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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)

**TERMINATION OF THE MEMORANDUM OF UNDERSTANDING
IN RESPECT OF POSSIBLE ACQUISITION OF
51% SHAREHOLDING INTEREST IN A PC GAMES COMPANY**

AND

**CONDITIONAL VERY SUBSTANTIAL ACQUISITION
INVOLVING THE ACQUISITION OF CERTAIN LICENSED RIGHTS
TO DISTRIBUTE AND SELL CERTAIN COMPUTER GAMES IN THE PRC AND
THE LICENSE OF SUCH RIGHTS**

AND

**CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LICENSE
OF THE LICENSED RIGHTS**

AND

RESUMPTION OF TRADING

Financial Adviser to the Company



** For identification purpose only*

Reference is made to the announcements of the Company dated 26 April 2005, 24 May 2005, 29 August 2005 and 30 December 2005 in respect of a possible acquisition of 51% of the shareholding interest in Synergy.

The Board announced in the Announcements that the Company intended, through Pro-Concept, to acquire 51% shareholding interest in Synergy and entered into the MOUs between Pro-Concept and CCI. The parties had, on 30 December 2005 extended the long stop date from 31 December 2005 to 20 March 2006 for entering into the S&P Agreement as additional time was required for the parties to finalise, and negotiate further the deal structure and commercial terms.

After further negotiation, the parties arrived at the commercial decision to enter into the CCI Agreement and the CCP Agreement instead of proceeding with the acquisition of 51% shareholding interest in Synergy. As a result, CCI and Pro-Concept mutually agreed to terminate the MOUs upon signing of the CCI Agreement and the CCP Agreement.

The CCI Agreement

Pursuant to the CCI Agreement, CCI agreed to assign to Pro-Concept the Licensed Rights in respect of the Localised Products in the Territory in accordance with the terms and conditions of the CCI Agreement. The aggregate consideration for the assignment of the Licensed Rights pursuant to the CCI Agreement is HK\$150,000,000 and will be satisfied by Pro-Concept as to (i) HK\$10 million by cash; (ii) approximately HK\$23.95 million by the allotment and issue by the Company to CCI of the Consideration Shares; and (iii) approximately HK\$116.05 million by the issue by Pro-Concept to CCI of the Promissory Note. The Consideration Shares represent 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by allotment and issue of the Consideration Shares.

The signing of the CCI Agreement is inter-conditional upon the entering into of the CCP Agreement between Pro-Concept, CCP and CCI.

The CCP Agreement

Pursuant to the CCP Agreement, Pro-Concept agreed to license to CCP the exclusive license to use the Licensed Rights in respect of the Localised Products in the Territory for an initial term of three (3) years renewable for another term of three (3) years and two further terms of two (2) years each in accordance with the terms and conditions of the CCP Agreement. In consideration of the grant of the exclusive license to use the Licensed Rights by Pro-Concept, CCP will pay an Annual Payment net of all taxes payable on 31 December each year in cash to Pro-Concept. The initial Annual Payment payable will be in the sum of RMB20 million and will be adjusted annually by a compound increment of 10% to its previous Annual Payment.

The signing of the CCP Agreement is inter-conditional upon the entering into of the CCI Agreement between CCI and Pro-Concept.

Implications under the GEM Listing Rules

The Transactions constitute a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules. The CCI Agreement and the CCP Agreement will be subject to Shareholders' approval at an EGM to be convened and held by the Company.

Upon allotment and issue of the Consideration Shares to CCI, CCI will be beneficially interested in approximately 16.67% of the enlarged issued share capital of the Company and become a substantial shareholder (as defined under the GEM Listing Rules) of the Company. CCI will become a connected person to the Company, and the CCP Agreement will constitute a continuing connected transaction pursuant to Rule 20.35 of the GEM Listing Rules. The CCP Agreement will be subject to Independent Shareholders' approval by way of a poll at an EGM to be convened and held by the Company.

A circular containing, inter alia, further details of the CCI Agreement, the CCP Agreement, a letter of advice from an independent financial adviser to be appointed by the IBC to advise the IBC and Independent Shareholders, 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 convening the EGM and a proxy form will be sent to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

As completion of the CCI Agreement and CCP Agreement is subject to the fulfillment of a number of conditions, the Transactions 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 13 January 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 2 February 2006.

TERMINATION OF THE MOUs

Reference is made to the announcements of the Company dated 26 April 2005, 24 May 2005, 29 August 2005 and 30 December 2005 in respect of a possible acquisition of 51% of the shareholding interest in Synergy (the “**Announcements**”).

The Board announced in the Announcements that the Company intended, through Pro-Concept, to acquire 51% shareholding interest in Synergy and MOUs were entered into in relation thereto between Pro-Concept and CCI. The parties had, on 30 December 2005 extended the long stop date from 31 December 2005 to 20 March 2006 for entering into the S&P Agreement as additional time was required for the parties to finalise, and negotiate further the deal structure and commercial terms.

