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CHINAINFO HOLDINGS LIMITED

神 州 資 訊 控 股 有 限 公 司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8206)

CONDITIONAL VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ACQUISITION OF CERTAIN BENEFITS LINKED TO THE OPERATION OF CERTAIN ONLINE GAME IN THE PRC AND RESUMPTION OF TRADING

Financial adviser to the Company

建银国际金融有限公司
CCB International Capital Limited

The Board is pleased to announce that on 20 October 2006, Success Advantage, a wholly-owned subsidiary of the Company, entered into the SA Agreement with CCI and CCC pursuant to which Success Advantage has conditionally agreed to acquire, at a consideration of HK$620,000,000, the right to receive the Net Revenue from CCI for the period between 1 January 2007 and 10 August 2009. CCC, being the sole shareholder of CCI, is the guarantor under the SA Agreement pursuant to which CCC has unconditionally and irrevocably undertaken to Success Advantage the due and punctual performance by CCI of all the obligations expressed to be imposed on or assumed by it under the SA Agreement.

* For identification purpose only.

The total consideration for the Acquisition of HK$620,000,000 was arrived at after arms' length negotiations between the parties to the SA Agreement and the Acquisition was on normal commercial terms with reference to (i) a preliminary valuation of the right to receive the Net Revenue of approximately RMB736,700,000 (equivalent to approximately HK$722,255,000) prepared on a discounted cash flow basis by Grant Sherman Appraisal Limited, a valuer independent of the Company and its connected persons (as defined in the GEM Listing Rules) as at 30 September 2006 (subject to the issuance of a valuation report on the date of dispatch of the Company's circular for the Acquisition); (ii) the future prospects of online game industry in the PRC and (iii) the Guaranteed Net Revenue. The Board has been given to understand that the discount rate used for the preliminary valuation has factored in risks adjustments including small capitalization risk premium, start-up risk premium and intangible asset risk premium. As such, the Board considers that the preliminary valuation of the right to receive the Net Revenue was prepared with an appropriate discount rate.

Taking into account the preliminary valuation and the reasons and benefits as stated in the paragraph below headed "Reasons for and benefits of the Acquisition", the Board considers the consideration to be fair and reasonable to and that the Acquisition is in the interests of the Company and the Shareholders as a whole. The text of the valuation report to be issued by Grant Sherman Appraisal Limited and the reports on the cash flow forecast in relation to the valuation to be issued by the Company's reporting accountants and financial adviser will be included in the Company's circular for the Acquisition.

The total consideration for the Acquisition of HK$620,000,000 represents a discount of approximately 14.2% to the preliminary valuation of the right to receive the Net Revenue of approximately RMB736,700,000 (equivalent to approximately HK$722,255,000) by Grant Sherman Appraisal Limited as at 30 September 2006 (subject to the issuance of a valuation report).

The consideration of HK$620,000,000 will be settled by the Company in the following manner:

(a) a refundable deposit in the sum of HK$20,000,000 (the "**Deposit**") in cash will be paid to CCI within three Business Days upon signing of the SA Agreement;

(b) HK$40,000,000 in cash will be paid to CCI within three Business Days upon Completion;

(c) HK$135,000,000 will be satisfied by the issue and allotment of the Consideration Shares credited as fully paid at the Issue Price to CCI within 14 Business Days upon Completion; and

(d) HK$425,000,000 will be satisfied by the issue of the Promissory Note to CCI.

The Board intends to finance the aggregate cash consideration of HK$60,000,000 out of the Company's internal resources. The Board is of the view that the payment terms of the Acquisition will enable the Company to minimize its initial cash outflow and are in the interests of the Company.

The Board considers that the terms and conditions of the SA Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, CCI is interested in approximately 13.47% of the entire issued share capital of the Company. The Acquisition, including the issue of the Consideration Shares, constitutes a connected transaction for the Company under the GEM Listing Rules and, accordingly, is subject to approval of the Independent Shareholders at the EGM by way of poll. In addition, the Acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules. CCI and its associates will abstain from voting in respect of the ordinary resolution to be proposed at the EGM to considered and, if thought fit, to approve the Acquisition and the transactions contemplated thereunder.

