THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chinainfo Holdings Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") takes no responsibility for the contents of this circular, 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 circular.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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 A 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 COMPUTER GAMES IN THE PRC AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LICENSE OF THE LICENSED RIGHTS

Financial adviser to the Company

交通證券有限公司
BCOM SECURITIES COMPANY LIMITED

Independent financial adviser to the independent board committee and the shareholders of the Company

Nuada Limited

A letter of advice from the independent board committee of the Company is set out on page 27 of this circular. A letter of advice of Nuada Limited, the independent financial adviser, containing its opinion and advice to the independent board committee and the shareholders of the Company is set out on pages 28 to 37 of this circular.

A notice convening an extraordinary general meeting (the "EGM") of the Company to be held at 10:30 a.m. on Friday, 31 March 2006 at the Meeting Room, Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong is set out on pages 107 to 108 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting in person if you so wish.

This circular 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 Company at www.hk6.com.

15 March 2006

* *For identification purpose only*

CHARACTERISTICS OF GEM

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.

CONTENTS

DEFINITIONS

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

"Announcement"	the announcement of the Company dated 1 February 2006 in respect of the Transactions
"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
"BCOM"	BCOM Securities Company Limited, the financial adviser to the Company appointed in respect of the Transactions
"Board"	the board of Directors, including all independent non-executive Directors
"Business Day"	any 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. which is 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 form agreed between CCI & Pro-Concept 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
"Deposit"	HK$10 million in cash paid into the Escrow Agent's account on escrow as deposit upon signing of the CCI Agreement and, subject to the terms and conditions of the CCI Agreement, to release the same to CCI upon Completion
"Directors"	the directors, including all independent non-executive directors, of the Company from time to time
"EGM"	an extraordinary general meeting of the Company to be convened and held at 10:30 a.m. on Friday, 31 March 2006 at the Meeting Room, Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong to consider and, if thought fit, to approve the Transactions
"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
"Enlarged Group"	the Group after Completion

"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, the Company 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 three supplemental escrow letters dated 29 August 2005, 30 December 2005 and 1 February 2006 extending the latest date of release of such amount to on or before 4 July 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
"Grant Sherman"	Grant Sherman Appraisal Limited, a professional firm of valuers appointed by Pro-Concept to provide a valuation report on the value of the Licensed Rights
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a board comprising all the independent non-executive Directors to advise the Shareholders as to the terms of the CCP Agreement and the annual cap of the Annual Payment and how to vote, taking into account the recommendations of the Independent Financial Adviser
"Independent Financial Adviser"	Nuada Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO, being independent financial adviser to the Independent Board Committee and the Shareholders

"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
"Issue Price"	the issue price of HK$0.28 per Consideration Share
"Latest Practicable Date"	13 March 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
"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 trade marks 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 dated 26 April 2005, 19 May 2005, 24 May 2005, 29 August 2005 and 30 December 2005 and was terminated on 1 February 2006 upon the signing of the CCI Agreement and the CCP Agreement
"MOU Announcements"	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 as described under the MOUs
"PRC"	the People's Republic of China, which, for the purpose of this circular, 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 is a wholly owned subsidiary of the Company

"Promissory Note"	a 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
"Prospectus"	the prospectus of the Company dated 31 October 2002
"RSM Nelson Wheeler"	RSM Nelson Wheeler, the reporting accountants appointed by the Company in respect of the acquisition of the Licensed Rights under the CCI Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shareholder(s)"	shareholders of the Company
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"S&P Agreement"	the formal sale and purchase agreement as may be entered into between Pro-Concept and CCI in relation to the acquisition of the 51% shareholding interest in Synergy as described under the MOUs
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Synergy"	Synergy Enterprise Inc., a company incorporated in the British Virgin Islands which through its wholly-owned subsidiaries is engaged in the design and distribution of PC games in the PRC
"Territory"	retail stores, cybercafes, and on-line servers located in the PRC
"Transactions"	the acquisition of the Licensed Rights under the CCI Agreement and the license of the Licensed Rights under the CCP Agreement and the transactions contemplated thereunder respectively
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	US dollars, the lawful currency of the United States of America
"%"	per cent.

In this circular, unless otherwise stated, certain amounts denominated in RMB have been converted (for information only) into HK$ using an exchange rate of HK$1.00 to RMB1.042.

