



CHINAINFO HOLDINGS LIMITED

神州資訊控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8206)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of Chinainfo Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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.

* For identification purpose only

HIGHLIGHTS

- Turnover of the Group for the nine months ended 31 December 2006 was approximately HK\$15,720,000.
- Net loss attributable to shareholders was approximately HK\$10,558,000 for the nine months ended 31 December 2006.
- Loss per share for the nine months ended 31 December 2006 was approximately HK1.72 cents.
- The board of the Directors (the “Board”) does not recommend any payment of dividend for the nine months ended 31 December 2006.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the nine months ended 31 December 2006.

FINANCIAL PERFORMANCE

The Group recorded total turnover of approximately HK\$15,720,000 for the nine months ended 31 December 2006, representing an increase of approximately 567%, as compared to approximately HK\$2,357,000 for the nine months ended 31 December 2005. Approximately 93.3% and 6.5% of the turnover for the nine months ended 31 December 2006 were attributable to the licensing income for license of the Licensed Rights and provision of real-time financial information services respectively.

The Group incurred a net loss attributable to shareholders of approximately HK\$10,558,000 for the nine months ended 31 December 2006 as compared to approximately HK\$4,325,000 for the corresponding period in 2005. The increase of net loss was mainly attributable to the increase of administrative expenses and other operating expenses.

BUSINESS REVIEW

The Board considers that the PRC multimedia and internet market is a fast growing sector with significant business potential. To capture the benefit of this fast growing market, the Group has been seeking opportunities to form alliances or cooperation with companies and partners who have well developed multimedia networks in the PRC.

On 20 October 2006, the Group entered into the SA Agreement (as defined in the Company’s circular dated 30 November 2006) in respect of a conditional very substantial acquisition and connected transaction involving the acquisition of the right to receive the Net Revenue (as defined in the Company’s circular dated 30 November 2006) from China Communication Investment Ltd. (“CCI”) for the period between 1 January 2007 and 10 August 2009. The conditional very substantial acquisition was completed on 18 December 2006. Details of the acquisition have been set out in the announcement and the circular of the Company dated 26 October 2006 and 30 November 2006 respectively.

On 1 February 2006, the Group entered into the CCI Agreement (as defined in the Company's circular dated 15 March 2006) in respect of a conditional very substantial transaction involving the acquisition of certain licensed rights to publish, replicate, reproduce, manufacture, distribute and sell thirty-four computer game softwares and computer game guide books in the retail stores, cybercafés, and on-line servers located in the PRC (excluding Hong Kong, Macau Special Administrative Region and Taiwan) and all the rights and benefits in relation to the organization of electronic sports tournaments in respect of the computer games in the PRC (excluding Hong Kong, Macau Special Administrative Region and Taiwan) (the "Licensed Rights") and the CCP Agreement (as defined in the Company's circular dated 15 March 2006) in respect of the continuing connected transaction in relation to the license of the Licensed Rights. The conditional very substantial acquisition was completed on 31 March 2006. Details of the acquisition have been set out in the announcement and the circular of the Company dated 1 February 2006 and 15 March 2006 respectively.

The Board considers that the PRC multimedia and internet market is a fast growing sector with significant business potential. The Board also believes that the computer games and electronic sports industry in the PRC will expand rapidly in the foreseeable future given the industrial policy supports from the PRC government. The Board is of the opinion that the acquisition of the Licensed Rights and the right to receive the Net Revenue will enable the Group to participate in PRC's promising online game market and the Board is optimistic about the financial and trading prospects of the Group.

Licensing income from the license of the Licensed Rights

The Group receives the Annual Payment (as defined in the Company's circular dated 15 March 2006) under the CCP Agreement for a period of ten years and the Annual Payment will be adjusted annually by a compound rate of 10%. For the nine months ended 31 December 2006, the revenue derived from the license of the Licensed Rights was approximately HK\$14,672,000. No revenue was derived from the license of the Licensed Rights for the corresponding period in 2005.