A circular containing, among other things, details of the Acquisition, the recommendation of the IBC together with a letter of advice from an independent financial adviser in respect of the Acquisition and a notice of the EGM, will be sent to Shareholders as soon as practicable and in accordance with the requirements of the GEM Listing Rules.

At the request of the Company, dealings in the Shares on the Stock Exchange were suspended with effect from 9:30 a.m. on 23 October 2006 pending the release of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 27 October 2006.

THE SA AGREEMENT

The Board is pleased to announce that on 20 October 2006, Success Advantage, a wholly-owned subsidiary of the Company, entered into the SA Agreement with CCI and CCC pursuant to which Success Advantage has conditionally agreed to acquire, at a consideration of HK$620,000,000, the right to receive the Net Revenue from CCI for the period between 1 January 2007 and 10 August 2009 (the "**Term**"). CCC, being the sole shareholder of CCI, is the guarantor under the SA Agreement pursuant to which CCC has unconditionally and irrevocably undertaken to Success Advantage the due and punctual performance by CCI of all the obligations expressed to be imposed on or assumed by it under the SA Agreement and undertaken to indemnify and keep effectively indemnified Success Advantage (if necessary, by the payment of cash on first demand) against all liabilities, losses, damages, costs and expenses stipulated under the SA Agreement or otherwise which Success Advantage may suffer or incur in connection with any default or delay on the part of CCI in the performance of any such obligations.

The Net Revenue payable by CCI to Success Advantage is equivalent to 40% of the net sales revenue derived from operating "Sudden Attack" in the PRC by CCP. Pursuant to the SA Agreement, such net sales revenue is determined as the aggregate amount of game fees, advertising fees, income from organizing electronic sports tournaments and sales of peripheral products net of their respective channel costs such as processing fees for prepaid rechargeable game cards, ISP, credit cards, gift certificates, tournament organizing costs and commissions to sales agents.

A. Parties to the SA Agreement:

(a) CCI (as vendor);

(b) Success Advantage (as purchaser); and

(c) CCC (as guarantor).

B. Consideration and payment terms

The total consideration for the Acquisition of HK$620,000,000 was arrived at after arms' length negotiations between the parties to the SA Agreement and the Acquisition was on normal commercial terms with reference to (i) a preliminary valuation of the right to receive the Net Revenue of approximately RMB736,700,000 (equivalent to approximately HK$722,255,000) prepared on a discounted cash flow basis by Grant Sherman Appraisal Limited, a valuer independent of the Company and its connected persons (as defined in the GEM Listing Rules) as at 30 September 2006 (subject to the issuance of a valuation report on the date of dispatch of the Company's circular for the Acquisition); (ii) the future prospects of online game industry in the PRC and (iii) the Guaranteed

Net Revenue. The Board has been given to understand that the discount rate used for the preliminary valuation has factored in risks adjustments including small capitalization risk premium, start-up risk premium and intangible asset risk premium. As such, the Board considers that the preliminary valuation of the right to receive the Net Revenue was prepared with an appropriate discount rate.

Taking into account the preliminary valuation and the reasons and benefits as stated in the paragraph below headed "Reasons for and benefits of the Acquisition", the Board considers that the consideration is fair and reasonable to and the Acquisition was on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The text of the valuation report to be issued by Grant Sherman Appraisal Limited and the reports on the cash flow forecast in relation to the valuation to be issued by the Company's reporting accountants and financial adviser will be included in the Company's circular for the Acquisition.