After further negotiation, the parties arrived at the commercial decision to enter into the CCI Agreement and the CCP Agreement instead of proceeding with the acquisition of 51% shareholding interest in Synergy. As a result, CCI and Pro-Concept mutually agreed to terminate the MOUs upon signing of the CCI Agreement and the CCP Agreement.

THE CCI AGREEMENT

Date : 1 February 2006

Parties : (a) CCI (as vendor/assignor)
: (b) Pro-Concept (as purchaser/assignee)

To the best of the Directors, including all independent non-executive Directors' knowledge, information and belief having made all reasonable enquiries, each of CCI and its ultimate beneficial owners is an Independent Third Party.

CCI is an investment holding company and is a wholly-owned subsidiary of China Communication Co., Ltd., a nation-wide telecommunication operator in the PRC.

Material terms

Nature

Pursuant to the CCI Agreement, CCI agreed to assign to Pro-Concept the Licensed Rights in respect of the Localised Products in the Territory in accordance with the terms and conditions of the CCI Agreement.

The signing of the CCI Agreement is inter-conditional upon the entering into of the CCP Agreement between Pro-Concept, CCP and CCI.

Conditions

Completion of the CCI Agreement is conditional upon the following conditions being satisfied (or waived):

- (a) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of CCI in respect of the CCI Agreement and the transactions contemplated thereunder having been obtained;
- (b) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of Pro-Concept in respect of the CCI Agreement and the transactions contemplated thereunder having been obtained;
- (c) without prejudice to the generality of (b) above, the passing by the Shareholders at the EGM to be convened and held of an ordinary resolution to approve the CCI Agreement and the transactions contemplated thereunder, 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;
- (d) the passing by the shareholders of CCI at a general meeting of CCI to be convened and held of an ordinary resolution to approve the CCI Agreement and the transactions contemplated thereunder;
- (e) the obtaining of a PRC legal opinion to be issued by a firm of PRC lawyers acceptable to Pro-Concept covering such matters of the PRC laws relevant to the transactions contemplated under the CCI Agreement in such form and substance to the absolute satisfaction of Pro-Concept;

- (f) the obtaining of a valuation report to be issued by a firm of valuers appointed by Pro-Concept showing the value of the Licensed Rights under the CCP Agreement to be not less than HK\$150,000,000;
- (g) the warranties (a summary of the principal terms of which are set out in the paragraph headed “Principal terms of the warranties” below) remaining true and accurate in all respects;
- (h) the GEM Listing Committee granting the listing of, and permission to deal in, the Consideration Shares; and
- (i) the CCP Agreement having becoming unconditional.

Pro-Concept may at any time by notice in writing to CCI to waive condition (d). If any or all of the conditions set out above have not been satisfied (or waived) on or before 4:00 p.m. on 30 June 2006, or such other later date as CCI and Pro-Concept may agree, the CCI Agreement shall cease and terminate and thereafter neither party hereto shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms thereof.

Consideration

The aggregate consideration for the assignment of the Licensed Rights pursuant to the CCI Agreement is HK\$150,000,000.

Such consideration shall be satisfied by Pro-Concept in the following manner:

- (a) HK\$10 million in cash to be paid as deposit (the “**Deposit**”) upon signing of the CCI Agreement;
- (b) approximately HK\$23.95 million by Pro-Concept procuring the Company to allot and issue the Consideration Shares on Completion to CCI credited as fully paid at the Issue Price; and
- (c) approximately HK\$116.05 million by Pro-Concept issuing the Promissory Note to CCI on Completion.

Such consideration was arrived at after arm’s length negotiations between the parties to the CCI Agreement and was determined with reference to a valuation report to be issued by a firm of valuers showing the value of the Licensed Rights based upon the Annual Payment by CCP to Pro-Concept in accordance with the terms of the CCP Agreement on a discounted cash flow basis to be not less than HK\$150,000,000 as at 31 December 2005. The Board has been given an understanding that the discount rate for the abovementioned valuation of the Licensed Rights (i) will factor a risk premium relating to the uncertainty of the receipt of the Annual Payment and (ii) will be with reference to the local investment rate of return requirements of an unsecured lender and an equity shareholder of companies similar to CCP. As such, the Board considers that the value of the Licensed Rights, which will be based on the present value of the Annual Payment at an appropriate discount rate, has already reflected the risk relating to the receipt of the Annual Payment. Taking into account the professional valuation report to be issued and the reasons and benefits as stated in the paragraph below headed “Reasons for and benefits of the acquisition and the license of the Licensed Rights”, the Board considers the consideration to be fair and reasonable to and in the interests of the Company and the Shareholders as a whole in view of the CCI Agreement and the transactions contemplated thereunder as a whole.