Provision of real-time financial information services

For the nine months ended 31 December 2006, the revenue derived from the provision of real-time financial information services was approximately HK\$1,019,000 as compared to approximately HK\$1,108,000 for the corresponding period in 2005. The revenue derived from this source is relatively stable.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS AND FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

	<i>Notes</i>	Three months ended 31 December		Nine months ended 31 December	
		2006 (Unaudited) HK\$	2005 (Unaudited) HK\$	2006 (Unaudited) HK\$	2005 (Unaudited) HK\$
Turnover	3	5,308,935	1,070,119	15,720,073	2,357,026
Cost of sales		<u>(3,764,800)</u>	<u>(206,410)</u>	<u>(11,306,590)</u>	<u>(432,910)</u>
Gross profit		1,544,135	863,709	4,413,483	1,924,116
Gain on derecognition of promissory note		–	–	693,818	–
Other revenue		1,115,986	188,043	2,136,841	346,717
Selling expenses		–	(95,912)	–	(250,260)
Administrative expenses		(1,436,909)	(1,443,968)	(7,210,690)	(3,723,819)
Other operating expenses		<u>(4,584,003)</u>	<u>(498,670)</u>	<u>(7,945,543)</u>	<u>(1,131,525)</u>
Operating loss		(3,360,791)	(986,798)	(7,912,091)	(2,834,771)
Finance costs	4	(1,117,936)	(177,787)	(1,998,197)	(248,755)
Share of loss of associated company		<u>(151,219)</u>	<u>(403,386)</u>	<u>(648,065)</u>	<u>(1,241,750)</u>
Loss before income tax		(4,629,946)	(1,567,971)	(10,558,353)	(4,325,276)
Income tax	5	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss attributable to shareholders		<u>(4,629,946)</u>	<u>(1,567,971)</u>	<u>(10,558,353)</u>	<u>(4,325,276)</u>
Loss per share – basic	6	<u>HK0.72 cent</u>	<u>HK0.37 cent</u>	<u>HK1.72 cents</u>	<u>HK1.02 cents</u>
Loss per share – diluted	6	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

NOTES TO THE UNAUDITED QUARTERLY RESULTS

1. GENERAL

Chinainfo Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 23 May 2002 with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company were successfully listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 November 2002.

The principal activity of the Company is investment holding. The Group was principally engaged in the licensing of licensed rights, the operation of a financial website, and the provision of financial information and investor education.

The registered office of the Company is P.O. Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands and its principal place of business is Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

2. BASIS OF PRESENTATION

The unaudited consolidated financial results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Hong Kong Stock Exchange.

The accounting policies and methods of computation adopted are consistent with those followed in preparation of the Group’s audited financial statements for the year ended 31 March 2006. This condensed consolidated financial information has been prepared under the historical cost convention. The condensed consolidated financial information are unaudited but have been reviewed by the Company’s audit committee.

3. TURNOVER

	Three months ended		Nine months ended	
	31 December		31 December	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Licensing income	5,056,866	–	14,672,251	–
Provision of financial information	252,069	382,263	1,018,650	1,108,210
Seminars and courses	–	593,856	–	1,154,816
Others	–	94,000	29,172	94,000
	<u>5,308,935</u>	<u>1,070,119</u>	<u>15,720,073</u>	<u>2,357,026</u>

4. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$	HK\$	HK\$	HK\$
Interest expense for promissory note wholly repayable within five years	1,117,936	–	1,117,936	–
Fair value changes on promissory note	–	–	871,671	–
Interest expense for convertible bonds wholly repayable within five years	–	177,787	8,590	248,755
	<u>1,117,936</u>	<u>177,787</u>	<u>1,998,197</u>	<u>248,755</u>

5. INCOME TAX

The Group business operations are in Hong Kong and subject to Hong Kong profits tax at the rate of 17.5%. No provision for Hong Kong profits tax has been made, as the Group had an estimated loss for the three months (2005: Nil) and nine months (2005: Nil) ended 31 December 2006.

There is no significant unprovided deferred taxation for the three months (2005: Nil) and nine months (2005: Nil) ended 31 December 2006.