The total consideration for the Acquisition of HK$620,000,000 represents a discount of approximately 14.2% to the preliminary valuation of the right to receive the Net Revenue of approximately RMB736,700,000 (equivalent to approximately HK$722,255,000) by Grant Sherman Appraisal Limited as at 30 September, 2006 (subject to the issuance of a valuation report). No adjustment will be made to the consideration if the final valuation of the right to receive the Net Revenue by Grant Sherman Appraisal Limited as at 30 September 2006 is lower or higher than RMB736,700,000 (equivalent to approximately HK$722,255,000). However, it should be noted that if the valuation falls below RMB700,000,000 (equivalent to approximately HK$686,275,000), the SA Agreement will lapse and all the obligations and liabilities of the parties to the SA Agreement will cease and terminate save for any antecedent breaches of the terms thereof. In this regard, reference is made to condition (d) as set out in the paragraph headed "D. Conditions precedent of the Acquisition" below.

The consideration of HK$620,000,000 will be settled by the Company in the following manner:

(a) a refundable deposit in the sum of HK$20,000,000 (the "**Deposit**") in cash will be paid to CCI within three Business Days upon signing of the SA Agreement;

(b) HK$40,000,000 in cash will be paid to CCI within three Business Days upon Completion;

(c) HK$135,000,000 will be satisfied by the allotment and issue of the Consideration Shares, credited as fully paid, at the Issue Price to CCI within 14 Business Days upon Completion; and

(d) HK$425,000,000 will be satisfied by the issue of the Promissory Note to CCI.

The Deposit of HK$20,000,000 was paid to CCI on 25 October 2006 and is subject to refund without interest to Success Advantage within 3 Business Days after the lapse of the SA Agreement. The Board intends to finance the aggregate cash consideration of HK$60,000,000 out of the Company's internal resources. The Board considers that the payment terms of the Acquisition will enable the Company to minimize its initial cash outflow and are in the interests of the Company.

Consideration Shares

The Consideration Shares, comprising 30,000,000 new Shares, represent approximately 4.72% of the existing issued share capital of the Company and approximately 4.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Issue Price of HK$4.5 per Consideration Share represents:

(i) a premium of approximately 12.5% over the closing price of HK$4.00 per Share as quoted on the Stock Exchange on 20 October 2006, being the last trading day immediately prior to the publication of this announcement;

(ii) a premium of approximately 16.3% over the average of the closing prices of approximately HK$3.868 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 20 October 2006, being the last trading day immediately prior to the publication of this announcement; and

(iii) a premium of approximately 1,143% over the adjusted consolidated net assets of the Company, being the audited consolidated net assets as at 31 March 2006 (adjusted for the net proceeds from the top-up placement in May 2006) of approximately HK$0.362 per Share.

The Issue Price was arrived at after arm's length negotiations between the Company and CCI. The Board considers that the Issue Price is fair and reasonable and the allotment and issue of the Consideration Shares on such terms are in the interests of the Company.

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will be issued under a special mandate to be approved by the Independent Shareholders at the EGM. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with all the Shares in issue on the date of allotment.

Promissory Note

The Promissory Note in the principal sum of HK$425,000,000 (the "**Principal Sum**"), to be issued by Success Advantage to CCI on completion of the SA Agreement, is unsecured and carries an interest rate of 2% per annum payable once every year in arrears. The Promissory Note will mature on 10 August 2009 and is non-transferable. Success Advantage has the right to repay the whole or part of the Principal Sum at any time at par value together with interests accrued on any Principal Sum outstanding before maturity.

Any outstanding Principal Sum can be used to set-off against any sum due and payable by CCI to Success Advantage pursuant to the SA Agreement, including the payment of the Net Revenue and/or any amount arising from the Guaranteed Net Revenue.

C. Net Revenue and Guaranteed Net Revenue

The Net Revenue will be determined for each calendar month and payable by CCI to Success Advantage bi-annually by no later than 45 days after 30 June and 31 December each year or after termination of the SA Agreement. CCI will, within 10 days after the end of each calendar month, submit a revenue report to Success Advantage prepared according to the principles set out in the SA Agreement for the determination of the Net Revenue. Such revenue report must be approved by the financial controller of CCP before submission to Success Advantage. The revenue report is expected to be prepared with reference to the relevant accounting principles in the PRC given CCP is a company organized under the laws of the PRC.

