

CCIDConsulting

CCID Consulting Company Limited

(A joint stock limited company incorporated in the People's Republic of China)

Stock Code: 8235

FIRST QUARTERLY REPORT 2019



- 城市經濟第一智庫
- 企業戰略第一顧問
- 資本運作第一專家

思維創造世界

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are small and mid-sized companies, 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 is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (“Director(s)”) of CCID Consulting Company Limited (“we” or “our” or “us” or the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) 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 will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting and on the “Investor Relations” page of the Company’s website at www.ccidconsulting.com.

HIGHLIGHTS

- For the three months ended 31 March 2019, the unaudited turnover of the Group amounted to approximately RMB30,661 thousand, representing an increase of approximately 28% as compared to the corresponding period of last year;
- For the three months ended 31 March 2019, the gross profit of the Group was approximately RMB4,254 thousand. The gross profit margin was approximately 14%. The gross profit decreased by approximately 23% as compared to the corresponding period of last year;
- For the three months ended 31 March 2019, the loss of the Group was approximately RMB1,545 thousand, of which loss attributable to equity holders of the Company was approximately RMB655 thousand, representing a decrease of loss of approximately 27% as compared to the corresponding period of last year;
- For the three months ended 31 March 2019, the basic loss per share of the Group was approximately RMB0.09 cents;
- The board of directors does not recommend the payment of any dividend for the three months ended 31 March 2019.

2019 FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of CCID Consulting Company Limited* (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2019, together with the unaudited comparative figures for the corresponding period of 2018 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Unaudited For the three months ended 31 March	
	<i>Notes</i>	2019 RMB'000	2018 RMB'000
Turnover	2	30,661	24,015
Cost of sales		(26,407)	(18,492)
Gross profit		4,254	5,523
Other revenue		232	127
Selling and distribution expenses		(3,710)	(3,642)
Administrative expenses		(2,321)	(4,349)
Profit before taxation		(1,545)	(2,341)
Taxation	3	0	0
Profit/(loss) for the period		(1,545)	(2,341)
Attributable to:			
Equity holders of the Company		(655)	(902)
Non-controlling interests		(890)	(1,439)
		(1,545)	(2,341)
Loss per share			
— Basic (<i>RMB cents</i>)	4	(0.09)	(0.13)

NOTES:

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the People's Republic of China (the "PRC") as a joint stock limited company. The H shares of the Company were listed on GEM since 12 December 2002. The registered address of the Company in the PRC is Room 311, No. 2 Building, No. 28 Zhen Xing Road, Chang Ping District, Beijing, the PRC. Its head office and principal place of business is located at the 9th and 10th Floor of CCID Plaza, 66 Zizhuyuan Road, Haidian District, Beijing, the PRC. Its principal place of business in Hong Kong is at 40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.

The Group's unaudited results have been prepared in accordance with all of the requirements of all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and its interpretation effective at the beginning of the reporting period, all the applicable disclosure requirements of the Hong Kong Companies Ordinance and all the applicable disclosure provisions of the GEM Listing Rules. The measurement bases used in preparation of these unaudited consolidated financial statements is the historical cost convention with the exception of financial assets measured at fair value.

The principal accounting policies used for preparing this unaudited consolidated financial statement for the three months ended 31 March 2019 are consistent with those used by the Group in the annual consolidated financial statements for the year ended 31 December 2018.

Impact of newly issued accounting standards

The Hong Kong Institute of Certified Public Accountants has issued certain new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "New Standards and Amendments").

The Group has not early adopted the New Standards and Amendments in this condensed consolidated statement of comprehensive income. The Group is going to initially apply the New Standards and Amendments in the first accounting period beginning on or after their respective mandatory effective dates. The Group is currently assessing the impact of the New Standards and Amendments and is not yet in a position to state whether they would have a significant impact on the condensed consolidated statement of comprehensive income in the period of initial application.

2. TURNOVER

The Group is a provider of modern consultancy and principally engages in providing management and strategy consultancy, market consultancy, data information management, design consulting and information engineering supervision services.