6. LOSS PER SHARE

The calculation of the basic loss per share for the three months and nine months ended 31 December 2006 is based on the unaudited consolidated net loss attributable to shareholders of HK\$4,629,946 (2005: HK\$1,567,971) and HK\$10,558,353 (2005: HK\$4,325,276) respectively and on the weighted average number of 642,499,804 (2005: 427,710,000) and 612,270,609 (2005: 422,678,364) issued ordinary shares for the three months and nine months ended 31 December 2006 respectively.

No diluted loss per share for the three months (2005: Nil) and nine months (2005: Nil) ended 31 December 2006 has been presented as any exercise of the Company's share options would have had an anti-dilutive effect on the loss per share during the three months and nine months ended 31 December 2006.

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months (2005: Nil) and nine months (2005: Nil) ended 31 December 2006.

8. MOVEMENT OF RESERVES

	Share premium (Unaudited) HK\$	Merger reserve (Unaudited) HK\$	Capital surplus (Unaudited) HK\$	Asset revaluation reserve (Unaudited) HK\$	Exchange revaluation reserve (Unaudited) HK\$	Convertible bond reserve (Unaudited) HK\$	Employee share-based compensation reserve (Unaudited) HK\$	Accumulated losses (Unaudited) HK\$	Total (Unaudited) HK\$
The Group									
Balance as at 1 April 2005	15,195,487	8,320,333	1,498,659	–	–	–	–	(16,924,939)	8,089,540
Loss for the period	–	–	–	–	–	–	–	(4,325,276)	(4,325,276)
Issue of shares	10,257,000	–	–	–	–	–	–	–	10,257,000
Employee share option scheme									
– proceeds from shares issued	62,900	–	–	–	–	–	–	–	62,900
Convertible issuing expenses	–	–	–	–	–	(100,000)	–	–	(100,000)
Equity component for the convertible									
bonds issued during the period	–	–	–	–	–	448,441	–	–	448,441
Share issue expenses	(329,582)	–	–	–	–	–	–	–	(329,582)
Repurchase of shares	(91,300)	–	–	–	–	–	–	–	(91,300)
Balance as at 31 December 2005	<u>25,094,505</u>	<u>8,320,333</u>	<u>1,498,659</u>	<u>–</u>	<u>–</u>	<u>348,441</u>	<u>–</u>	<u>(21,250,215)</u>	<u>14,011,723</u>
Balance as at 1 April 2006	48,201,945	8,320,333	1,498,659	46,314,614	141,282	348,441	317,241	(23,185,479)	81,957,036
Loss for the period	–	–	–	–	–	–	–	(10,558,353)	(10,558,353)
Conversion of convertible bonds	4,963,509	–	–	–	–	(348,441)	–	–	4,615,068
Issue of shares	279,572,700	–	–	–	–	–	–	–	279,572,700
Share issue expenses	(3,077,340)	–	–	–	–	–	–	–	(3,077,340)
Exchange translation differences									
– Associate	–	–	–	–	100,092	–	–	–	100,092
Employee share option scheme									
– value of employee services	–	–	–	–	–	–	4,586,578	–	4,586,578
– proceeds from shares issued	4,441,763	–	–	–	–	–	(1,268,963)	–	3,172,800
Revaluation – available-for-sale financial assets	–	–	–	214,751,145	–	–	–	–	214,751,145
Balance as at 31 December 2006	<u>334,102,577</u>	<u>8,320,333</u>	<u>1,498,659</u>	<u>261,065,759</u>	<u>241,374</u>	<u>–</u>	<u>3,634,856</u>	<u>(33,743,832)</u>	<u>(575,119,726)</u>

OTHER INFORMATION

Interests and Short Positions of Directors and Chief Executives in Shares and Underlying Shares and Debentures

