

CCID Consulting

CCID Consulting Company Limited

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

Stock Code: 8235

思維創造世界

- 城市經濟第一智庫

- 企業戰略第一顧問

- 資本運作第一專家

2020 FIRST QUARTERLY REPORT

CHARACTERISTICS OF THE 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 Main Board. 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 generally 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 (the “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 2020, the unaudited turnover of the Group amounted to approximately RMB10,939 thousand, representing a decrease of approximately 64% over the corresponding period of last year;
- For the three months ended 31 March 2020, the gross profit of the Group was approximately RMB-6,965 thousand. The gross profit margin was approximately -64%. The gross profit decreased by approximately 264% over the corresponding period of last year;
- For the three months ended 31 March 2020, the loss of the Group was approximately RMB13,520 thousand, of which loss attributable to equity holders of the Company was approximately RMB9,605 thousand, representing a loss of approximately 1,366% widening from the corresponding period of last year;
- For the three months ended 31 March 2020, the basic loss per share of the Group was approximately RMB1.37 cents;
- The board of Directors does not recommend payment of any dividend for the three months ended 31 March 2020.

2020 FIRST QUARTERLY RESULTS

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 subsidiaries (the “Group”) for the three months ended 31 March 2020 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding periods of 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Unaudited For the three months ended 31 March	
	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Turnover	2	10,939	30,661
Cost of sales		(17,904)	(26,407)
Gross profit		(6,965)	4,254
Other revenue and income		273	232
Selling and distribution expenses		(3,122)	(3,710)
Administrative and other operating expenses		(3,558)	(2,321)
Profit before tax		(13,372)	(1,545)
Taxation	3	(148)	0
Profit/(Loss) for the period		(13,520)	(1,545)
Attributable to:			
Equity holders of the Company		(9,605)	(655)
Non-controlling interests		(3,915)	(890)
		(13,520)	(1,545)
Loss per share			
— Basic (<i>RMB cents</i>)	4	(1.37)	(0.09)



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 are 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 the 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 base 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 statements for the three months ended 31 March 2020 are consistent with those used by the Group in the consolidated financial statements for the year ended 31 December 2019.

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. The Group principally engages in the provision of 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	
	2020	2019
	RMB'000	RMB'000
PRC enterprise income tax	148	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 2020 (during the three months ended 31 March 2019: Nil). Taxes on profits assessable elsewhere have been calculated at the effective and applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on the existing legislation, interpretations and practices in respect thereof during the 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 2019: 25%).

The Company and CCID Supervision are high and new technology enterprises registered 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 2019: 15%).

There was no material unprovided deferred tax for the three months ended 31 March 2020 (during the corresponding period of 2019: Nil).



4. LOSS PER SHARE

Loss per share was calculated by the loss attributable to equity holders of the Company of approximately RMB9,605 thousand for the three months ended 31 March 2020 (loss attributable to equity holders of the Company during the corresponding period of 2019: approximately RMB655 thousand) and the weighted average of 700,000,000 shares in issue during the Reporting Period (during the corresponding period of 2019: 700,000,000 shares).

No calculation of diluted loss per share for the three months ended 31 March 2020 involved as no diluting events occurred during the Reporting Period (during the corresponding period of 2019: Nil).

5. RESERVES

	Issued share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Investment revaluation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Non- controlling interests of the Group <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2019	70,000	18,100	16,455	1,835	41,370	24,802	172,562
Change during the last period	—	—	—	—	(655)	(890)	(1,545)
As at 31 March 2019	70,000	18,100	16,455	1,835	40,715	23,912	171,017
As at 1 January 2020	70,000	18,100	20,062	3,727	92,075	30,962	234,926
Profit for the Reporting Period	—	—	—	—	(9,605)	(3,915)	(13,520)
As at 31 March 2020	70,000	18,100	20,062	3,727	82,470	27,047	221,406