Deposit

The Deposit of HK\$10 million as earnest money was paid into the Escrow Agent's account on escrow in May 2005 pending instructions of the Company as to its release under the Escrow Letter. Upon signing of the CCI Agreement, the Company and CCI had agreed and procured the Escrow Agent to hold the HK\$10 million as Deposit and, subject to the following terms and conditions, to release the same to CCI upon Completion:

If the CCI Agreement have ceased and terminated due to any of the conditions as set out above have not been satisfied due to the default, act or omission of CCI on or before 4:00 p.m. on 30 June 2006, or such later date as CCI and the Company may agree, the Escrow Agent shall return the Deposit to the Company within two Business Days without interest.

If on Completion, any of the acts and requirements as required under the terms of the CCI Agreement have not been complied with due to the default, act or omission of CCI, the Escrow Agent shall within two Business Days return the Deposit to the Company without interest.

Valid instructions as to the release of the Deposit have to be provided jointly by the Company and CCI as agreed between the parties. If no instructions or no valid instructions as to the release of the Deposit were given to the Escrow Agent on or before the Completion Date, the Escrow Agent shall return the Deposit to the Company within two Business Days after the Completion Date without interest and in any event shall not be later than 6 July 2006 (or such later date as the parties may agree).

Consideration Shares

The Consideration Shares represent 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to the General Mandate. The Company has not allotted and issued any new Shares pursuant to the General Mandate and the Directors, including all independent non-executive Directors, confirmed that the General Mandate is sufficient for the allotment and issue of the Consideration Shares.

The Issue Price of HK\$0.28 per Consideration Share represents:

- (i) a premium of approximately 14.29% over the closing price of HK\$0.245 per Share as quoted on the Stock Exchange on 12 January 2006 being the last trading day immediately before the publication of this announcement;
- (ii) a premium of approximately 12.90% over the average of the closing prices of approximately HK\$0.248 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 12 January 2006, being the last trading day immediately before the publication of this announcement; and
- (iii) a premium of approximately 503.06% over the unaudited consolidated net tangible assets of the Company of approximately HK\$0.046 per Share as at 30 September 2005.

The Issue Price was arrived at after arm's length negotiations between the Company and CCI. The Directors, including all independent non-executive Directors, consider that the Issue Price and the terms of the CCI Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

Promissory Note

The Promissory Note will be issued by Pro-Concept to CCI on Completion in the principal sum of approximately HK\$116.05 million (the “**Principal Sum**”) which is interest-free, unsecured, and mature on 30 June 2016 for the purpose of settling part of the consideration of the assignment of the Licensed Rights in accordance with the CCI Agreement. The Promissory Note will not be transferable by CCI.

Subject to the following conditions, the obligation to pay the Principal Sum by Pro-Concept on maturity under the Promissory Note is subject to CCP's full and punctual payment of the Annual Payment to Pro-Concept:

- (1) provided that Pro-Concept has given to CCI not less than seven (7) days prior written notice in writing pursuant to the CCP Agreement, Pro-Concept is entitled to set-off any sum due and payable by CCP to Pro-Concept against the Principal Sum payable by Pro-Concept to CCI, and such Principal Sum will be adjusted accordingly; and
- (2) if the CCP Agreement is terminated for whatever reasons in accordance with the terms and conditions of the CCP Agreement, the obligation of Pro-Concept to repay any sum due under the Promissory Note shall cease absolutely forthwith.

Principal terms of the warranties

- (1) CCI is validly constituted and has the full power to enter into and perform the CCI Agreement and, when executed, constitute binding obligations on it in accordance with its terms;
- (2) The Licensed Rights is legally and beneficially owned by CCI free from all Encumbrances and the same is freely transferable by CCI without the consent, approval, permission, licence or concurrence of any third party;
- (3) The entering into of the CCI Agreement and/or the Completion pursuant to the CCI Agreement will not prejudice any such approvals, licences, permits and consents or violate against any relevant PRC laws or any other applicable legislation or legislative or administrative regulations, directions or orders;
- (4) All previous assignments of the Licensed Rights are valid, and that CCI is properly entered on all relevant registries as sole and beneficial proprietor of the registrations;