Pursuant to the SA Agreement, Success Advantage has the right to appoint auditors or agents annually to verify the revenue reports and to issue a certificate to confirm the amount of Net Revenue to be received by Success Advantage for 2007, 2008 and the period between 1 January 2009 to 10 August 2009 at the end of each period respectively. The amount of Net Revenue to be received by Success Advantage, if to be confirmed by its auditors or agents, shall be final and binding on the parties to the SA Agreement. The Company will procure Success Advantage to exercise its right to appoint auditors annually to verify the revenue reports and to issue respective certificates as and when it considers necessary. CCI has unconditionally and irrevocably undertaken to Success Advantage that the Guaranteed Net Revenue to be received by Success Advantage for 2007, 2008 and the period between 1 January 2009 to 10 August 2009 shall not be less than RMB160,000,000 (equivalent to approximately HK$156,863,000), RMB260,000,000 (equivalent to approximately HK$254,902,000) and RMB150,000,000 (equivalent to approximately HK$147,059,000) respectively. Should the Net Revenue (as confirmed by Success Advantage's auditors or agents) be less than the Guaranteed Net Revenue, CCI shall pay the shortfall in cash or by offsetting against any outstanding Principal Sum at its option by no later than 45 days after the end of 2007, 2008 and the expiry of the SA Agreement in 2009, as the case maybe.

D. Conditions precedent of the Acquisition

The Acquisition is conditional upon, among other things, the following conditions being satisfied on or before 31 January 2007 or such other date as the parties to the SA Agreement may agree:

(a) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of CCI and CCC in respect of the SA Agreement and the transactions contemplated thereunder having been obtained;

(b) the passing of an ordinary resolution to approve the SA Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM to be convened and held, including, but not limited to the allotment and issue of the Consideration Shares to CCI, credited as fully paid, and the issue of the Promissory Note to CCI;

(c) the obtaining of legal opinions to be issued by a firm of PRC lawyers and a firm of Singaporean lawyers acceptable to Success Advantage covering such matters under their respective jurisdiction relevant to the transactions contemplated under the SA Agreement in such form and substance to the satisfaction of Success Advantage;

(d) the obtaining of a valuation report to be issued by a firm of valuers appointed by Success Advantage showing the fair value of the right to receive the Net Revenue to be not less than RMB700,000,000;

(e) the GEM Listing Committee granting the listing of, and permission to deal in, the Consideration Shares;

(f) the warranties and representations provided by CCI under the SA Agreement remaining true and accurate in all respects;

(g) completion of a satisfactory due diligence review on the carrying out of the operation of "Sudden Attack" by CCP; and

(h) all other matters reasonably requested by Success Advantage.

E. Completion

Completion of the Acquisition will take place on the third Business Day after the satisfaction of all the abovementioned conditions or the waiver thereof (except for conditions (b), (d) and (e) above which cannot be waived) obtained from Success Advantage. If any of the abovementioned conditions are not satisfied within the deadline set out above, the SA Agreement will lapse and all the obligations and liabilities of the parties to the SA Agreement will cease and terminate save for any antecedent breaches of the terms thereof. CCI shall refund the Deposit without interest to Success Advantage within 3 Business Days after the lapse of the SA Agreement.

F. Right of Renewal

CCI and CCC have given a first right to Success Advantage to renew the SA Agreement after expiry of the Term on the same terms and conditions or such other terms as the parties may agree, provided that, after the expiry of the SA Agreement, CCP has renewed its license to continue operating "Sudden Attack" under the GH Agreement.

G. Termination

If, for any reason, the GH Agreement is terminated or found invalid, or CCP cannot continue to operate "Sudden Attack", the SA Agreement (including the Promissory Note) will be terminated at the same time. The Net Revenue and the Guaranteed Net Revenue will be adjusted on a pro rata basis with reference to the date of termination.