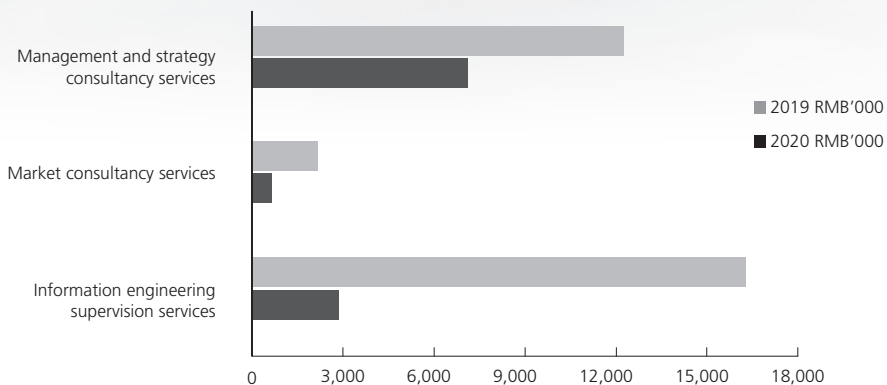
6. DIVIDENDS

The Board does not recommend payment of any dividend for the three months ended 31 March 2020 (during the corresponding period of 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover Analysis

For the three months ended 31 March 2020, the turnover by operations of the Group is analyzed as follows:



	For three months ended 31 March 2020		For three months ended 31 March 2019	
	Turnover RMB'000	Approximate Percentage	Turnover RMB'000	Approximate Percentage
Management and strategy consultancy services	7,276	67%	12,276	40%
Market consultancy services	693	6%	2,165	7%
Information engineering supervision services	2,970	27%	16,220	53%
Total	10,939	100%	30,661	100%



Business Review

For the three months ended 31 March 2020, the turnover and gross profit of the Group amounted to approximately RMB10,939 thousand and RMB-6,965 thousand respectively (approximately RMB30,661 thousand and RMB4,254 thousand respectively during the corresponding period of 2019). The turnover decreased by approximately 64% and the gross profit decreased by approximately 264% as compared to the corresponding period of last year. Because of the outbreak of the novel coronavirus (COVID-19) in the first quarter of 2020, quarantine measures have been adopted in a number of cities in China, which has adversely affected the business operation of the Group to a certain extent, and consequently brought a material impact on the Group's profitability for the first quarter of 2020.

In terms of management and strategy consultancy services, the Group has been committed to keeping abreast of the development trend which focuses on national policies and IT technology, and persistently promoting businesses development related to IT consultancy, investment and merger and acquisition consultancy, corporate management and urban planning by encompassing the strategically emerging industries, while at the same time, 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's turnover of the management and strategy consultancy services was approximately RMB7,276 thousand for the three months ended 31 March 2020 (approximately RMB12,276 thousand during the corresponding period of 2019), accounting for approximately 67% of the Group's turnover and representing a decrease of approximately 41% as compared to the corresponding period of last year. The decrease was mainly due to the restriction on expansion of business and the implementation of the existing projects as the result of the mandatory holiday extension and quarantine measures adopted in a number of cities in China in response to the impact of the novel coronavirus (COVID-19) epidemic.

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 2020, the Group's turnover of the market consultancy services was approximately RMB693 thousand (approximately RMB2,165 thousand during the corresponding period of 2019), accounting for approximately 6% of the Group's turnover and representing a decrease of approximately 68% as compared to the corresponding period of last year. The decrease was mainly due to the temporarily prevention of the convening of large-scale meetings and events as a result of the quarantine measures adopted in a number of cities in China in response to the impact of the novel coronavirus (COVID-19) epidemic.

In terms of information engineering supervision services, the Group mainly provides supervision services in respect of various projects ranging from software, network, communication to information security to the government and enterprises. For the three months ended 31 March 2020, the Group's turnover of the information engineering supervision services was approximately RMB2,970 thousand (approximately RMB16,220 thousand during the corresponding period of 2019), accounting for approximately 27% of the Group's turnover and representing a decrease of approximately 82% as compared to the corresponding period of last year. The decrease was mainly due to the suspension of large-scale projects and the reduction in the number of new projects signed as a result of the mandatory holiday extension in a number of cities in China in response to the impact of the novel coronavirus (COVID-19) epidemic.

Market Promotions and Publicity

For the three months ended 31 March 2020, the Group organized the 2020 IT Market and CCID Ecosystem Partners in Beijing.

Business outlook

In 2020, in order to constantly enhance its competitive strength, the Group will continue to implement the "consulting+" strategy by creating the drives for digital transformation, restructuring, system innovation and brand improvement to expedite digital transformation, advance platformization and ecologization, and focus on comprehensive industrial innovation. Furthermore, the Group will expand international markets, push forward the business transformation and update, and optimize corporate governance, so as to improve operational and management level and further enhance competitiveness.