As at 31 December 2006, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Number of shares held					Number of underlying shares	Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme		
Chan Tan Lui, Danielle (resigned on 27 June 2006)	4,240,000	–	–	–	4,240,000	–	4,240,000	0.63%
Xiao Haiping	–	–	–	–	–	2,000,000	2,000,000	0.30%
Zhang Jialin	–	–	–	–	–	2,000,000	2,000,000	0.30%
Yip Tai Him	–	–	–	–	–	400,000	400,000	0.06%

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 31 December 2006.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

As at 31 December 2006, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Capacity	Number of shares held	Number of underlying shares	Aggregate interests	Approximate percentage issued share share capital of the Company
		Interests in shares	Share Option Scheme		
China Communication Co. Ltd. (Note 1)	Interest of a controlled corporation	115,542,000	–	115,542,000	17.12%
China Communication Investment Ltd.	Beneficial owner	115,542,000	–	115,542,000	17.12%
He Jianren (Note 2)	Beneficial owner & Interest of a controlled corporation	80,661,144	–	80,661,144	11.95%
Supreme System Investments Limited	Beneficial owner	79,001,144	–	79,001,144	11.70%
Mi Hui Ying (Note 3)	Interest of a controlled corporation	74,979,195	–	74,979,195	11.11%
Superhero Limited	Beneficial owner	74,979,195	–	74,979,195	11.11%
Chan Wong Kam Fung, Cecilia	Beneficial owner	68,905,798	–	68,905,798	10.21%

Notes:

- (1) China Communication Co. Ltd. is deemed to be a Substantial Shareholder as China Communication Investment Ltd. is a wholly-owned subsidiary of China Communication Co. Ltd.
- (2) Supreme System Investments Limited is a company wholly and beneficially owned by Mr. He Jianren. By virtue of the SFO, Mr. He Jianren is deemed to have interest of 79,001,144 shares held by Supreme System Investments Limited in addition to 1,660,000 shares held by himself.
- (3) Ms. Mi Hui Ying is deemed to be a Substantial Shareholder by virtue of her 100% beneficial interest in Superhero Limited.

Save as disclosed above, as at 31 December 2006, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Share Option Schemes

Share options were granted to certain directors, employees and consultants of the Company under the share option scheme (the “Share Option Scheme”) conditionally adopted on 28 October 2002. The Share Option Scheme became unconditional upon the listing of the Company’s shares on GEM on 15 November 2002. The Share Option Scheme was amended by an ordinary resolution duly passed at an annual general meeting by shareholders of the Company on 28 July 2006. Details of the Share Option Scheme have been set out in the Company’s annual report of year 2006.

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 31 December 2006 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	As at 1 April 2006	Options granted during the period	Number of share options		Options cancelled during the period	As at 31 December 2006
						Options exercised during the period ⁽²⁾	Options lapsed during the period ⁽¹⁾		
<i>Directors</i>									
Chan Tan Lui, Danielle (resigned on 27 June 2006)	17 March 2004	17 September 2004 to 16 March 2014	0.047	4,000,000	–	(4,000,000)	–	–	–
Xiao Haiping	3 April 2006	3 October 2006 to 2 April 2009	1.090	–	2,000,000	–	–	–	2,000,000
Zhang Jialin	3 April 2006	3 October 2006 to 2 April 2009	1.090	–	2,000,000	–	–	–	2,000,000
Choo Kwok How (resigned on 7 October 2006)	17 March 2004	17 March 2005 to 16 March 2014	0.047	2,000,000	–	(2,000,000)	–	–	–
Guo Qi (resigned on 31 July 2006)	17 March 2004	17 September 2004 to 16 March 2014	0.047	400,000	–	(400,000)	–	–	–
Yip Tai Him	17 March 2004	17 September 2004 to 16 March 2014	0.047	400,000	–	–	–	–	400,000
<i>Other employees</i>									
In aggregate	17 March 2004	17 March 2005 to 16 March 2014	0.047	8,000,000	–	(8,000,000)	–	–	–
In aggregate	3 April 2006	3 October 2006 to 2 April 2009	0.990	–	2,000,000	–	(2,000,000)	–	–
<i>Other Eligible Participants</i>									
In aggregate	17 March 2004	17 March 2005 to 16 March 2014	0.047	300,000	–	–	–	–	300,000
In aggregate	14 February 2006	14 August 2006 to 13 February 2009	0.340	10,000,000	–	(8,000,000)	–	(2,000,000)	–
In aggregate	28 June 2006	28 December 2006 to 27 June 2009	1.740	–	1,300,000	–	–	–	1,300,000
In aggregate	13 July 2006	13 January 2007 to 12 July 2008	1.920	–	500,000	–	–	–	500,000
In aggregate	17 August 2006	16 August 2007 to 16 August 2008	1.920	–	1,000,000	–	–	–	1,000,000
In aggregate	4 December 2006	4 June 2007 to 3 December 2009	3.992	–	1,000,000	–	–	–	1,000,000
In aggregate	15 December 2006	15 June 2007 to 14 December 2007	2.816	–	3,000,000	–	–	–	3,000,000
				25,100,000	12,800,000	(22,400,000)	(2,000,000)	(2,000,000)	11,500,000