CHINAINFO HOLDINGS LIMITED
神州資訊控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8206)

Executive Directors:
Ms. Chan Tan Lui, Danielle *(Chairman)*
Mr. Xiao Haiping
Mr. Choo Kwok How
Ms. Zhang Jialin

Independent non-executive Directors:
Mr. Yip Tai Him
Ms. Guo Qi
Mr. Chiu Kwok Ching

Registered office:
P.O. Box 309 GT
Ugland House
South Church Street
Grand Cayman
Cayman Islands

Head office and principal place of business in Hong Kong:
Units 2115-2116, 21/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

15 March 2006

To the Shareholders (and for information purpose only, the option holders and the convertible bond holder of the Company)

Dear Sir or Madam,

TERMINATION OF THE MEMORANDUM OF UNDERSTANDING IN RESPECT OF A 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 COMPUTER GAMES IN THE PRC AND THE LICENSE OF SUCH RIGHTS AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LICENSE OF THE LICENSED RIGHTS

INTRODUCTION – TERMINATION OF THE MOUs

The Company announced in the MOU Announcements that it 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.

* *For identification purpose only*

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 transaction under the CCI Agreement constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules. Upon Completion of the CCI Agreement, CCI will become a substantial Shareholder (as defined under the GEM Listing Rules) and the CCP Agreement will constitute a continuing connected transaction (as defined under Chapter 20 the GEM Listing Rules) on the part of the Company. The CCI Agreement, the CCP Agreement and the annual cap of the Annual Payment will be subject to Shareholders' approval at the EGM to be convened and held by the Company.

The purpose of this circular is to provide you with further information, among other matters, regarding the Group, the CCI Agreement, the CCP Agreement, a notice convening the EGM and a form of proxy.

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' knowledge, information and belief having made all reasonable enquiries, each of CCI and its ultimate beneficial owners is an Independent Third Party before issue of the Consideration Shares to CCI.

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.

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 thereto shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, condition (f) has been fulfilled.

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 was paid as Deposit;

(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 Grant Sherman 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 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 has 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 authorised share capital of the Company is HK$10,000,000 divided into 1,000,000,000 Shares, of which 427,710,000 Shares of HK$0.01 each were issued and paid up or credited as fully paid as at the Latest Practicable Date. 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 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 the 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 the 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 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 has been 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, constitutes 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 titles 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.

SHAREHOLDING STRUCTURE AFTER COMPLETION

	Before issue of the Consideration Shares		**Upon issue of the Consideration Shares**	
	No. of Shares held	*approximate percentage*	*No. of Shares held*	*approximate percentage*
Fu Shing Ki	97,001,144	22.68%	97,001,144	18.89%
Chan Tan Lui, Danielle	82,319,195	19.25%	82,319,195	16.04%
Chan Wong Kam Fung, Cecilia	71,265,798	16.66%	71,265,798	13.89%
CCI	–	–	85,542,000	16.67%
Sub-total	250,586,137	58.59%	336,128,137	65.49%
Public	177,123,863	41.41%	177,123,863	34.51%
Total	427,710,000	100.00%	513,252,000	100.00%

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, cybercafes, and on-line servers located in the PRC. The Directors have formally requested CCI to provide the financial and operational books and records of the Licensed Rights and have received formal confirmation from CCI that the financial and operational books and records of the Licensed Rights were not available. The Directors were informed by CCI that the previous owner of the Licensed Rights (the "Previous Owner") was not willing to provide the financial and operational books and records of the Licensed Rights, CCI therefore acquired the Licensed Rights without any financial and operational books and records. Despite the above, CCI has obtained all legal documents in relation to the Licensed Rights and has taken all necessary steps in relation to the proper vesting of all legal titles of the Licensed Rights to CCI. To safeguard the Company's interest under this circumstances of the unavailability of the financial and operational books and records of the Licensed Rights, the Board has consulted the PRC legal advisers to the Company and was advised that (i) the unavailability of the financial and operational books and records of the Licensed Rights would not affect the validity of the acquisition of the Licensed Rights, and (ii) upon successful completion of the CCI Agreement, all legal documents in relation to the Licensed Rights will be delivered to the Company by CCI, and the legal titles of the Licensed Rights will be vested in the Group.