Turnover represents the contract revenue and sales value of services provided to customers (net of value-added tax), which excludes sales surtaxes. All significant intra-group transactions have been eliminated on consolidation.

3. TAXATION

	Unaudited For the three months ended 31 March	
	2019 RMB'000	2018 RMB'000
PRC enterprise income tax	0	0

No provision for Hong Kong profits tax has been made as the Group had no profits assessable arising in Hong Kong during the three months ended 31 March 2019 (three months ended 31 March 2018: Nil). Taxes on profits assessable elsewhere have been calculated at the effective and applicable tax rates prevailing in the jurisdiction in which the Group operates in accordance with the existing legislation, interpretations and practices in respect thereof during the relevant period.

Pursuant to the Income Tax Law of the PRC, the members of the Group (except the Company and Beijing CCID Industry and Information Engineering Supervision Center Co., Ltd. ("CCID Supervision")) are subject to a corporate income tax at a rate of 25% (during the corresponding period of 2018: 25%).

The Company and CCID Supervision are high-tech enterprises settled in the Beijing New Technology Enterprise Development Zone. Pursuant to the Income Tax Law of the PRC, they are subject to a corporate income tax at a rate of 15% (during the corresponding period of 2018: 15%).

There was no material unprovided deferred tax for the three months ended 31 March 2019 (during the corresponding period of 2018: Nil).

4. LOSS PER SHARE

Calculation of loss per share has been based on the loss attributable to equity holders of the Company of approximately RMB655,000 for the three months ended 31 March 2019 (during the corresponding period of 2018: loss of approximately RMB902,000) and the weighted average of 700,000,000 shares in issue during the period (during the corresponding period of 2018: 700,000,000 shares).

Diluted loss per share for the three months ended 31 March 2019 have not been calculated as no diluting events existed during the current period (during the corresponding period of 2018: Nil).

5. RESERVES

	Issued share capital <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Cumulative other comprehensive income <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	70,000	13,545	43,570	—	22,444	149,559
Change for the period	—	—	(902)	—	(1,439)	(2,341)
As at 31 March 2018	70,000	13,545	42,668	—	21,005	147,218
As at 1 January 2019	70,000	16,455	59,470	1,835	24,802	172,562
Profit for the current period	—	—	(655)	—	(890)	(1,545)
As at 31 March 2019	70,000	16,455	58,815	1,835	23,912	171,017

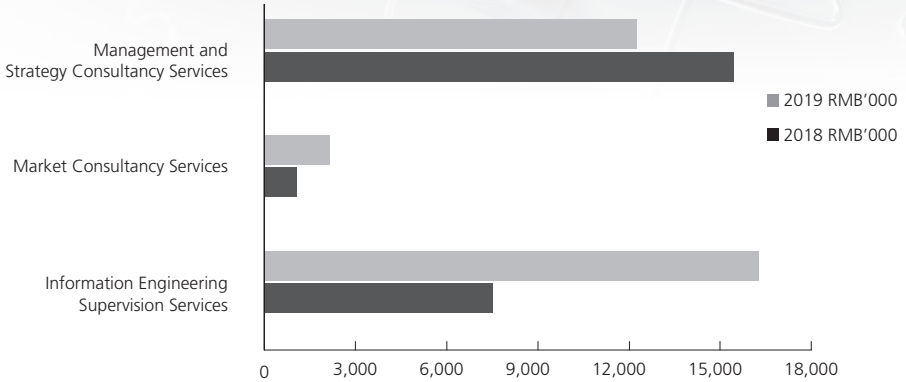
6. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2019 (during the corresponding period of 2018: Nil).