If the SA Agreement is terminated, the parties to the SA Agreement agreed that the total amount of Net Revenue to be received by Success Advantage will not be, in any event, less than the total consideration paid (including any amount of cash payment, the issue of Consideration Shares and repayment of the Promissory Note) by Success Advantage. CCI shall compensate Success Advantage the amount by which the total consideration paid exceeds the total amount of Net Revenue received by Success Advantage. On the contrary, if the total amount of the Net Revenue received by Success Advantage exceeds the total consideration paid, Success Advantage is under no obligation to refund the difference to CCI.

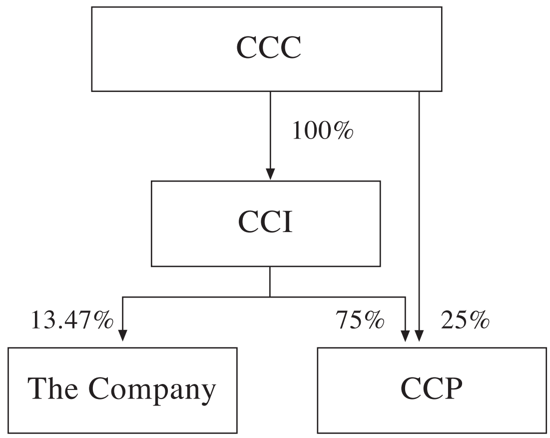
RELATIONSHIP BETWEEN CCC, CCI AND CCP

CCC is a nationwide telecom operator and internet network operator in the PRC covering a wide range of value-added telecom services. Currently, CCC is launching an electronic wallet called "Shentong Card" which is approved by the Industrial and Commercial Bank of China whereby money can be transferred between an individual's bank account and his designated "Shentong Card". As an electronic wallet, "Shentong Card" is designed to pay transportation fees, bank charges, IP phone fees, online trading fees and home utilities fees.

CCI, a wholly-owned subsidiary of CCC, is interested in 75% of the registered capital in CCP and approximately 13.47% in the issued share capital of the Company before the issue of the Consideration Shares. CCI is principally engaged in investments in information technology related businesses, including the operation and distribution of computer games.

CCP, an indirect wholly-owned subsidiary of CCC, is principally engaged in the development, operation and distribution of computer games in the PRC. CCP currently operates nationwide game platforms such as battlenet platform, online game platform, mobile game platform, and casual game platform. CCP is licensed to operate a number of well-known computer games in the PRC market, including "Counter Strike", "Warcraft", "Starcraft", "Half Life" and "Diablo".

Current shareholding structure of CCI:



INFORMATION ON SUDDEN ATTACK ("突 襲 OL")

"Sudden Attack" is a First Person Shooting ("**FPS**") game based on a storyline of counter-terrorism operations. Players can choose to become a soldier from a list of special-forces like British SAS, US Delta Force, Republic of Korea Marine Force and etc.. Players can also choose a wide range of weapons for their virtual soldiers. Launched in Korea in August 2005, "Sudden Attack" was developed by GameHi Inc., a Korean game developer specializing in online multiplayer online role playing games, FPS and other causal games including "Dekeron", "Sudden Attack", and "Paran Game". GameHi Inc. was established in 2002 and operates a single platform for computer online games servicing players in Korea and Asia.

In Korea, "Sudden Attack" is operated through CJ Internet Corp.'s online game portal Netmarble.

According to information released by CJ Internet Corp., since the launch of its open beta version in Korea earlier this year, "Sudden Attack" has gained enormous popularity and registered more than 160,000 concurrent users in October 2006. CJ Internet Corp. also holds tournaments for "Sudden Attack". According to information disclosed in www.gametrics.com, "Sudden Attack" ranked number one (No. 1) among the most popular online games in Korea's internet cafes as at 23 October 2006 with a market share of about 11.7%.