In view of (i) the unavailability of the financial and operational books and records of the Licensed Rights would not affect the validity of the acquisition of the Licensed Rights; (ii) the favourable future prospect of the computer game and electronic sports industry in the PRC; and (iii) 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 decided to proceed with the acquisition of the Licensed Rights and considered that the unavailability of the financial and operational books and records of the Licensed Rights would not be a key factor to prevent the Group from entering into the CCI 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 MOU 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 advisers to the Company (the "**PRC Legal Opinion**"), the Localised Products have properly been registered in accordance with relevant PRC rules and regulations under the name of the Previous Owner. As advised by the PRC legal advisers to the Company, the Previous Owner has properly and legally transferred all the legal titles, rights and benefits of the Licensed Rights and the Localised Products to CCI, and CCI is not required to re-register the Licensed Rights of the Localised Products or the Localised Products under its name after the transfer based on the existing relevant PRC rules and regulations. The PRC legal advisers to the Company also confirmed that CCI has all the legal titles, rights and benefits of the Licensed Rights and the Localised Products and the exclusive rights to use the Localised Products in the PRC by CCI will not be affected under this circumstances. The Company is fully aware of the fact that the Localised Products have properly and duly been registered under the name of the Previous Owner. The Company has sought advice from its PRC legal advisers whether the transfer of all the relevant and necessary titles, rights and benefits of the Licensed Rights and the Localised Products from the Previous Owner to CCI, and thereafter from CCI to Pro-Concept would encounter any difficulties. The Company was advised by its PRC legal advisers that, provided the first registration was properly made, which in the present case was properly made by the Previous Owner, subsequent transfers of all the relevant and necessary titles, rights and benefits of the Licensed Rights and the Localised Products would be contractual in nature and that there is no mandatory re-registration requirement by subsequent owners, including CCI and Pro-Concept to the relevant PRC authorities.

The PRC legal advisers to 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 mentioned above, the Group has entered into negotiation with CCI in respect of the entering into of the CCI Agreement shortly after the CCI Acquisition, therefore, CCI has not filed any application to relevant PRC authorities for the registration of the trademarks in relation to the computer game softwares and computer game guide books contained in the Localised Products. As at the Latest Practicable Date, the Company was informed by CCI that a third party established in the PRC has attempted to register several trademarks in relation to the Chinese names of certain computer softwares contained in the Localised Products in the Trade Marks Office of State Administration for Industry and Commerce in the PRC. Based on the PRC Legal Opinion, the PRC legal advisers to the Company confirmed that CCI has all the legal titles, rights and benefits of the Licensed Rights and the Localised Products and CCI shall have the exclusive rights to use the Localised Products (including trademarks) and to register the trademarks in relation to the computer game softwares and computer game guide books contained in the Localised Products in the PRC. As per the PRC Legal Opinion, the application for registration of the trademarks is not mandatory, and the fact that CCI has not filed any application to the relevant PRC authorities for the registration of the trademarks in relation to the computer game softwares and computer game guide books contained in the Localised Products would not affect the rights of CCI, and subsequently the rights of Pro-Concept after the Licensed Rights have been assigned to Pro-Concept on Completion. The Company was advised by CCI that such trademarks registration attempts by such third party had no merits and would not affect the titles and rights to be assigned under the Licensed Rights and such advice from CCI was confirmed by the Company's PRC legal advisers. The Company was advised by CCI that an opposition against such third party trademarks registration attempts had been filed by CCI to the relevant PRC authorities. As advised by the Company's PRC legal advisers, the relevant PRC authorities will make a ruling within two years from the date of such opposition being filed whether such registration attempts are successful or not, i.e. until January 2008. Before such ruling is made, no party including such third party and CCI/Pro-Concept will be able to register the relevant trademarks in issue. The Company was advised by its PRC legal advisers that in any event (including but not limited to the scenario that if the third party trademarks registration attempts turned out to be successful), Pro-Concept's exclusive rights to use the Licensed Rights and the Localised Products in the PRC would not be affected. In particular, if the Company would be unable to continue making use of those trademarks which were in relation to several Chinese names of certain computer games, the Company may resolve the matters by renaming such computer games thereafter. 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 Directors considered the fact that, although there is a third party trademarks registration attempts which remain outstanding, the PRC legal advisers to the Company had advised that such attempts had no merits. Despite the above, the Directors have also considered that if the Transactions are taken as a whole, the terms of the CCI Agreement and the CCP Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the CCI Agreement, the CCP Agreement and the transactions contemplated thereunder respectively.

