	30 June	31 December
	2011	2010
	<i>RMB</i>	<i>RMB</i>
Outstanding balances with ages		
Within 60 days	14,475,840	12,336,529
61 days – 180 days	16,957,714	14,451,415
181 days – 365 days	13,710,742	11,684,683
Over 365 days	22,089,269	18,823,187
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Current accounts receivables and accrued assets	67,233,565	57,295,814
	(44,692,406)	(33,432,269)
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Non-current accounts receivables and accrued assets	22,541,159	23,863,545
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- (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

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

		Unaudited	Audited
		30 June	31 December
		2011	2010
		RMB	RMB
Beijing CCID Software Licensing Co., Ltd.	(i)	–	6,270
Beijing CCID Information Technology Appraisal Co., Ltd.	(i)	–	16,124
		<u>–</u>	<u>22,394</u>

- (c) Due from ultimate holding company

		Unaudited	Audited
		30 June	31 December
		2011	2010
		RMB	RMB
CCID	(ii)	<u>1,146,743</u>	<u>1,146,743</u>

- (i) 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.

- (ii) 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 and accrued liabilities is as follows:–

	Unaudited 30 June 2011 RMB	Audited 31 December 2010 RMB
Within 60 days	1,583,002	1,726,861
61 days to 180 days	1,610,518	1,756,666
181 days to 365 days	2,048,916	2,234,265
Over 365 days	5,840,419	6,366,279
	<hr/>	<hr/>
Current accounts payable and accrued liabilities	11,082,855 (1,074,214)	12,084,071 (1,205,408)
	<hr/>	<hr/>
Non-current accounts payable and accrued liabilities	10,008,641	10,878,663
	<hr/> <hr/>	<hr/> <hr/>

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 2011 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 24 of annual accounts of the Company for the year ended 31 December 2010). The amount payable is interest-free and repayable according to the following schedule in accordance with the terms of the relevant property purchase agreement:–

	Unaudited 30 June 2011 RMB
Within 10 days from the date of ownership certificate of the 9th and 10th floors of the CCID Plaza is transferred to the Company	1,577,829
Others	342,942
	<hr/>
	1,920,771
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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 2011	30 June 2010
		<i>RMB</i>	<i>RMB</i>
Provision for consulting services to:–			
(Gross revenue earned before sales surtaxes)			
CCID	<i>(a)</i>	831,500	925,789
		<u>831,500</u>	<u>925,789</u>
Expense related:–			
Promotional expenses charged by CCID Net Co. Ltd.	<i>(a)</i>	–	11,250
Call Centre expenses charged by CCID Call Center Co., Ltd.	<i>(a)</i>	–	101,212
Agency expenses charged by Beijing China Electronics News Technology Development Co., Ltd.	<i>(a)</i>	–	71,691
Translation expenses charged by CCID Translation Technology Limited	<i>(a)</i>	49,946	71,154
Property Management expenses and IT network expenses charged by CCID	<i>(a)</i>	1,294,023	997,840
		<u>1,343,969</u>	<u>1,253,147</u>

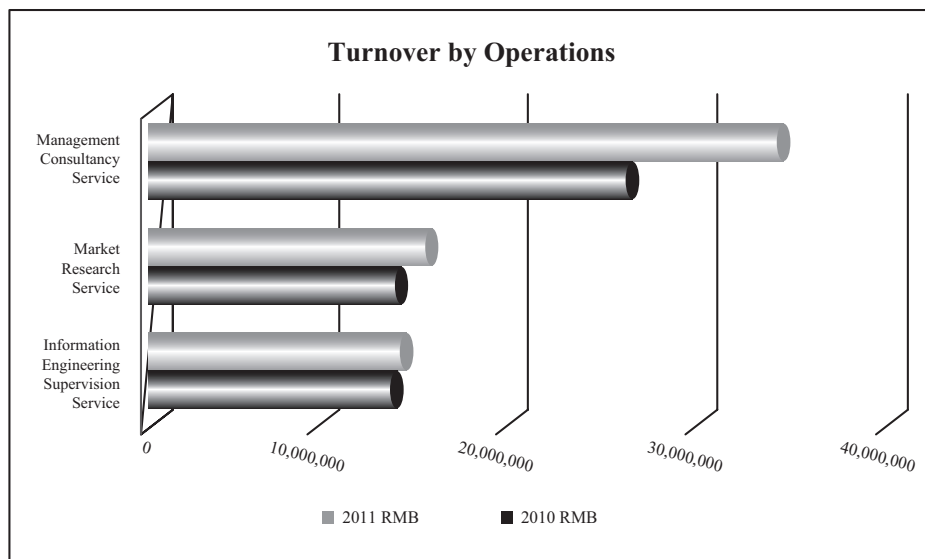
Notes:

- (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 2011, the turnover by operations can be classified as follows:–



	For the six months ended 30 June 2011		For the six months ended 30 June 2010	
	Turnover RMB	Percentage (approximately)	Turnover RMB	Percentage (approximately)
Management Consultancy Service	33,533,250	54%	25,654,768	50%
Market Research Service	14,982,739	24%	13,208,438	25%
Information Engineering Supervision Service	13,277,230	22%	12,992,902	25%
Total	61,793,219	100%	51,856,108	100%

Business Review

For the six months ended 30 June 2011, the turnover and gross profit of the Group amounted to RMB61,793,219 and RMB8,869,755 respectively. They were increased by approximately 19% and 7% as compared to the corresponding period of last year. The increase was mainly attributable to the Group's continuous efforts to promote business reform.

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 RMB33,533,250 for the six months ended 30 June 2011 in management consultancy service, which constituted approximately 54% of the Group's turnover. The operation's turnover was increased by approximately 31% 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 market research service, the Group had issued 240 annual research reports and it also had completed 60 quarterly analysis reports in total 300 reports, thus realizing a revenue of RMB14,982,739 for the six months ended 30 June 2011, which constituted approximately 24% of the Group's turnover. The operation's turnover was increased by approximately 13% as compared to the corresponding period of last year, which was mainly due to the improvement in customer demand 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 RMB13,277,230 for the six months ended 30 June 2011, which constituted approximately 22% of the Group's turnover, increased by approximately 2% as compared to the corresponding period of last year. The increase was mainly due to the improved market demand in.

Market Promotions and Publicity

For the six months ended 31 March 2011, the Group hosted or co-sponsored research meetings, including, "2010 China IT Market Annual Conference", "2011 Semi Conductor Market Annual Conference", "2010 China Consuming Electronic Market Annual Conference" and "2011 China Telecommunication Market Annual Conference" in major cities like Beijing and Shanghai etc.

Future Developments

In 2011, the Company will break through the high end consulting projects, promote subsidiary business development, develop key regional markets and improve the overall competitiveness as well as further enhance the profitability.

Breakthrough the High End Consulting Projects

In 2011, the Company will follow the high end consulting trend to select a group of influential, strong assistance, high technology, high value-added consulting projects as a breakthrough in the high end implementation projects, the Company will enhance the overall competitiveness to accelerate the upgrading of business transformation.

To Promote Subsidiary Business Development

The Company is actively implementing the “1 Body 2 Wings” strategy, for the Company as the body and for the subsidiary company as Beijing CCID Shiji Information Engineering Consulting Company Limited, and Beijing CCID New Investment Consultant Ltd. be the two wings. With the full use of various resources, the Company actively create a favorable environment to develop the two subsidiaries by promoting and enhancing both the informative consulting business and finance consulting business, in collaborating with the Company to form a good business pattern.

Developing Key Regional Markets Actively Implement

The Company is actively implementing the “1 Headquarter 3 Branches” strategy, by setting up branches in Shanghai, Guangzhou, Shenzhen. By taking Shanghai, Guangzhou, Shenzhen as the stepping stones to give focus on developing Eastern and Southern China market etc and expanding the Company’s market influence in those key areas, so as to better promote our business and to implement the projects in those locations.

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.

Liquidity and Financial Resources

The Group held cash and bank deposits of HKD36,512, RMB22,551,847 and USD2 as at 30 June 2011. 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 2011.

Material Acquisitions and Disposals

The Group has no material acquisition or disposal during the six months ended 30 June 2011.

Staff

As at 30 June 2011, the Group has 339 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 2011 is summarized below:–

	<i>RMB</i>	<i>Percentage</i>
Capital and Reserves	98,764,414	91%
Non-controlling interests	9,277,109	9%
	<hr/>	<hr/>
Total	108,041,523	100%
	<hr/> <hr/>	<hr/> <hr/>

Contingent Liabilities

As at 30 June 2011, the Group has no contingent liabilities (as at 31 December 2010: Nil).

Pledge of Assets

As at 30 June 2011, the Group did not have any pledged assets.