- (5) CCI has appointed no licencees nor given any other person any permission to use any or all of the Licensed Rights and is unaware of any use by any third party of any or all of them;
- (6) The materials, documents, computer softwares and other equipment used in connection with the Localised Products and/or the Licensed Rights are in a good and safe state of repair and condition and satisfactory working order and have been regularly and properly maintained;
- (7) There are no circumstances under which by operation of law or otherwise any of the use of the Licensed Rights in relation to the Localised Products in the Territory may be adversely affected for any reason whatsoever;
- (8) The exercise by CCI of the Licensed Rights will not infringe the rights of any third parties;
- (9) In respect of any part of the Licensed Rights which are not registrable or not required to be registered as follows:
 - (a) that CCI has given no license or permission to any third party to use any or all of them;
 - (b) that CCI is unaware of any use by any third party of any or all of them; and
 - (c) that CCI has not made any other assignment or purported assignment of any or all of them.
- (10) All documents requiring to be filed and acts to be done with the relevant registrars and authorities in the jurisdiction in which the Localised Products and/or the Licensed Rights are applicable have been properly made up and filed and done; and
- (11) All certificates of registration vesting legal and beneficial title of the Localised Products and/or the Licensed Rights to CCI have been validly issued and subsisting and no events or omissions have occurred whereby any or all of such certificates have been or are likely to be adversely affected.

Completion

Upon compliance with or fulfillment of all the conditions, Completion shall take place at 4:00 p.m. on the Completion Date, or such later date as CCI and Pro-Concept may agree and the parties will, among others, enter into the Deed of Assignment, pursuant to which CCI will assign the Licensed Rights to Pro-Concept; the Company will allot and issue the Consideration Shares credited as fully paid at the Issue Price to CCI, and Pro-Concept will issue the Promissory Note to CCI.

Restrictions against disposal of the Consideration Shares

CCI has undertaken and covenanted with the Company that it will not, and will procure that none of its subsidiaries will, within a period of twelve (12) months after Completion, transfer or otherwise dispose of or create any Encumbrance or other rights in respect of any of the Consideration Shares or otherwise dispose of or create any Encumbrance or other rights over any shares in any company controlled by it which is for the time being the beneficial owner of the Consideration Shares.

CCI has undertaken and covenanted with the Company that it will not, within a further six (6) months commencing on the expiry of the twelve (12) months period after Completion, transfer or otherwise dispose of or create any Encumbrance or other rights in respect of any of the Consideration Shares or

transfer or otherwise dispose of or create any Encumbrance or other rights over any shares in any company controlled by it which is for the time being the beneficial owner of any of the Consideration Shares if, immediately following such disposal, CCI would cease to be a substantial shareholder (as defined in the GEM Listing Rules) of the Company.

EFFECT ON SHAREHOLDING STRUCTURE AFTER COMPLETION

	Before issue of the Consideration Shares		Upon issue of the Consideration Shares	
	<i>No. of Shares held</i>	<i>%</i>	<i>No. of Shares held</i>	<i>%</i>
Chan Tan Lui, Danielle	107,079,195	25.04%	107,079,195	20.86%
Fu Shing Ki	97,001,144	22.68%	97,001,144	18.90%
Chan Wong Kam Fung, Cecilia	71,265,798	16.66%	71,265,798	13.89%
CCI	—	—	85,542,000	16.67%
Sub-total	<u>275,346,137</u>	<u>64.38%</u>	<u>360,888,137</u>	<u>70.32%</u>
Public	<u>152,363,863</u>	<u>35.62%</u>	<u>152,363,863</u>	<u>29.68%</u>
Total	<u>427,710,000</u>	<u>100.00%</u>	<u>513,252,000</u>	<u>100.00%</u>

INFORMATION ON THE LICENSED RIGHTS

The Licensed Rights entitle the holder the rights to publish, replicate, reproduce, manufacture, distribute and sell the Localised Products in the Territory and the use of the trademarks pertaining to the Localised Products and all the rights and benefits in relation to the organization of electronic sports tournaments in respect of the Localised Products in the Territory.

The Localised Products consist of thirty computer game softwares and four computer game guide books modified into Chinese language for sale and distribution in retail stores, cybercafés, and on-line servers located in the PRC. The Company was informed by CCI that the financial and operational books and records of the Licensed Rights are not available as CCI originally acquired the Licensed Rights without any financial and operational books and records. In view of (i) the future prospect of the computer gaming and electronic sport industry in the PRC and (ii) merits of the transactions contemplated under the CCI Agreement and the CCP Agreement as mentioned in the paragraph below headed “Reasons for and benefits of the acquisition and the license of the Licensed Rights”, the Board decides to proceed with the acquisition of the Licensed Rights and considers that the unavailability of the financial and operational books and records of the Licensed Right is not a key factor for entering into the CCP Agreement.

The Company was further informed by CCI that it has not used the Licensed Rights for any commercial purposes since CCI completed the acquisition of the Licensed Rights in November 2005 (the “CCI Acquisition”) as CCI had not fixed its plans on the Licensed Rights. Shortly after the CCI Acquisition, the Group expressed to CCI its interest in acquiring the Licensed Rights instead of proceeding with the acquisition of 51% shareholding interest in Synergy as disclosed in the Announcements, so the Group has entered into negotiation with CCI in respect of the entering into of the CCI Agreement.