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' knowledge, information and belief having made all reasonable enquiries, each of CCP, CCI and their respective ultimate beneficial owners is an Independent Third Party before issue of the Consideration Shares to CCI.

The Directors were informed by the management of CCP that CCP was established for the purpose of entering into the growing PRC computer games market in the PRC on 15 August 2005 and is a subsidiary of China Communication Co., Ltd., a nation-wide telecommunication operator in the PRC. According to the business license of CCP, the business scope of CCP is to design and develop, sell and distribute computer graphics, computer games, online games and provide technical supports and consultancy in relation to its products. The Directors were also informed that, since its establishment, CCP has been actively preparing the first national electronic sports tournament, which was authorised by the General Administration of Sports (國家體育總局), PRC, and will be launched commercially in the second half of 2006. In addition, CCP has operated a few regional electronic sports tournaments to test its network pressure so as to ensure the successful launch of the first national electronic sports tournament in the future. Apart from the above, CCP has been negotiating with various reputable overseas game developers aiming to introduce more computer games and mobile games to the PRC market.

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.

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 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 the Company 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 terminate and thereafter neither party thereto shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, condition (f) has been fulfilled.

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' knowledge, information and belief having made all reasonable enquiries, the Annual Payment was proposed by CCP based on CCP's experience, professional judgment and expertise of the CCP management and was arrived at after arm's length negotiations between the parties to the CCP Agreement. The Board, after (i) 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", and (ii) performing net present value calculation based on agreed discount factor, concludes that the net present value of the transactions contemplated under the CCI Agreement and the CCP Agreement is positive (i.e. the present value of the cash inflows, which comprise the sum of the Annual Payment to be received by the Group over a 10-year term, is greater than the present value of cash outflows, which comprise the sum of the Deposit of HK$10 million to be paid upon Completion and the principal amount of the Promissory Note of approximately HK$116.05 million under the CCI Agreement to be repaid in the tenth year after Completion) and considers the Annual Payment to be fair and reasonable 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 or waiver 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 for whatever reason (including, but not limited to, non-renewal of the CCP Agreement) 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 Pro-Concept all materials and information in relation to the Licensed Rights and the Localised 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 game 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 (國家體育總局) announced the electronic sports as the 99th sports in the PRC and the government wishes to, through encouraging and promoting the healthy competition of the electronic sports 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". The "863 Plan" was inaugurated in March 1986, with the encouragement of Mr. Deng Xiao Ping (鄧小平) and the approval of the State Council and it is a national strategic development program to enhance China's international competitiveness and to improve China's overall capacity in research and development in high technology focusing on strategic and frontier technology areas that will benefit China's long and medium-term development. The "863 Plan" has not only helped to promote the high technology research and development of the country but also aimed to develop a strong team of research personnel. Also, the government wishes to reduce the pirate market shares in the computer game 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 game and electronic sports industry, the 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 pursuant to 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.

The Board has reviewed the valuation of the Licensed Rights prepared by Grant Sherman contained in the section headed "Valuation report" as set out in Appendix II to this circular. After discussing with Grant Sherman on the methodology adopted, assumptions used, discount rate applied in arriving at the valuation of the Licensed Rights as at 31 December 2005, the Board is satisfied with the methodology adopted, assumptions used and discount rate applied by Grant Sherman in arriving at the valuation of the Licensed Rights and considered that the valuation of the Licensed Rights prepared by Grant Sherman reflects the fair market value of the Licensed Rights as at 31 December 2005. The Board is also satisfied with the sensitivity analysis conducted by Grant Sherman and is of the view that such analysis provided a good reference point for consideration.

In view of the above, the 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.

EFFECT OF THE TRANSACTIONS TO THE GROUP

Earnings

Upon completion of the Transactions, the Group will receive the Annual Payment under the CCP Agreement for a period of ten years and will be adjusted annually by a compound rate of 10%. The first Annual Payment under the CCP Agreement will be recorded in pro-rata to the accounts of the Group for the financial year ending 31 March 2006. The Directors expect that the Group's turnover and earnings can be significantly improved by the recurring sales revenue to be received by the Group in form of Annual Payment under the terms and conditions of the CCP Agreement.