Gearing Ratio

As at 30 June 2011, the Group's gearing ratio was about 33%, 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 = RMB0.83. In the process of pursuing business objectives, the above funds may have to be changed into Renminbi 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 2011, 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%
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 June 2011, 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 2011, 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 Ministry of Industry and Information Technology Computer and Microelectronics Industry Development (“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%

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 Group Limited (<i>note 2</i>)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Legend Holdings (BVI) Limited (<i>note 2</i>)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Legend Express Agency & Services Limited (<i>note 2</i>)	Interest of controlled corporation	Corporate	20,000,000 H shares	9.57%	2.86%
Grade Win International Limited (<i>note 2</i>)	Beneficial owner	Corporate	20,000,000 H shares	9.57%	2.86%
Lam William Ka Chung (<i>note 3</i>)	Interest of controlled corporation	Personal	14,600,000 H shares	6.99%	2.09%
J.P. Morgan Chase & Co. (<i>note 4</i>)	Investment manager and other	Corporate	15,000,000 H shares	7.18%	2.13%
J.P. Morgan Fleming Asset Management Holdings Inc. (<i>note 4</i>)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.13%
J.P. Morgan Fleming Asset Management (Asia) Inc. (<i>note 4</i>)	Investment manager	Corporate	15,000,000 H shares	7.18%	2.13%
JF Asset Management Limited (<i>note 4</i>)	Investment manager	Corporate	10,700,000 H shares	5.12%	1.53%

Note:

1. CCID, through Research Centre (which is controlled by, and under the supervision of, CCID) and Beijing CCID Riyue Investment Co., Ltd. (which is, directly and indirectly, wholly-owned by CCID) have effective interests in the Company comprising the 392,610,000 domestic shares held directly by Research Centre and the 93,290,000 domestic shares held directly by Beijing CCID Riyue Investment Co., Ltd.

2. Grade Win International Limited holds 20,000,000 H shares of the company. Grade Win International Limited is a wholly-owned subsidiary of Legend Express Agency & Services Limited; Legend Express Agency & Services Limited is a wholly-owned subsidiary of Legend Holdings (BVI) Limited; Legend Holdings (BVI) Limited is a wholly-owned subsidiary of Legend Group Limited; Legend Holdings Limited holds 57.76% equity interests in Legend Group Limited; Employees' Shareholding Society of Legend Holdings Ltd holds 35.00% equity interests in Legend Holdings Limited, the above corporations are deemed to be interested in 20,000,000 H shares of the Company.
3. Kingsway Financial Services Limited holds 13,510,000 H shares of the Company. Kingsway Financial Services Limited is a wholly-owned subsidiary of Kingsway Securities Holdings Limited. Kingsway Securities Holdings Limited is a wholly-owned subsidiary of Kingsway International Holdings Limited. Kingsway Lion Spur Technology Limited holds 1,090,000 H shares of the Company. Kingsway Lion Spur Technology Limited is a wholly-owned subsidiary of Festival Developments Limited. Festival Developments Limited is a wholly-owned subsidiary of SW Kingsway Capital Holdings Limited. World Developments Limited holds 74% equity interest in SW Kingsway Capital Holdings Limited. World Developments Limited is a wholly-owned subsidiary of Innovation Assets Limited. Innovation Assets Limited is a wholly-owned subsidiary of Kingsway International Holdings Limited. Mr. Lam William Ka Chung beneficially owns or controls approximately 40% equity interests in Kingsway International Holdings Limited. Mr. Lam William Ka Chung is deemed to be interested in 14,600,000 H Shares of the Company.
4. JF Asset Management Limited holds 10,700,000 H shares of the Company. JF International Management Inc. holds 4,300,000 H shares of the Company. J.P. Morgan Fleming Asset Management (Asia) Inc. holds 99.99% and 100% equity interests in JF Asset Management Limited and JF International Management Inc. respectively. J.P. Morgan Fleming Asset Management (Asia) Inc. is a wholly-owned subsidiary of J.P. Morgan Fleming Asset Management Holdings Inc.. J.P. Morgan Fleming Asset Management Holdings Inc. is a wholly-owned subsidiary of J.P. Morgan Chase & Co.. J.P. Morgan Fleming Asset Management (Asia) Inc., J.P. Morgan Fleming Asset Management Holdings Inc. and J.P. Morgan Chase & Co. are deemed to be interested in 15,000,000 H shares of the Company.

Save as disclosed above, as at 30 June 2011, 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 2011.

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 2011 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 2011.

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.

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.

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

Beijing, The People's Republic of China

12 August 2011

As at the date of this report, Mr. Luo Wen and Mr. Li Jun are executive Directors, Mr. Hong Jingyi, 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.