Based on a PRC legal opinion prepared by the PRC legal adviser of the Company (the “PRC Legal Opinion”), the Localised Products have properly been registered in accordance with relevant PRC rules and regulations. The PRC legal adviser of the Company advised that the period of the Licensed Rights of the Localised Products will expire after 31 December of the 50th year from the date of their first release in the PRC. The date of the first release of the Localised Products will be the year in which the registration certificates were issued by 中華人民共和國新聞出版總署 (The General Administration of Press and Publication of the PRC). As the Localised Products comprise 34 computer game softwares and computer game guide books with different first release dates between 1997 and 2005, their respective expiry dates will be the 31 December of the years between 2047 and 2055.

As at the date of this announcement, the Company was informed by CCI that a third party established in the PRC has attempted to register several trademarks in relation to certain computer softwares contained in the Localised Products in the Trade Mark Office of State Administration for Industry and Commerce in the PRC. Based on the PRC Legal Opinion, the PRC legal adviser of the Company confirmed that CCI has the proper legal title to the Localised Products and the exclusive rights to use the Localised Products (including trademarks) in the PRC. The Company was advised by CCI that such trademarks registration attempts by such third party had no merits and would not affect the title and rights to be assigned under the Licensed Rights and such advice from CCI was confirmed by the Company’s PRC legal adviser. Under the CCI Agreement, CCI has agreed to fully indemnify the Company and Pro-Concept as to any loss which may suffer in connection with or as a result of such trademarks registration attempts. The Company will retain a firm of PRC lawyers to closely monitor the above potential trademarks registration attempts.

THE CCP AGREEMENT

Date : 1 February 2006

Parties : (a) Pro-Concept (as licensor)
: (b) CCP (as licensee)
: (c) CCI (as guarantor of the licensee)

To the best of the Directors, including all independent non-executive Directors’ knowledge, information and belief having made all reasonable enquiries, each of CCP, CCI and their respective ultimate beneficial owners is an Independent Third Party.

CCP is principally engaged in design and development, sale and distribution of computer graphics, computer games, online games and providing technical supports and consultancy in relation to its products and is a subsidiary of China Communication Co., Ltd., a nation-wide telecommunication operator in the PRC.

Material terms

Nature

Pursuant to the CCP Agreement, Pro-Concept agrees to license to CCP the exclusive license to use the Licensed Rights in respect of the Localised Products in the Territory for an initial term of three (3) years renewable for another term of three (3) years and two further terms of two (2) years each in accordance with the terms and conditions of the CCP Agreement.

Renewal of the CCP Agreement shall be subject to Pro-Concept and/or the Company satisfying all necessary consents, authorisations, licenses and approvals required to be obtained on the part of Pro-Concept and/or the Company, as required under the GEM Listing Rules or other relevant authorities, if necessary having been obtained. If such consents, authorisations, licenses and approvals could not be obtained, the CCP Agreement shall not be renewed and cease and terminate with effect from the date when such consents, authorisations, licenses and approvals could not be obtained. The Company will then look for new licensee to utilize the Licensed Rights.

The signing of the CCP Agreement is inter-conditional upon the entering into of the CCI Agreement between CCI and Pro-Concept.

Conditions

Completion of the CCP Agreement is conditional upon the following conditions being satisfied (or waived):

- (a) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of Pro-Concept in respect of the CCP Agreement and the transactions contemplated thereunder having been obtained;
- (b) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of CCP in respect of the CCP Agreement and the transactions contemplated thereunder having been obtained;
- (c) without prejudice to the generality of (b) above, the passing by the Independent Shareholders at the EGM to be convened and held of an ordinary resolution to approve the CCP Agreement and the transactions contemplated thereunder;
- (d) the passing by the shareholders of CCP to approve the CCP Agreement and the transactions contemplated thereunder;
- (e) the obtaining of a PRC legal opinion to be issued by a firm of PRC lawyers acceptable to Pro-Concept covering such matters of the PRC laws relevant to the transactions contemplated under the CCP Agreement in such form and substance to the absolute satisfaction of Pro-Concept;
- (f) the obtaining of a valuation report to be issued by a firm of valuers appointed by Pro-Concept showing the value of the Licensed Rights under the CCP Agreement to be not less than HK\$150,000,000;
- (g) the warranties remaining true and accurate in all respects; and
- (h) the CCI Agreement having becoming unconditional.

Pro-Concept may at any time by notice in writing to CCP to waive condition (d). If any or all of the conditions set out above have not been satisfied (or waived) on or before 4:00 p.m. on 30 June 2006, or such later date as Pro-Concept and CCP may agree, the CCP Agreement shall cease and determine and thereafter neither party hereto shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms thereof.