Asset and liabilities

Based on the pro forma statement of assets and liabilities of the Enlarged Group which has been prepared to illustrate the effect of the acquisition of the Licensed Rights under the CCI Agreement as shown in Appendix III to this circular, upon Completion, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group will be approximately HK$165.0 million and HK$121.2 million respectively. The unaudited pro forma consolidated net assets of the Enlarged Group would be approximately HK$43.8 million equivalent to approximately HK8.5 cent per Share on the basis of 513,252,000 Shares in issue as enlarged by the issue of the Consideration Shares.

Upon Completion, the Licensed Rights will be recognised as intangible assets of the Group. The intangible assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the Licensed Rights over their estimated useful lives. The amortisation period will be reviewed at least at each financial year-end.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a multimedia financial information services provider offering a comprehensive range of financial information services which include the provision of real-time financial news and up-to-date financial market commentaries and recommendations through multimedia and investor education of financial markets in Hong Kong. For the financial year ended 31 March 2005, the Group recorded net loss attributable to Shareholders of approximately HK$3,270,000 (2004: approximately HK$3,340,000) and basic loss per Share was HK0.82 cent (2004: HK0.83 cent).

The Directors consider that the PRC multimedia and internet market is a fast growing sector with significant business potential. Moreover, the Board believes that the computer game and electronic sports industry in the PRC will develop rapidly in the years to come under industrial policy supports from the PRC government. Upon Completion, the Group will be able to set its foot hold in such growing market. The Directors expect that there will not be any major adverse impact on this sector and the multimedia and internet market can maintain a healthy growth for the coming years.

The Directors are of the opinion that the acquisition of the Licensed Rights under the CCI Agreement will enhance the asset base of the Company which in turn will maximize Shareholders' return in the future. The Directors are optimistic about the prospect of the Group's business and believe that the financial status of the Group for the coming financial years will improve with steady revenue generated from the license of the Licensed Rights.

IMPLICATIONS UNDER THE GEM LISTING RULES

The transaction under the CCI Agreement constitutes 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 the EGM to be convened and held by the Company.

Upon allotment and issue of the Consideration Shares to CCI pursuant to the CCI Agreement, 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 and the annual cap of the Annual Payment will also be subject to Shareholders' approval by way of a poll at the EGM to be convened and held by the Company.

The Independent Board Committee has been established comprising Mr. Yip Tai Him, Ms. Guo Qi and Mr. Chiu Kwok Ching (all being independent non-executive Directors) to advise the Shareholders as to whether the terms of the CCP Agreement are fair and reasonable and whether the terms of the CCP Agreement are in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote, after taking into account the recommendations of the Independent Financial Adviser. The letter of advice from the Independent Board Committee to the Shareholders is set out on page 27 of this circular.

The Independent Board Committee has appointed the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Shareholders as to whether the terms of the CCP Agreement and the annual cap of the Annual Payment are fair and reasonable and whether the terms of the CCP Agreement and the annual cap of the Annual Payment are in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote. The Directors confirm that the Independent Financial Adviser and its ultimate beneficial owner are Independent Third Parties. The letter of advice from the Independent Financial Adviser is set out on pages 28 to 37 of this circular.

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 dealing 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 Company will comply with the reporting, announcement and 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.

Details of the CCP Agreement will be included in the next published annual reports and accounts of the Company in compliance with the GEM Listing Rules.

The Company will also re-comply with the relevant GEM Listing Rules in relation to the annual cap of the Annual Payment after three years.

EGM

Pursuant to the GEM Listing Rules, any Shareholder and his associates must abstain from voting if such Shareholder has a material interest in the Transactions. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry, no Shareholders and their respective associates have any material interest in the Transactions which is different from other Shareholders, and therefore no Shareholder is required to abstain from voting to approve the CCI Agreement and the CCP Agreement and the annual cap of the Annual Payment at the EGM.

The Directors further confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon CCI and its ultimate beneficial owner and their respective associates; and (ii) no obligation or entitlement of each of CCI and its ultimate beneficial owner and their respective associates as at the Latest Practicable Date, whereby either party has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

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.

A notice convening the EGM at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve the CCI Agreement and the CCP Agreement and the transactions contemplated thereunder and the annual cap of the Annual Payment is set out on pages 107 to 108 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. The ordinary resolution to approve the CCP Agreement and the annual cap of the Annual Payment will be by way of a poll.

