

# 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

### Third Quarterly 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](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 2011, the unaudited revenue of the Company was approximately RMB87.5 million, representing an increase of approximately 10% over the corresponding period in the previous year;
- For the nine months ended 30 September 2011, unaudited gross profit of the Company was approximately 40 million, representing an increase of approximately 3% over the corresponding period in the previous year;
- For the nine months ended 30 September 2011, the unaudited profits for the period was approximately RMB9.2 million, representing a decrease of 39% over the corresponding period in the previous year;
- For the nine months ended 30 September 2011, unaudited gross profit margin of the Company was approximately 46%, representing a decrease of approximately 7% over the corresponding period in the previous year;
- For the three months and the nine months ended 30 September 2011, the unaudited basic earnings per share were about RMB0.02 cents and about RMB1.31 cents respectively;
- The board of directors (the “Board”) does not recommend the payment of any dividend for the nine months ended 30 September 2011.

## 2011 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 2011, together with the comparative unaudited figures for the corresponding period of last year as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                  |             | Unaudited<br>For the three months<br>ended 30 September |              | Unaudited<br>For the nine months<br>ended 30 September |              |
|----------------------------------|-------------|---|--------------|--|--------------|
|                                  |             | 2011  | 2010         | 2011   | 2010         |
|                                  | <i>Note</i> | <i>RMB</i>  | <i>RMB</i>   | <i>RMB</i>   | <i>RMB</i>   |
| Turnover                         | 2           | <b>25,716,287</b>                                       | 27,509,629   | <b>87,509,506</b>                                      | 79,365,737   |
| Cost of sales                    | 3           | <b>(18,651,802)</b>                                     | (14,129,140) | <b>(47,419,771)</b>                                    | (40,295,453) |
| Gross profits                    |             | <b>7,064,485</b>  | 13,380,488   | <b>40,089,735</b>                                      | 39,070,284   |
| Other revenue                    |             | <b>4,342</b>  | 32,585       | <b>116,854</b>   | 75,294       |
| Selling and distribution costs   |             | <b>(3,409,073)</b>                                      | (2,868,104)  | <b>(11,267,277)</b>                                    | (8,793,894)  |
| Administrative expenses          |             | <b>(2,621,907)</b>                                      | (3,578,994)  | <b>(15,697,546)</b>                                    | (12,758,422) |
| Profits before tax               | 4           | <b>1,037,847</b>  | 6,965,976    | <b>13,241,766</b>                                      | 17,593,262   |
| Tax                              | 5           | <b>(922,721)</b>  | (518,248)    | <b>(4,037,144)</b>                                     | (2,514,647)  |
| Profits for the period           |             | <b>115,126</b>  | 6,447,728    | <b>9,204,622</b>                                       | 15,078,615   |
| Attributable to:                 |             |   |              |  |              |
| Equity holders of the<br>Company |             | <b>(229,028)</b>  | 5,105,135    | <b>8,640,727</b>                                       | 13,385,159   |
| Non-controlling interests        |             | <b>344,154</b>  | 1,342,593    | <b>563,895</b>   | 1,693,456    |
| Profits for the period           |             | <b>115,126</b>  | 6,447,728    | <b>9,204,622</b>                                       | 15,078,615   |
| Earnings per share               |             |   |              |  |              |
| – Basic ( <i>cents</i> )         | 6           | <b>0.02</b>   | 0.92         | <b>1.31</b>  | 2.15         |
| Dividend                         | 7           | –   | –            | –  | –            |

## 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 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:

|                               |   | <b>Effective from</b>            |
|-------------------------------|---|----------------------------------|
| 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<br>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. TAXATION

|                          | Unaudited                  |                | Unaudited                 |                  |
|--------------------------|----------------------------|----------------|---------------------------|------------------|
|                          | For the three months ended | 30 September   | For the nine months ended | 30 September     |
|                          | 2011                       | 2010           | 2011                      | 2010             |
|                          | <i>RMB</i>                 | <i>RMB</i>     | <i>RMB</i>                | <i>RMB</i>       |
| PRC corporate income tax | <u>922,721</u>             | <u>518,248</u> | <u>4,037,144</u>          | <u>2,514,647</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 2011 (nine months ended 30 September 2010: 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 nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

#### 4. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and the nine months ended 30 September 2011 was based on the net profits for the period of RMB115,126 and RMB9,204,622 respectively (three months and nine months ended 30 September 2010: net profits for the period of RMB6,447,728 and RMB15,078,615 respectively) and the weighted average of 700,000,000 (three months and nine months ended 30 September 2010: 700,000,000) ordinary shares in issue during the period.