Consideration

In consideration of the grant of the exclusive license to use the Licensed Rights by Pro-Concept, CCP will pay an Annual Payment net of all taxes payable on 31 December each year during the continuance of the CCP Agreement in cash to Pro-Concept.

The initial Annual Payment payable will be in the sum of RMB20 million and will be adjusted annually by a compound increment of 10% to its previous Annual Payment.

If CCP fails to pay Pro-Concept the Annual Payment when it falls due, Pro-Concept shall have the right in its absolute discretion to exercise any or all of the following rights to recover the overdue Annual Payment from CCP and/or CCI (and no delay or forbearance by Pro-Concept in exercising any or all of such rights shall constitute a waiver of such or other rights):

- (a) set off such outstanding Annual Payment against its obligation to pay to CCI under the Promissory Note on a dollar-to-dollar basis; and/or
- (b) terminate the CCP Agreement; and/or
- (c) claim the overdue Annual Payment through legal proceedings.

As regards circumstances when Pro-Concept will enforce the undertakings given by CCI and/or its right to set-off or otherwise, it would be a commercial decision to be made by Pro-Concept in particular circumstances.

The Annual Payment was arrived at after arms length negotiations between the parties to the CCP Agreement. To the best of the Directors, including all independent non-executive Directors' knowledge, information and belief having made all reasonable enquires, the Annual Payment was proposed by CCP based on CCP's experience, professional judgment and expertise of the CCP management. The Board, after considering the benefit of the license of the Licensed Rights, details of which have been disclosed in the paragraph below headed "Reasons for and benefits of the acquisition and the license of the Licensed Rights", considers the Annual Payment to be fair and reasonable to and in the interests of the Company and the Shareholders as a whole in view of the CCP Agreement and the transactions contemplated thereunder as a whole.

Undertakings

CCI has unconditionally and irrevocably undertaken to Pro-Concept to procure the due and punctual performance by CCP of all the obligations expressed to be imposed on or assumed by it under the CCP Agreement and undertaken to indemnify and keep effectively indemnified Pro-Concept (if necessary by the payment of cash on first demand) against all liabilities, losses, damages, costs and expenses stipulated under the CCP Agreement or otherwise which Pro-Concept may suffer or incur in connection with any default or delay on the part of CCP in the performance of any such obligations.

The obligations and undertakings expressed to be assumed by or imposed on CCI under the CCP Agreement shall remain in force so long as CCP shall have any liability or obligation to Pro-Concept under the CCP Agreement (including but not limited to the obligation to pay the Annual Payment to Pro-Concept upon notification by Pro-Concept) and until all such liabilities and obligations have been discharged in full.

Commencement

Upon compliance with or fulfillment of all the conditions, commencement of the grant of the license to use the Licensed Rights under the CCP Agreement will be on the second Business Days after Completion of the CCI Agreement, or such later date as Pro-Concept and CCI may agree.

Annual cap

The maximum amount of the Annual Payment for the three financial years during the subsistence of the CCP Agreement will be 2006: RMB20 million; 2007: RMB22 million and 2008: RMB24.2 million. The basis of the annual cap is made by reference to the Annual Payment which will be made by CCP to Pro-Concept pursuant to the CCP Agreement.

Approximately 70 per cent. of the Annual Payment will be deposited for future repayment of the Promissory Note and the remaining for general working capital purpose of the Group.

Termination

The following is a summary of the terms and conditions for the termination of the CCP Agreement.

1. Pro-Concept or CCP may terminate the CCP Agreement if the other party:
 - (a) commits a material breach of the CCP Agreement which would be capable of being remedied but have not been remedied by the defaulting party; or
 - (b) enters into compulsory or voluntary liquidation.
2. Pro-Concept may terminate the CCP Agreement forthwith by notice in writing in any of the following circumstances:
 - (a) if CCP fails to pay the Annual Payment to Pro-Concept; or
 - (b) if CCP seeks a declaration from a court with competent jurisdiction that the registration of any of the Licensed Rights or any application for registration or transfer is invalid.

Termination of the CCP Agreement for whatever reason shall not affect the accrued rights of the parties arising in any way out of the CCP Agreement as at the date of termination and in particular but without limitation the right to recover damages from the other.

The CCP Agreement further provides that upon termination of the CCP Agreement (including, but not limited to, non-renewal of the CCP Agreement) for whatever reason after commencement of the grant of the license to use the Licensed Rights under the CCP Agreement,

- (a) the Licensed Rights granted to CCP will immediately terminate;
- (b) CCP shall cease to make any use of the Licensed Rights except with specific permission of Pro-Concept;
- (c) CCP shall promptly return to the Licensor all materials and information in relation to the Licensed Rights and the Products in the possession or control of CCP, its employees, representatives or agents;
- (d) CCP shall forthwith pay to Pro-Concept the balance of any outstanding or overdue Annual Payment and the pro-rata Annual Payment accrued up to the date of termination; and
- (e) the obligation of Pro-Concept to pay CCI under the Promissory Note will cease absolutely forthwith.