In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting in person if you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 76 of the Articles of Association, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least five members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote; or

(c) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(d) any member or members present in person (or, in the cast of a member being a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

The Directors consider the terms of the CCI Agreement and the CCP Agreement, the transactions contemplated thereunder respectively and the annual cap of the Annual Payment are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the CCI Agreement and the CCP Agreement and the transactions contemplated thereunder and the annual cap of the Annual Payment.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Chinainfo Holdings Limited
Chan Tan Lui, Danielle
Chairman

CHINAINFO HOLDINGS LIMITED
神州資訊控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8206)

15 March 2006

To the Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 15 March 2006 issued by the Company (the "Circular"), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the CCP Agreement and the transactions contemplated thereunder and the annual cap of the Annual Payment and to advise the Shareholders as to the fairness and reasonableness of the CCP Agreement and the transactions contemplated thereunder and the annual cap of the Annual Payment and to recommend how the Shareholders should vote at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 26 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders which contains its advice to us in respect of the CCP Agreement and the transactions contemplated thereunder and the annual cap, as set out on pages 28 to 37 of the Circular.

Having taken into account the terms of the CCP Agreement and the advice of the Independent Financial Adviser, we consider that we are not in the position to opine on the fairness and reasonableness of the amount of the Annual Payment, but we are of the view that the terms of the CCP Agreement and the annual cap of the Annual Payment are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the CCP Agreement and the annual cap of the Annual Payment.

Yours faithfully
Independent Board Committee of
Chinainfo Holdings Limited
Yip Tai Him **Guo Qi** **Chiu Kwok Ching**

* *For identification purpose only*

The following is the text of a letter of advice to the Independent Board Committee and the Shareholders from Nuada Limited (the "Letter of Advice") setting out its opinion regarding the terms of the CCP Agreement and the annual cap of the Annual Payment prepared for the purpose of incorporation in this circular. For the purpose of the Letter of Advice, the amount in US$ is translated into RMB at an exchange rate of US$1.00 to RMB8.031.

Nuada Limited
7th Floor, New York House
60 Connaught Road Central
Hong Kong

15 March 2006

To the Independent Board Committee and
the Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Shareholders with respect to the terms of the CCP Agreement and the annual cap, details of which are set out in the letter from the Board (the "Letter") contained in the circular of the Company dated 15 March 2006 to the Shareholders (the "Circular"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

The CCP Agreement was entered into between Pro-Concept (a wholly-owned subsidiary of the Company), CCP (a subsidiary of China Communication Co., Ltd., a nationwide telecommunication operator in the PRC) and CCI (also a subsidiary of China Communication Co., Ltd.) on 1 February 2006 for the license of the Licensed Rights in the Territory by Pro-Concept to CCP 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 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 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 entering into of the CCP Agreement was inter-conditional upon the entering into of the CCI Agreement between Pro-Concept and CCI for the assignment of the Licensed Rights by CCI to Pro-Concept on the same day. Pursuant to the CCI Agreement, the consideration for the assignment of the Licensed Rights by CCI to Pro-Concept in the sum of HK$150 million 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. Upon allotment and issue of the Consideration Shares, CCI will be interested in approximately 16.67% of the enlarged issued share capital of the Company and become a substantial Shareholder, and thus a connected person to the Company.

Accordingly, 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 pursuant to Rule 20.35 of the GEM Listing Rules. The CCP Agreement and the annual cap of the Annual Payment will be subject to Shareholders' approval by way of a poll at the EGM. Pursuant to Rule 20.36 of the GEM Listing Rules, the Company must re-comply with the reporting, announcement and shareholders' approval requirements under Rules 20.35(3) and (4) of the GEM Listing Rules in the circumstances (i) if the annual cap of the Annual Payment is exceeded; or (ii) when the CCP Agreement is renewed or there is a material change to the terms of the CCP Agreement. Accordingly, the Company must re-comply with the reporting, announcement and shareholders' approval requirement under Rules 20.35(3) and (4) of the GEM Listing Rules in case the CCP Agreement is renewed upon expiry of the its initial term of three years.