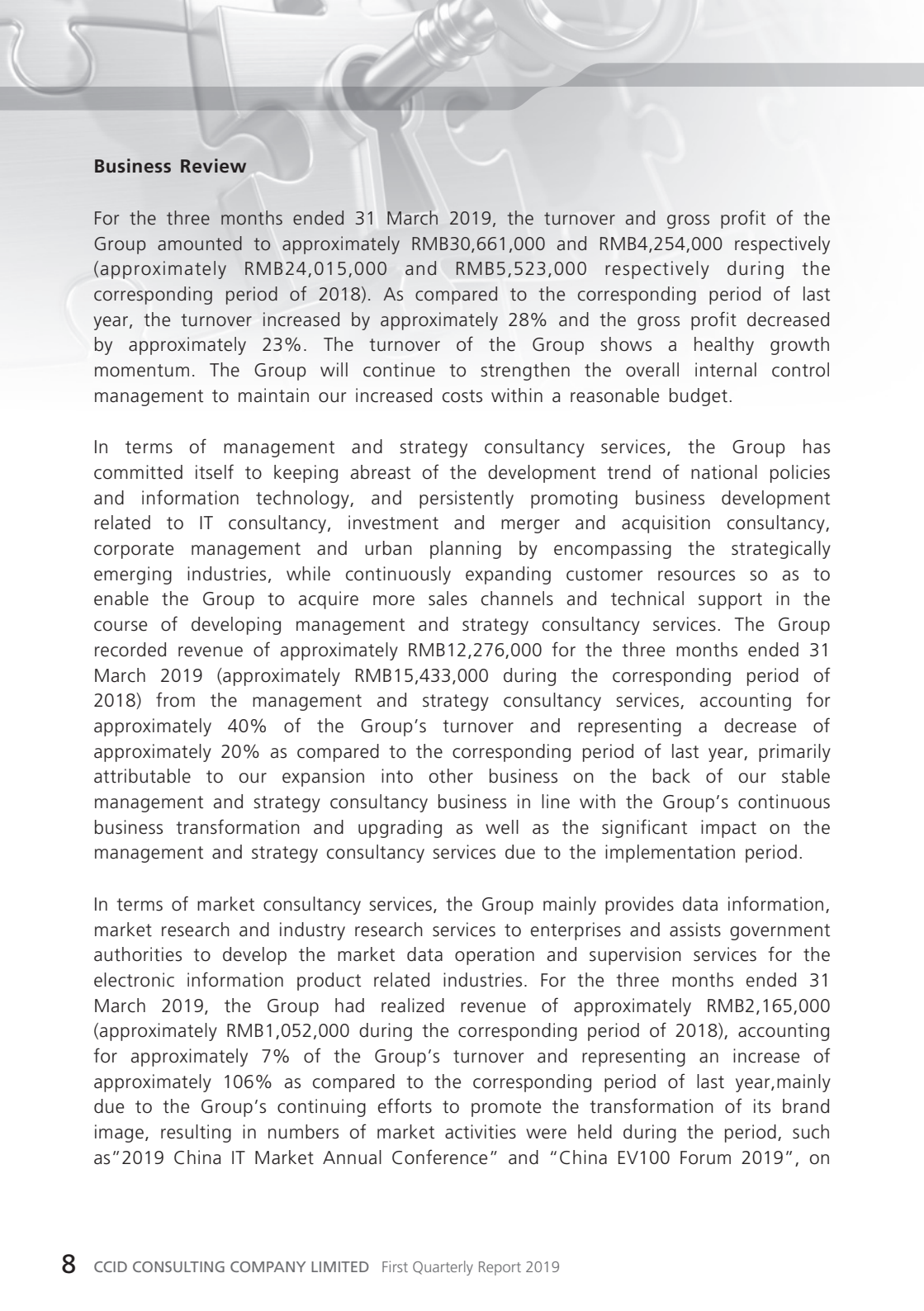
MANAGEMENT DISCUSSION AND ANALYSIS

Turnover Analysis

For the three months ended 31 March 2019, the analysis of the turnover of the Group by its business operations is as follows:



	Unaudited For the three months ended 31 March 2019		Unaudited For the three months ended 31 March 2018	
	Turnover RMB'000	Approximate Percentage	Turnover RMB'000	Approximate Percentage
Management and Strategy Consultancy Services	12,276	40%	15,433	64%
Market Consultancy Services	2,165	7%	1,052	5%
Information Engineering Supervision Services	16,220	53%	7,530	31%
Total	30,661	100%	24,015	100%



Business Review

For the three months ended 31 March 2019, the turnover and gross profit of the Group amounted to approximately RMB30,661,000 and RMB4,254,000 respectively (approximately RMB24,015,000 and RMB5,523,000 respectively during the corresponding period of 2018). As compared to the corresponding period of last year, the turnover increased by approximately 28% and the gross profit decreased by approximately 23%. The turnover of the Group shows a healthy growth momentum. The Group will continue to strengthen the overall internal control management to maintain our increased costs within a reasonable budget.

In terms of management and strategy consultancy services, the Group has committed itself to keeping abreast of the development trend of national policies and information technology, and persistently promoting business development related to IT consultancy, investment and merger and acquisition consultancy, corporate management and urban planning by encompassing the strategically emerging industries, while continuously expanding customer resources so as to enable the Group to acquire more sales channels and technical support in the course of developing management and strategy consultancy services. The Group recorded revenue of approximately RMB12,276,000 for the three months ended 31 March 2019 (approximately RMB15,433,000 during the corresponding period of 2018) from the management and strategy consultancy services, accounting for approximately 40% of the Group's turnover and representing a decrease of approximately 20% as compared to the corresponding period of last year, primarily attributable to our expansion into other business on the back of our stable management and strategy consultancy business in line with the Group's continuous business transformation and upgrading as well as the significant impact on the management and strategy consultancy services due to the implementation period.

In terms of market consultancy services, the Group mainly provides data information, market research and industry research services to enterprises and assists government authorities to develop the market data operation and supervision services for the electronic information product related industries. For the three months ended 31 March 2019, the Group had realized revenue of approximately RMB2,165,000 (approximately RMB1,052,000 during the corresponding period of 2018), accounting for approximately 7% of the Group's turnover and representing an increase of approximately 106% as compared to the corresponding period of last year, mainly due to the Group's continuing efforts to promote the transformation of its brand image, resulting in numbers of market activities were held during the period, such as "2019 China IT Market Annual Conference" and "China EV100 Forum 2019", on

which the Group, based on the developing strategy of “digital transformation, wisely create future”, pointed out the opportunities and challenges of enterprises in the process of digital industrialization and industrial digitalization, and the cooperation agreements signed during the market activities increased.

In terms of information engineering supervision services, the Group mainly provides the government and enterprises with supervision services for various projects ranging from software, network, communication to information security. For the three months ended 31 March 2019, the turnover of the information engineering supervision services was approximately RMB16,220,000 (approximately RMB7,530,000 during the corresponding period of 2018), accounting for approximately 53% of the Group’s turnover and representing an increase of approximately 115% as compared to the corresponding period of last year, mainly because the Group actively pressed ahead with the extension from planning to investments, construction, and operations for its information business services, and the provision of supervision services to the Cyberspace Administration of China has been completed during the period, achieving revenues exceeding RMB6,000,000.

Market Promotions and Publicity


For the three months ended 31 March 2019, the Group hosted market campaigns in Beijing and Shanghai, namely “2019 China IT Market Annual Conference” and “China EV100 Forum 2019”.

Business outlook

In 2019, in order to constantly enhance its competitive strength, the Group will continue to implement the “consulting +” strategy, focusing on the cultivation of new capabilities such as digital, brand, innovation and talents, expediting digital transformation, promoting service model, propelling platform development, as well as accelerating industrial innovation comprehensive services.

Expedite digital transformation

The early arrival of the digital wave will lead to changes in social development, re-production of production relations, economic restructuring and changes in lifestyle. The Group will accelerate the digital transformation. On the one hand, we will create a digital management platform to build its own competitiveness. On the other hand, we will build a digital business platform to better meet customers’ needs. The digital management platform will focus on building a full-cycle, full-



caliber accounting, visual management system for project, contract, finance, customer service and performance to further standardize service processes and standards and improve work efficiency and service quality; and the digital business platform will focus on building our own product systems such as “CCID brain for industries” and “MTX”.