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.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE LICENSE OF THE LICENSED RIGHTS

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 a fast growing market, the Group has been seeking opportunities to form alliances or corporation with companies and partners which have well developed multimedia networks in the PRC. The Board considers that the acquisition of the Licensed Rights is a strategic move to expand the Group's business and enhance the Group's market foothold in the PRC multimedia and internet market, and in particular, the growing industry of computer and on-line games. Moreover, the Board believes that the computer gaming and electronic sports industry in the PRC will develop rapidly in the years to come under industrial policy supports from the PRC government. As such, the acquisition of the Licensed Rights will enable the Group to capture such development opportunity.

In 2003, the General Administration of Sports announced the electronic sports as the 99th sports in the PRC and the government wish to through encouraging and promoting the healthy competition of the electronic sports to give impetus to the research and development in the computer industry including hardware and software and the information industries. The research and development technology of online game has been included in the "863 Plan" in respect of – China High Tech Research and Development Plan. Also, the government wish to reduce the pirate market shares in the gaming industry in particular the PC game market and one of the effective way to achieve so is to encourage electronic sports tournaments authorized by the game licence holders. In view of this, the Company wishes to contribute to support the government's act of reducing the pirate market. Though the Group and its management don't have prior experience in the computer gaming and electronic sports industry, the Directors, including all independent non-executive Directors, consider that the acquisition of the Licensed Rights under the CCI Agreement represents a good opportunity for the Group to set its foot hold in such

promising industry. To avoid any operational risk in the industry, the Group decides to license the Licensed Rights to CCP under the CCP Agreement for a steady revenue stream. Under the CCP Agreement, and assuming the CCP Agreement will be renewed successfully for an aggregate term of 10 years, the Group will receive the Annual Payment each year for an aggregate term of 10 years, such steady annual cash inflow would enable the Group to cover its working capital requirements and the repayment of the Promissory Note under the CCI Agreement in the tenth year after Completion.

In view of the above, the Directors, including all independent non-executive Directors, consider that the terms of the CCI Agreement and CCP Agreement were entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the CCI Agreement and CCP Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Transactions constitute a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules. The CCI Agreement and the CCP Agreement will be subject to Shareholders' approval at an EGM to be convened and held by the Company.

Upon allotment and issue of the Consideration Shares to CCI, CCI will be beneficially interested in approximately 16.67% of the enlarged issued share capital of the Company and become a substantial shareholder (as defined under the GEM Listing Rules) of the Company. CCI will become a connected person to the Company, and the CCP Agreement will constitute a continuing connected transaction pursuant to Rule 20.35 of the GEM Listing Rules. The CCP Agreement will be subject to Independent Shareholders' approval by way of a poll at an EGM to be convened and held by the Company.

The Directors, including all independent non-executive Directors, confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry, no Shareholder is required to abstain from voting to approve the CCI Agreement and the CCP Agreement at the EGM.

If either of the CCI Agreement or the CCP Agreement is not approved at the EGM, both the agreements will cease and terminate and the Transactions will not proceed further.

The IBC will appoint an independent financial adviser acceptable to the Stock Exchange to make recommendations to the IBC and the Independent Shareholders as to whether the terms of the CCP Agreement are fair and reasonable are in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote.

The Company will also establish an IBC to advise the Independent Shareholders as to whether the terms of the CCP Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote, after taking into account the recommendations of the independent financial adviser.

A circular containing, inter alia, further details of the CCI Agreement, the CCP Agreement, a letter of advice from an independent financial adviser to be appointed by the IBC to advise the IBC and Independent Shareholders, 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 convening the EGM and a proxy form will be sent to the Shareholders as soon as practicable and in accordance with the GEM Listing Rules.

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

For so long as CCI remains a substantial Shareholder (as defined under the GEM Listing Rules) and CCI and CCP remain subsidiaries of their parent company, China Communication Co., Ltd., the CCP Agreement will constitute a continuing connected transaction (as defined under the GEM Listing Rules) on the part of the Company. The Board will comply with the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules when the following circumstances arise: (1) the annual cap of the Annual Payment is exceeded; (2) the CCP Agreement is renewed; or (3) there is a material change to its terms.