In our capacity as the independent financial adviser to the Independent Board Committee and the Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the terms of the CCP Agreement and the annual cap of the Annual Payment are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BASES AND ASSUMPTIONS

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by the Directors, the Company and its management. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company and the Directors, and have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statements of intention of the Company or its Directors as set out in the Circular will be implemented.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company and its Directors and management in connection with the CCP Agreement and certain published market information available and discussed with the management of the Group so as to assess the fairness and reasonableness of the terms of the CCP Agreement. Relevant information and documents, included, among other things, (i) the CCP Agreement; (ii) the CCI Agreement; (iii) the valuation report of Grant

Sherman Appraisal Limited (the "Valuer") in respect of the valuation of the Licensed Rights (the "Valuation Report"); and (iv) the annual report and accounts of the Company for the year ended 30 March 2005, the first quarterly report, the interim report and the third quarterly report of the Company for the three months ended 30 June 2005, the six months ended 30 September 2005 and the nine months ended 31 December 2005 respectively. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion.

We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company and the Directors, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the EGM. We have also assumed the accuracy of the relevant published market information available reviewed by us. In line with normal practice, we have not, however, carried out any independent verification of the information and representations provided to and reviewed by us nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, CCP, CCI and/or their respective subsidiaries or associates. We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the CCP Agreement and the CCI Agreement. We have further assumed that all material governmental, regulatory or other consents, waivers, authorisations, clearances and approvals necessary for the effectiveness and implementation of the CCP Agreement and the CCI Agreement will be obtained without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the CCP Agreement.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the CCP Agreement and CCI Agreement. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the CCP Agreement and the annual cap of the Annual Payment, and in giving our advice to the Independent Board Committee and the Shareholders are set out below:

I. Background and benefits of the CCP Agreement

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 Licensed Rights entitle the holder the rights to publish, replicate, reproduce, manufacture, distribute and sell the Localised Products, which comprises 34 computer game softwares and computer game guide books modified into Chinese language, in retail stores, cybercafes, and online servers located in the PRC, 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.

On 1 February 2006, the Group entered into the CCI Agreement with CCI for the assignment of the Licensed Rights to Pro-Concept by CCI. The signing of the CCI Agreement is inter-conditional upon the signing of the CCP Agreement, pursuant to which Pro-Concept agreed to license to CCP the exclusive license to use the Licensed Rights.

As disclosed in the Letter, 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 online games, and that the PRC multimedia and internet market is a fast growing sector with significant business potential. To avoid any operational risk in the industry, the Group decides to license the Licensed Rights to CCP pursuant to 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 issued for the purpose of settling part of the consideration for the assignment of the Licensed Rights under the CCI Agreement. Further details regarding the reasons for and benefits of the acquisition of the Licensed Rights and the license of the Licensed Rights to CCP are set out in the Letter.

Given the acquisition of the Licensed Rights provides an expansion opportunity for the Group, the exclusive license of the Licensed Rights to CCP under the CCP Agreement will generate recurring income for the Group during the continuation of the CCP Agreement, enabling the Group to cover its working capital requirements and the repayment of the Promissory Note, which we consider is in the interest of the Company and the Shareholders as a whole.

II. Terms of the CCP Agreement

Annual Payment receivable by Pro-Concept under the CCP Agreement

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 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 continuation 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. The following table illustrates the Annual Payment receivable by Pro-Concept for an aggregate term of 10 years (the "Aggregate Amount"), assuming the CCP Agreement is renewed in accordance with the terms thereof and is not terminated for whatever reasons:

Year of term	**Annual Payment (RMB)**
1st Year	20,000,000.00
2nd Year	22,000,000.00
3rd Year	24,200,000.00
4th Year	26,620,000.00
5th Year	29,282,000.00
6th Year	32,210,200.00
7th Year	35,431,220.00
8th Year	38,974,342.00
9th Year	42,871,776.20
10th Year	47,158,953.82
Aggregate Amount:	318,748,492.02

The Annual Payment was arrived at after arms' length negotiations between the parties to the CCP Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Annual Payment was proposed by CCP based on CCP's experience, professional judgement and expertise of the CCP management.

We note that no financial and operational books and records of the Licensed Rights are available as 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. As stated in the Letter, in view of (i) the favourable future prospect of the computer game and electronic sport industry in the PRC and (ii) merit of the transactions contemplated under the CCI Agreement and the CCP Agreement as mentioned in the paragraph headed "Reasons for and benefits of the acquisition and the license of the Licensed Rights" therein, the Board decided to proceed with the acquisition of the Licensed Rights and considered that the unavailability of the financial and operational books and records of the Licensed Rights would not be a key factor to prevent the Group from entering into the CCI Agreement.