On 10 August 2006, CCP entered into the GH Agreement with GameHi Inc. pursuant to which CCP has been licensed by GameHi Inc. to distribute and operate "Sudden Attack" in the PRC, Hong Kong and Macau for an initial term of 3 years from 10 August 2006 to 10 August 2009. The GH Agreement is automatically renewable for one year upon expiry of the initial 3-year term or each renewed 1-year term thereafter unless terminated by GameHi Inc. or CCP serving the other party written notice of its intention not to renew the GH Agreement, or by GameHi Inc. because of a material breach of the GH Agreement by CCP. According to the GH Agreement, CCP will pay GameHi Inc. a fixed licensing fee and royalty fees during the term of the GH Agreement based on a certain percentage of net sales revenue (determined on a basis similar to that of the Net Revenue under the SA Agreement) to be generated by "Sudden

Attack" in the PRC, Hong Kong and Macau. Since the intangible assets, being the license to distribute and operate "Sudden Attack" in the PRC, Hong Kong and Macau, acquired by CCP under the GH Agreement is different from the right to receive the Net Revenue under the SA Agreement, the Board considers it impractical to derive an original purchase cost for the right to receive the Net Revenue. Each of CJ Internet Corp. and GameHi Inc. is independent of the Company and its connected persons (as defined in the GEM Listing Rules).

According to CCP's operation plan, CCP will be responsible for the preparation, installation, implementation and maintenance of hardware, software and facilities for the Chinese version of "Sudden Attack". Also, CCP will develop an official website for "Sudden Attack" in Chinese as well as establish an internet sales channel for its peripheral products. It is expected that "Sudden Attack" will be launched commercially in the PRC in December 2006. Hence, there is no track record of the operation of "Sudden Attack" in the PRC.

In the PRC computer game market, a FPS computer game called "Counter-Strike" ("反恐精英") gained huge popularity over the past years with more than 12 million players during its peak according to information provided by CCP, the licensee to operate and distribute "Counter-Strike" in the PRC market. "Sudden Attack" is being similar to "Counter-Strike" in terms of contents and design. It is considered to be an online version of "Counter-Strike" and has some advantages over "Counter-Strike" due to its easiness to play and minimal waiting time. "Sudden Attack" targets online game and casual game players of about 20 to 40 years' old male who are FPS computer game players but are also interested in playing casual games. The Board believes that "Sudden Attack" would be well received in the PRC online game market having regard to the popularity of "Counter-Strike" in the PRC and the current popularity enjoyed by "Sudden Attack" in Korea.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of (i) real-time financial news and up-to-date financial market commentaries and recommendations through multimedia; (ii) financial programs and video production services; and (iii) investor education on financial markets in Hong Kong. The Group is also engaged in the licensing of computer games in the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board considers that the PRC multimedia and internet market is a fast growing sector with significant business potential. To capture the benefit of such potential, the Group has been seeking opportunities to form alliances or to cooperate with partners that have well developed multimedia networks in the PRC. In 2003, the General Administration of Sports announced electronic sports as the 99th sports in the PRC. The Board believes that the online game and electronic sports industry in the PRC will develop rapidly in the near future. According to CCID Consulting, an independent consulting agent, the PRC online game market size is expected to reach about RMB22.7 billion in 2010. The Board considers that the Acquisition will enable the Group to expose to the fast growing industry of online games in the PRC.

Leveraging on the extensive experience of the Company's management in the telecommunication and computer game industry, the Board considers that the Acquisition represents a good opportunity for the Group to benefit from the fast growing online game market in the PRC. The Board does not anticipate any changes in the composition of the board of directors of the Company upon Completion. Based on the favorable payment terms for the consideration, including the issue of Consideration Shares and Promissory Note, as well as the Guaranteed Net Revenue, the Board considers that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Upon Completion, the right to receive the Net Revenue will be accounted for as available-for-sale financial asset in the Company's consolidated financial statements. According to the Company's accounting policies, "available-for-sale financial asset" is initially and subsequently measured at fair value. Gains or losses arising from changes in fair value are recognised directly in equity, until the financial asset is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity will be recognized in the income statement. Impairment losses recognised in the income statement are not subsequently reversed through the income statement. As such, it is anticipated that the fair value of the right to receive the Net Revenue will be determined at each of the Company's interim and year end balance sheet date and any gains or losses arising from changes in fair value will be recognized according to the Company's accounting policies as mentioned above.