Promote the service model

Firstly, we will promote the transformation of the industrial planning business from planning to activities, investments, reporting and hosting and complete the transformation from the “planning consulting” to “integrated services” by amassing elements required for our industrial development. Secondly, we will promote the evolution of the corporate strategy business from industry research to competition, strategy, listing, and mergers and acquisitions and complete the transformation from “management and consulting” to “strategic services” through the introduction of corporate innovation resources. Finally, we will promote the expansion of the investment and financing business from due diligence to fund-raising, investment decision-making, fund management, and index extension and complete the transformation from “project achievement system” to “revenue generation system”.

Propel platform development

Adapt to the transformation trend of enterprises in the digital economy era, by further innovating the management and assessment system, we will integrate resource for the open platform construction and promote the development of business platform to launch modular products such as investment project evaluation, industrial monitoring information push, data online service, and industry index evaluation and build the “MTX” knowledge sharing value platform, industry chain precision investment decision-making platform and enterprise cloud evaluation platform, with focus on the promotion of “Chips of Nanjing (芯上南京)”, “brain for CCID county industry”, “CCID automobile evaluation” and other platform products and service.

FIRST QUARTERLY DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2019 (the three months ended 31 March 2018: Nil).

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, none of the Directors, supervisors of the Company ("Supervisor(s)") and chief executives or their close associates have any interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the 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 standards of dealings by the Directors and Supervisors mentioned to in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

During the three months ended 31 March 2019, no rights to acquire benefits by means of acquisition of shares in or debentures of the Company were 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, or 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.

SHARE OPTION SCHEME

The Company conditionally adopted a Share Option Scheme on 20 November 2002. The major terms and conditions of the Share Option Scheme were set out in the section "Summary of the Terms of Share Option Scheme" under Appendix IV of the prospectus as published by the Company on 29 November 2002. However, employees who are Chinese nationals are not entitled to exercise the option until these persons are allowed to subscribe or deal in H shares under the PRC laws and regulations. As at the date of this report, the Share Option Scheme is not yet effective. No share option has been granted under the Share Option Scheme as of 31 March 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2019, the following persons (other than the Directors, Supervisors and chief executives 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 position in shares

Name	Capacity	Nature of interests	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of the issued share capital
China Centre of Information Industry Development ("CCID") (note 1)	Interest of controlled corporation	Long position	491,000,000 domestic shares	100%	70.14%
Research Center of Ministry of Industry and Information Technology Computer and Microelectronics Development ("Research Center") (note 1)	Beneficial owner	Long position	392,610,000 domestic shares	79.96%	56.09%
Beijing CCID Riyue Investment Co., Ltd. ("CCID Riyue") (note 1)	Beneficial owner	Long position	98,390,000 domestic shares	20.04%	14.06%
Legend Holdings Limited (note 2)	Interest of controlled corporation	Long position	20,000,000 H Shares	9.57%	2.86%
Lenovo Group Limited (note 2)	Interest of controlled corporation	Long position	20,000,000 H Shares	9.57%	2.86%
Legend Holdings (BVI) Limited (note 2)	Interest of controlled corporation	Long position	20,000,000 H Shares	9.57%	2.86%
Legend Express Agency & Services Limited (note 2)	Interest of controlled corporation	Long position	20,000,000 H Shares	9.57%	2.86%
Grade Win International Limited (note 2)	Beneficial owner	Long position	20,000,000 H Shares	9.57%	2.86%
Lam William Ka Chung (note 3)	Interest of controlled corporation	Long position	14,600,000 H Shares	6.99%	2.09%
J.P. Morgan Fleming Asset Management Holdings Inc. (note 4)	Investment manager	Long position	15,000,000 H Shares	7.18%	2.14%