Expedite digital transformation

The Group will concentrate on the "CCID brain for industries", and develop analytical models and evaluation algorithms by consolidating industry resources and data. Besides integrating massive data, diverse services and powerful function module, the Group will accelerate the construction of the industry data platform focused on industry data, mapping and resources, as well as the business capacity base focused on general tools, standard products and platform products. Furthermore, the Group will develop and build standardized function modules for data online, MTX, industry chain precision investments, industry project assessment, and investment and financing connection. By closely gauging the customer demand,



as well as integrating internal and external data resources and channels, the Group will build a customized and personalized innovation platform powered by industry big data under the standardized function model to provide better services to the governments, parks, enterprises and investment institutions.

Promote management innovation

In reference to the progress and requirements of digital transformation, the Group will expedite the construction of the digital management platform by continuously pursuing the innovation of operation, management and service models, which will achieve the full-cycle, full-caliber accounting, visual management system for project, contract, finance, customer service and performance to further standardize service processes and standards, timely release the potential of digital transformation, and improve work efficiency and service quality. On the other hand, the Group will proceed with restructuring in due time, establish cross-field teams and business capacity profiles, and promote business process re-production. By virtue of the system innovation, the chief analyst, independent business evaluation and zoning partnership systems shall be introduced, while the remuneration assessment system in synchronization with our business development shall be explored. These initiatives will optimize our corporation governance structure, elevate operational management level, and render strong management support and organizational assurance for digital transformation.

Strengthen brand promotion

The Group will regard digitalization as the driver and focus on the organization construction of content companies, strategic cooperation networks of external media, and production and promotion of high-quality contents to advance the optimization and innovation of brand promotion. The Group continued to improve the media matrix group focused on “MTX Chanyeton” by expanding external media partnership and media network coverage, and deepening media cooperation to enhance the efficient synergic advertising of the media matrix. To enhance the advertising results of research contents, the Group will highlight the synergic effects between the product system and brand promotion model, and conduct joint research with enterprises and media within the industry and joint seminars with enterprises and experts, and publish white papers.

DIVIDEND FOR THE FIRST QUARTER

The Board does not recommend payment of any dividend for the three months ended 31 March 2020 (for the three months ended 31 March 2019: Nil).

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

As at 31 March 2020, 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

At no time during the three months ended 31 March 2020 were rights to acquire benefits by means of 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, 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 2020.

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

As at 31 March 2020, 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 positions 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%

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
Legend Holdings (BVI) Limited <i>(note 2)</i>	Interest of controlled corporation	Long position	20,000,000 H Shares	9.57%	2.86%
Legend Express Agency & Services Limited <i>(note 2)</i>	Interest of controlled corporation	Long position	20,000,000 H Shares	9.57%	2.86%
Grade Win International Limited <i>(note 2)</i>	Beneficial owner	Long position	20,000,000 H Shares	9.57%	2.86%
Lam William Ka Chung <i>(note 3)</i>	Interest of controlled corporation	Long position	14,600,000 H Shares	6.99%	2.09%
J.P. Morgan Fleming Asset Management Holdings Inc. <i>(note 4)</i>	Investment manager	Long position	15,000,000 H Shares	7.18%	2.14%
J.P. Morgan Fleming Asset Management (Asia) Inc. <i>(note 4)</i>	Investment manager	Long position	15,000,000 H Shares	7.18%	2.14%
JF Asset Management Limited <i>(note 4)</i>	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 effective 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.

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 2020, no other person had any interest or short position in the shares or 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 2020.

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 that, during the three months ended 31 March 2020, 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 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 Xiping 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 2020 and considered that the preparation of those results is 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 2020.

FUTURE PLANS FOR MATERIAL ACQUISITION AND DISPOSALS

Currently, the Group has no major acquisition and disposal plan.



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*
Chairman
Ms. Xia Lin

Beijing, The People's Republic of China
8 May 2020

As at the date of this report, the Board comprises one executive Director namely Ms. Xia Lin, one non-executive Director namely Mr. Sun Huifeng and three independent non-executive Directors namely Mr. Guo Xinping, Ms. Li Xuemei and Mr. Chen Yung- cheng.

* *For identification purposes only*