Diluted earnings per share amounts for the nine months ended 30 September 2011 and 2010 have not been calculated because no diluting events existed during these periods.

#### 5. RESERVE

|                         | Issued<br>share<br>capital<br><i>RMB</i> | Statutory<br>reserve<br>funds<br><i>RMB</i> | Non-<br>controlling<br>interests<br><i>RMB</i> | Proposed<br>final<br>dividend<br><i>RMB</i> | Retained<br>profits<br><i>RMB</i> | Total<br><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   | –  | 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>  |
| 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   | –  | –   | (563,895)                                      | –   | 9,204,622                         | 8,640,727           |
| As at 30 September 2011 | <u>70,000,000</u>                        | <u>3,271,434</u>                            | <u>9,520,208</u>                               | <u>3,010,000</u>                            | <u>25,204,190</u>                 | <u>111,005,832</u>  |

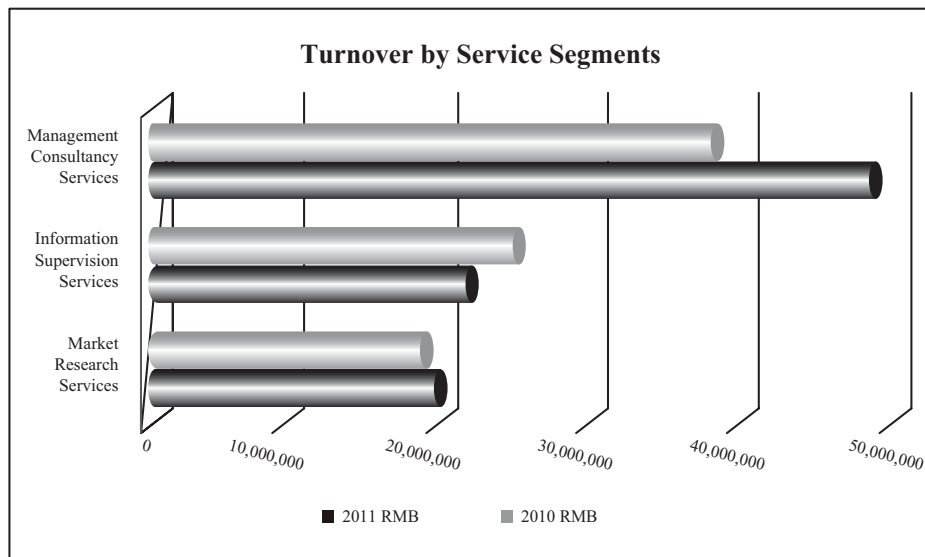
#### 6. DIVIDEND

The Board does not recommend payment of a dividend for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Turnover Analysis

For the nine months ended 30 September 2011, the turnover by operations can be classified as follows:



|                                  | For the nine months ended<br>30 September 2011 |                                       | For the nine months ended<br>30 September 2010 |                                       |
|----------------------------------|--|---------------------------------------|--|---------------------------------------|
|                                  | <i>Turnover<br/>RMB</i>                        | <i>Percentage<br/>(approximately)</i> | <i>Turnover<br/>RMB</i>                        | <i>Percentage<br/>(approximately)</i> |
| Management Consultancy Services  | 47,664,686                                     | 54%                                   | 37,245,109                                     | 47%                                   |
| Information Supervision Services | 20,986,603                                     | 24%                                   | 24,116,941                                     | 30%                                   |
| Market Research Services         | 18,858,217                                     | 22%                                   | 18,003,687                                     | 23%                                   |
| <b>Total</b>                     | <b>87,509,506</b>                              | <b>100%</b>                           | <b>79,365,737</b>                              | <b>100%</b>                           |



## Business Review

For the nine months ended 30 September 2011, the turnover and gross profit of the Group amounted to RMB87,509,506 and RMB40,089,735 respectively. They were increased by approximately 10% and 3% as compared to the corresponding period of last year, but the profits for the period still fell about 39%, such fell was mainly due to: 1) the year 2011 is the first starting year of the “Twelfth Five Year Plan” (“十二五”), some sectors of the information technology implementation period has not yet entered large-scale construction, which lead to the decline of the market demand in the information supervision service sector; 2) the Company is expanding business by establishing new branches which incurred extra setup costs to the Company.