Name	Capacity	Nature of interests	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of the issued share capital
J.P. Morgan Fleming Asset Management (Asia) Inc. (note 4)	Investment manager	Long position	15,000,000 H Shares	7.18%	2.14%
JF Asset Management Limited (note 4)	Investment manager	Long position	10,700,000 H Shares	5.12%	1.53%

Notes:

1. CCID, through Research Center (controlled and supervised by CCID) and CCID Riyue (directly and indirectly, wholly-owned by CCID), has interests in the Company, comprising the 392,610,000 domestic shares held directly by Research Center and the 98,390,000 domestic shares held directly by CCID Riyue.
2. Grade Win International Limited directly 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% of the equity interests in Legend Group Limited. The above corporations are deemed to be interested in 20,000,000 H shares of the Company.
3. Kingsway Financial Services Limited directly 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 directly 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 directly holds 74% of the 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. Lam William Ka Chung directly and indirectly owns approximately 40% of the equity interests in Kingsway International Holdings Limited. Lam William Ka Chung is deemed to be interested in 14,600,000 H shares of the Company.

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4. JF Asset Management Limited directly holds 10,700,000 H shares of the Company. JF International Management Inc. directly holds 4,300,000 H shares of the Company. J.P. Morgan Fleming Asset Management (Asia) Inc. holds 99.99% and 100% of the 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 (Asia) Inc. and J.P. Morgan Fleming Asset Management Holdings Inc. are deemed to be interested in 15,000,000 H shares of the Company.

Save as disclosed above, as at 31 March 2019, no other person had any interest and short position in the shares and underlying shares of the Company that was required to be recorded in the register 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 three months ended 31 March 2019.

COMPETING INTEREST

None of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company and their respective close associates has any interests in a business which competes with or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the "Required Standard of Dealings" as required by Rules 5.48 to 5.67 of the GEM Listing Rules as the standard of conducts for securities transactions by the Directors and Supervisors, and regulates the securities transactions by the Directors and Supervisors pursuant to the requirements thereof. The Company confirmed, during the three months ended 31 March 2019, all Directors and Supervisors have complied with the "Required Standard of Dealings" upon specific enquiries with all the Directors and Supervisors. The Company was not aware of any non-compliance during the current period.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) in accordance with Rule 5.28 of the GEM Listing Rules, for the purposes of reviewing and supervising the Group’s financial reporting process, risk management and internal control systems. The Audit Committee is comprised of three independent non-executive Directors of the Company, namely, Ms. Li Xuemei, Mr. Guo Xinping and Mr. Xia Yinan. Ms. Li Xuemei is the chairlady of the Audit Committee. The Audit Committee has reviewed the Group’s unaudited consolidated results for the three months ended 31 March 2019 and considered that the preparation of those results are in compliance with the appropriate accounting standards and relevant regulations and laws.

CORPORATE GOVERNANCE

The Company has been in compliance with the provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules during the three months ended 31 March 2019.

FUTURE PLANS FOR MAJOR ACQUISITION AND DISPOSALS

Currently, the Group has no plans for major acquisitions and disposals.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has conducted regular review of the risk management and internal control systems of the Group to ensure that the systems are effective and appropriate. The Board holds meetings regularly to discuss matters concerning finance, operation and risk management and monitoring.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the sufficiency of public float requirement as specified in the GEM Listing Rules as at the latest practicable date prior to the issue of this report.

ACKNOWLEDGEMENT

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 suppliers, customers, bankers and shareholders for their continued support.

By Order of the Board
CCID CONSULTING COMPANY LIMITED*
Mr. Zhao Zeming
Chairman

Beijing, The People's Republic of China
8 May 2019

As at the date of this report, the Board comprises one executive Director namely Mr. Zhao Zeming, one non-executive Director namely Mr. Luo Junrui and three independent non-executive Directors namely Mr. Guo Xinping, Ms. Li Xuemei and Mr. Xia Yinan.

* *For identification purpose only*