EFFECT ON SHAREHOLDING STRUCTURE AFTER COMPLETION

To the best knowledge of the Directors, the existing shareholding structure of the Company and the shareholding structure of the Company upon the allotment and issue of the Consideration Shares are as follows:

	Before the Acquisition		**After the allotment and issue of Consideration Shares**	
Name	**Number of Shares**	**(approximately %)**	**Number of Shares**	**(approximately %)**
CCI *(Note 1)*	85,542,000	13.47	115,542,000	17.37
He Jianren	1,660,000	0.26	1,660,000	0.25
Supreme System Investments Limited *(Note 2)*	84,001,144	13.23	84,001,144	12.63
Superhero Limited *(Note 3)*	74,979,195	11.81	74,979,195	11.27
Chan Wong Kam Fung, Cecilia	68,905,798	10.85	68,905,798	10.36
Other public Shareholders	319,998,624	50.38	319,998,624	48.12
Total	635,086,761	100.00	665,086,761	100.00

Note 1: The entire issued share capital of CCI is beneficially owned by CCC.

Note 2: The entire issued share capital of Supreme System Investments Limited is beneficially owned by Mr. He Jianren.

Note 3: The entire issued share capital of Superhero Limited is beneficially owned by Ms. Mi Hui Ying.

None of Mr. He Jianren, Ms. Mi Hui Ying and Ms. Chan Wong Kam Fung, Cecilia is involved in the management and operation of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, CCI is interested in approximately 13.47% of the entire issued share capital of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under the GEM Listing Rules and is subject to approval of the Independent Shareholders at the EGM by way of poll. In addition, the Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules. CCI and its associates will abstain from voting in respect of the ordinary resolution to be proposed at the EGM to consider and, if thought fit, to approve the Acquisition, including issue of the Consideration Shares, and the transactions contemplated thereunder.

If the ordinary resolution to be proposed at the EGM in relation to the Acquisition is not approved by the Independent Shareholders, the SA Agreement will cease and terminate and the Acquisition will not proceed.

The Company will establish an IBC to advise the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable and to make recommendations to the Independent Shareholders to vote for or against the ordinary resolution to be proposed at the EGM. An independent financial adviser will be appointed by the Company to advise the IBC and the Independent Shareholders as to whether the terms of the SA Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole and to make recommendations to the Independent Shareholders to vote for or against the ordinary resolution to be proposed at the EGM. A circular containing, among other things, details of the Acquisition, a letter of advice from an independent financial adviser, a letter of advice from the IBC to the Independent Shareholders and other required information to be disclosed under the GEM Listing Rules, together with a notice of the EGM and a proxy form, will be sent to the Shareholders as soon as practicable and in accordance with the requirements of the GEM Listing Rules.

As completion of the SA Agreement is subject to the fulfillment of a number of conditions, the Acquisition may or may not take place. Shareholders and potential investors are advised to exercise caution when dealings in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 23 October 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 27 October 2006.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors are Mr. He Chenguang, Mr. Xiao Haiping, Mr. Zhang Peng and Ms. Zhang Jialin, and the independent non-executive Directors are Mr. Yip Tai Him and Mr. Chiu Kwok Ching.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"Acquisition"	the acquisition of the right to receive the Net Revenue by Success Advantage from CCI for the period between 1 January 2007 and 10 August 2009 under the SA Agreement and the transactions contemplated thereunder
"associate"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday) on which licensed banks are generally open for business in Hong Kong
"CCC"	神州通信有限公司 (China Communication Co., Ltd.), a company established under the laws of the PRC, a nationwide telecom operator and internet network operator in the PRC
"CCI"	神州通信投資有限公司 (China Communication Investment Ltd.), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CCC
"CCP"	神州奧美網絡有限公司 (China Cyber Port Co., Ltd.), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of CCC
"Company"	Chinainfo Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on GEM
"Completion"	completion of the SA Agreement in accordance with the terms thereof
"Consideration Shares"	30,000,000 new Shares to be allotted and issued for settling part of the consideration of the Acquisition pursuant to the SA Agreement
"Directors"	the directors of the Company from time to time
"EGM"	an extraordinary general meeting of the Company to be convened and held to approve the Acquisition and the transactions contemplated thereunder
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for GEM