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 RMB47,664,686 for the nine months ended 30 September 2011 in management consultancy service, which constituted approximately 54% of the Group’s turnover. The operation’s turnover was increased by approximately 28% 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 RMB20,986,603 for the nine months ended 30 September 2011, which constituted approximately 24% of the Group’s turnover, decreased by approximately 13% as compared to the corresponding period of last year. The year 2011 is the first starting year of the “Twelfth Five Year Plan” (“十二五”), some sectors of the information technology implementation period has not yet entered large-scale construction, which lead to the decline of the market demand in the information supervision service sector.

In terms of market research service, the Group had issued 268 annual research reports and it also had completed 30 quarterly analysis reports in total 298 reports, thus realizing a revenue of RMB18,858,217 for the nine months ended 30 September 2011, which constituted approximately 22% of the Group’s turnover. The operation’s turnover was increased by approximately 5% as compared to the corresponding period of last year, which was mainly due to the improvement in customer demand during the period.

## **Market Promotions and Publicity**

For the nine months ended 31 September 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”, “2011 China Telecommunication Market Annual Conference” and several industries white paper planning press 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.

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

As at 30 September 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:**

| <b>Name of director</b> | <b>Company/<br/>Associated<br/>corporations</b> | <b>Nature of<br/>interests</b> | <b>Number and<br/>class of shares</b> | <b>Approximate<br/>Percentage of<br/>issued share<br/>capital</b> |
|-------------------------|---|--------------------------------|---------------------------------------|---|
| Luo Wen                 | The Company                                     | Personal                       | 1,020,000<br>domestic shares          | 0.15%   |
| Lu Shan                 | The Company                                     | Personal                       | 1,020,000<br>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 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 September 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%  |
| Legend Group Limited (note 2)  | Interest of controlled corporation | Corporate          | 20,000,000 H shares         | 9.57%  | 2.86%  |
| Legend Holdings (BVI) Limited (note 2)   | Interest of controlled corporation | Corporate          | 20,000,000 H shares         | 9.57%  | 2.86%  |
| Legend Express Agency & Services Limited (note 2)  | Interest of controlled corporation | Corporate          | 20,000,000 H shares         | 9.57%  | 2.86%  |

| Name   | Capacity                           | Nature of interest | Number and class of shares | Approximate Percentage in the same class of shares | Approximate percentage of issued share capital |
|--|------------------------------------|--------------------|----------------------------|--|--|
| Grade Win International Limited<br>(note 2)                    | Beneficial owner                   | Corporate          | 20,000,000<br>H shares     | 9.57%  | 2.86%  |
| Lam William Ka Chung (note 3)                                  | Interest of controlled corporation | Personal           | 14,600,000<br>H shares     | 6.99%  | 2.09%  |
| J.P. Morgan Chase & Co. (note 4)                               | Investment manager and other       | Corporate          | 15,000,000<br>H shares     | 7.18%  | 2.13%  |
| J.P. Morgan Fleming Asset Management Holdings Inc.<br>(note 4) | Investment manager                 | Corporate          | 15,000,000<br>H shares     | 7.18%  | 2.13%  |
| J.P. Morgan Fleming Asset Management (Asia) Inc. (note 4)      | Investment manager                 | Corporate          | 15,000,000<br>H shares     | 7.18%  | 2.13%  |
| JF Asset Management Limited<br>(note 4)                        | Investment manager                 | Corporate          | 10,700,000<br>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 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 nine months ended 30 September 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 September 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 nine months ended 30 September 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  
14 November 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 Xinpeng, Mr. Han Fuling and Mr. Pan Xingwu are the independent non-executive Directors.*