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 13 January 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 2 February 2006.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors are Ms. Chan Tan Lui, Danielle, Mr. Xiao Haiping, Mr. Choo Kwok How and Ms. Zhang Jialin, and the independent non-executive Directors are Ms. Guo Qi, 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:

“Annual Payment”	the annual payment to be paid by CCP to Pro-Concept on 31 December each year in cash as consideration for the grant of the exclusive license to use the Licensed Rights under the CCP Agreement, such payment will be adjusted annually by a compound increment of 10% to its previous annual payment
“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	and day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“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 China Communication Co., Ltd. which is a nation-wide telecommunication operator in the PRC

“CCI Agreement”	the conditional agreement dated 1 February 2006 and entered into between CCI and Pro-Concept for the assignment of the Licensed Rights by CCI to Pro-Concept
“CCP”	神州奧美網絡有限公司 (China Cyber Port Co., Ltd.), a company organized and existing under the laws of PRC and a subsidiary of China Communication Co., Ltd., a nation-wide telecommunication operator in the PRC
“CCP Agreement”	the license agreement dated 1 February 2006 and entered into between Pro-Concept, CCP and CCI for the license of the Licensed Rights by Pro-Concept to CCP
“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 CCI Agreement in accordance with the terms thereof
“Completion Date”	the date falling two Business Days after the fulfillment (or waiver) of the conditions of the CCI Agreement
“Consideration Shares”	85,542,000 new Shares to be allotted and issued pursuant to the CCI Agreement
“Deed of Assignment”	the deed of assignment in the agreed form to be made for the assignment of the Licensed Rights by CCI to Pro-Concept on Completion in accordance with the terms and conditions of the CCI Agreement
“Directors”	the directors, including independent non-executive directors, of the Company from time to time
“EGM”	an extraordinary general meeting of the Company to be convened and held to approve the CCI Agreement and the CCP Agreement and the transactions contemplated thereunder
“Encumbrance”	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Escrow Agent”	a firm of PRC lawyers which acted as the escrow agent under the Escrow Letter

“Escrow Letter”	an escrow letter signed among CCI, Pro-Concept and the Escrow Agent on 24 May 2005 setting out the escrow arrangement regarding the payment, holding and release of the sum of HK\$10 million, and supplemented by two supplemental escrow letters dated 29 August 2005 and 30 December 2005 extending the latest date of release of such amount to on or before 20 March 2006 in the event no instructions were given
“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
“General Mandate”	the general mandate approved at the annual general meeting of the Company on 4 August 2005 granted to the Directors to allot and issue Shares of up to 20% of the issued share capital of the Company on the date of the passing of the relevant ordinary resolution, which was 4 August 2005
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC”	a board comprising all the independent non-executive Directors to advise the Independent Shareholders as to the terms of the CCP Agreement and how to vote, taking into account the recommendations of the independent financial adviser
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company and are not connected persons (as defined under the GEM Listing Rules) of the Company
“Independent Shareholders”	any Shareholder that is not required to abstain from voting at a general meeting to approve the CCP Agreement, a continuing connected transaction (as defined under Chapter 20 of the GEM Listing Rules)
“Issue Price”	the issue price of HK\$0.28 per Consideration Share
“Licensed Rights”	the license of the rights to publish, replicate, reproduce, manufacture, distribute and sell the Localised Products in the Territory and the use of the trademarks pertaining to the Localised Products and all the rights and benefits in relation to the organization of electronic sports tournaments in respect of the Localised Products in the Territory

“Localised Products”	the thirty-four computer game softwares and computer game guide books modified into Chinese language for distribution and sale in the Territory under the Licensed Rights
“MOUs”	the memorandum of understanding and its subsequent supplements entered into between CCI and Pro-Concept in relation to the acquisition of 51% shareholding interest in Synergy and dated 26 April 2005, 19 May 2005, 29 August 2005 and 30 December 2005
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Pro-Concept”	Pro-Concept Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Promissory Note”	one promissory note in the principal sum of approximately HK\$116.05 million which is interest-free, unsecured, and mature on 30 June 2016 to be executed by Pro-Concept for the purpose of settling part of the consideration of the assignment of the Licensed Rights in accordance with the CCI Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	shareholders of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“S&P Agreement”	the formal sale and purchase as may be entered into between Pro-Concept and CCI in relation to the acquisition of the 51% shareholding interest in Synergy as described under the MOUs
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Synergy”	Synergy Enterprise Inc., a company incorporated in the British Virgin Islands which through its wholly-owned subsidiaries is engaged in the design and distribution of PC games in the PRC
“Territory”	retail stores, cybercafes, and on-line servers located in the PRC
“Transactions”	the acquisition of the Licensed Rights under the CCI Agreement and the license of the Licensed Rights under the CCP Agreement and the transactions contemplated thereunder respectively

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By Order of the Board
CHINAINFO HOLDINGS LIMITED
Chan Tan Lui, Danielle
Chairman

Hong Kong, 1 February 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 issuer. 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.