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GH Agreement"	an agreement entered into between CCP and GameHi Inc. on 10 August 2006, pursuant to which, among other things, CCP was licensed by GameHi Inc. to distribute and operate "Sudden Attack" in the PRC, Hong Kong and Macau
"Guaranteed Net Revenue"	the unconditional and irrevocable undertaking by CCI to Success Advantage that the Net Revenue to be received by Success Advantage for 2007, 2008 and the period between 1 January 2009 to 10 August 2009 will not be less than RMB160,000,000 (equivalent to approximately HK$156,863,000), RMB260,000,000 (equivalent to approximately HK$254,902,000) and RMB150,000,000 (equivalent to approximately HK$147,059,000) respectively
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IBC"	a committee, comprising all the independent non-executive Directors, established to advise the Independent Shareholders as to whether the terms of the SA Agreement are fair and reasonable and to make recommendations to the Independent Shareholders to vote for or against the ordinary resolution to be proposed at the EGM
"Independent Shareholders"	Shareholders, other than CCI and its associates, who are not required to abstain from voting at a general meeting to approve the SA Agreement and the transactions contemplated thereunder (as defined under Chapter 20 of the GEM Listing Rules)
"Issue Price"	the issue price of HK$4.5 per Consideration Share
"Macau"	the Macau Special Administrative Region of the PRC
"Net Revenue"	the Net Revenue payable by CCI to Success Advantage which is equivalent to 40% of the net sales revenue derived from operating "Sudden Attack" in the PRC by CCP. Pursuant to the SA Agreement, such net sales revenue is determined as the aggregate amount of game fees, advertising fees, income from organizing electronic sports tournaments and sales of peripheral products net of their respective channel costs such as processing fees for prepaid rechargeable game cards, ISP, credit cards, gift certificates, tournament organizing costs and commissions to sales agents
"PRC"	the People's Republic of China, which, for the purposes of this announcement, shall exclude Hong Kong, Macau and Taiwan

“Promissory Note”	the non-transferable promissory note in the principal sum of HK$425,000,000 which is unsecured, carrying an interest rate of 2% per annum payable yearly and maturing on 10 August 2009 and to be issued by Success Advantage to CCI for settling part of the consideration under the SA Agreement
“Success Advantage”	Success Advantage Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“SA Agreement”	the conditional agreement entered into on 20 October 2006 between Success Advantage, CCI and CCC pursuant to which Success Advantage has conditionally agreed to acquire, at a consideration of HK$620,000,000, the right to receive the Net Revenue from CCI for the period between 1 January 2007 and 10 August 2009. CCC, as guarantor, has unconditionally and irrevocably undertaken to Success Advantage the due and punctual performance by CCI of all the obligations expressed to be imposed on or assumed by it under the SA Agreement
“Shareholder(s)”	shareholders of the Company
“Share(s)”	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this announcement, unless otherwise specifies, conversion of RMB into HK$ is based on the approximate exchange rate of RMB1.02 = HK$1.00.

By Order of the Board
CHINAINFO HOLDINGS LIMITED
He Chenguang
Chairman

Hong Kong, 26 October 2006

This announcement, for which the Directors, including all independent non-executive Directors, collectively and individually accept full responsibility, includes particulars given in compliance with 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:

(1) the information contained in this announcement is accurate and complete in all material respects and not misleading;

(2) there are no other matters the omission of which would make any statement in this announcement misleading; and

(3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain at www.hkgem.com on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the website of the Group at www.hk6.com.