Notes:

- (1) In accordance with the Share Option Scheme, the grantee of an option ceases to be an Eligible Participant due to termination of relationship with the Company or its Subsidiaries, the grantee may exercise the option up to his entitlement at the date of cessation of his relationship within the period of three months following the date of such cessation.

During the period, 2,000,000 share options were lapsed upon the resignation of employee.

- (2) The weighted average share price at the date of exercise is HK\$2.63 per share.

Competing Interests

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group.

Advances and financial assistance to an associated company

As at 31 December 2006, the aggregate advances and financial assistance provided by the Group to 神州速達導航通信資訊(北京)有限公司 (China Star Navigation Communication Information (Beijing) Co., Ltd.) (the “Associated Company”) amounted to RMB1,960,000 (equivalent to approximately HK\$1,953,164).

The advance to the Associated Company was made on 5 November 2004 and is unsecured, bearing interest at the rate of 5% per annum. During the period, a supplemental agreement was signed on 4 November 2006 pursuant to which the repayment date of the loan and the interests incurred therein has been extended to 4 May 2007.

The above advance was funded by internal resources of the Group and was made for the purpose of providing general working capital to the Associated Company.

The condensed unaudited balance sheet of the Associated Company as at 31 December 2006 is set out as follows:

	<i>HK\$'000</i>
Non-current assets	5,938
Current assets	5,255
Current liabilities	(4,025)
Net assets	7,168
The group's share of net assets	3,512

Purchase, Sales or Redemption of shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on GEM during the nine months ended 31 December 2006.

Audit Committee

The Company has established an audit committee on 28 October 2002 with written terms of reference based on the guidelines set out in "A Guide for the Formation of an Audit Committee" of the Hong Kong Institute of Certified Public Accountants. During this quarter, it comprises three independent Non-Executive Directors, namely Mr. Yip Tai Him, Mr. Chiu Kwok Ching and Dr. Lam Lee G.. Mr. Chiu Kwok Ching resigned as Independent Non-Executive Director, Member of Audit Committee and Member of Remuneration Committee with effect from 27 November 2006. Dr. Lam Lee G. was appointed as Independent Non-Executive Director, Member of Audit Committee and Member of Remuneration Committee with effect from 31 October 2006. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advices and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group's internal control system.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited quarterly report for the nine months ended 31 December 2006.

Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("Code on CG Practices") contained in Appendix 15 to the GEM Listing Rules during the nine months ended 31 December 2006.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code of Conduct”). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the nine months ended 31 December 2006.

By order of the Board
Chinainfo Holdings Limited
He Chenguang
Chairman

As at the date of this announcement, the Board comprises of:

Mr. He Chenguang (*Executive Director and Chairman*)
Mr. Xiao Haiping (*Executive Director*)
Mr. Zhang Peng (*Executive Director and Managing Director*)
Ms. Zhang Jialin (*Executive Director*)
Mr. Yip Tai Him (*Independent Non-Executive Director*)
Dr. Lam Lee G. (*Independent Non-Executive Director*)

Hong Kong, 8 February 2007

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