We note that the entering into and the completion of the CCP Agreement is inter-conditional with that of the CCI Agreement and the Annual Payment receivable by Pro-Concept under the CCP Agreement provides Pro-Concept with a secured return of investment from the acquisition of the Licensed Rights under the CCI Agreement. As (a) past financial record for reference as to the returns of the Licensed Rights is not available and (b) there is no open market information regarding the licensing of computer games, we resort to make reference to the published information available regarding certain game license deals published during the period between 2003 and 2005 (the "Deals"), which, however, is not meant to be comprehensive and the detailed terms, including the transaction dates, of the Deals may not be fully available. In search of the Deals for reference purpose, we adopted the selection criteria as to the relevancy of the license subject with respect to online game licensed rights for operation in the PRC and the recentness of the Deals. Notwithstanding the relevancy of the licensed subject and the recentness of the Deals, it should be noted that (i) the operation scale of the licensors and/or licensees involved in the Deals may be different from that of Pro-Concept, CCP and/or their respective group of companies; (ii) the license scope and specific terms of the Deals may also vary from that of the CCP Agreement; and (iii) more substantially, the quality, popularity and value of computer games may not be comparable due to the uniqueness and intangible nature of individual computer games.

The basic licensing fee structure of the Deals are summarised below:

Licensor	Licensee	Game Title	Guaranteed Upfront Licensing Fee	Non-guaranteed Ongoing Licensing Fee	Guaranteed Average Annual Licensing Fee, assuming a term of 10 years
CCR	17Game	Travia	USD2 million	21% of profit	USD0.2 million
Actoz	SeaRainbow	A3	USD2.2 million	20% of sales	USD0.22 million
Wemade	Optisp	Legend of Mir 3	USD1 million	30% of sales	USD0.1 million
Hanbitsoft	The9 Ltd.	Granado Espada	USD2 million	21% of sales	USD0.2 million
Blizzard	The9 Ltd.	WoW	USD3 million	22% of sales	USD0.3 million
Actoz	Shanda	Legend II	USD4 million	29% of sales	USD0.4 million

Source: Website of Pacific Epoch (http://www.pacificepoch.com).

It is noted that the basic licensing fee structure of the Deals all involved a fixed amount upfront licensing fee and ongoing licensing fee calculated as a percentage to sales or profits (the "Royalties"). As illustrated in the above table, assuming a term of 10 years as a hypothetic basis for analysis purpose, the guaranteed average annual licensing fee for the game titles ranged from USD0.1 million (equivalent to approximately RMB0.80 million) to USD0.4 million (equivalent to approximately RMB3.21 million) (the "Range").

Taking an average of the Aggregate Amount over a 10-year term, the guaranteed average annual licensing fee for the Licensed Rights of the Localised Products shall be approximately RMB31.87 million. As the Localised Products include 30 game softwares (the "Game(s)") and 4 game guide books, the guaranteed average annual licensing fee per Game shall be RMB1.06 million. As such, the guaranteed average annual licensing fee per Game falls within the Range.

However, Shareholders should note that the comparison of the guaranteed average annual licensing fee amounts might be misleading for the reasons including that (i) the potential return from the Royalties is disregarded; (ii) a hypothetic term of 10 years is assumed for all of the Deals; and (iii) the license scope and additional sales or profit guarantee terms may vary.

It is noted that the Royalties amount may be considerable due to the popularity of the games and the high sales or profits generated by the games in the market. However, the success may not apply to other game titles or the Games and translate into high sales and Royalties. Due to the non-guaranteed and uncertain nature of the Royalties and the fact that comparison of the guaranteed average annual licensing fee amounts might be misleading as mentioned above, we consider that we are not in the position to opine on the fairness and reasonableness of the amount of the Annual Payment.

Nevertheless, we are of the view that the CCP Agreement is still in the interest of the Company and the Shareholders as a whole for reasons to be detailed below. We are of the view that, in the absence of past sales records of the Licensed Rights, charging royalties as a percentage to the sales or profits may not be in the best interest of the Company as there is no guarantee that the Games could generate a satisfactory sales or profits in 10 years for a licensing return higher than that from the Annual Payment. The secured Annual Payment receivable by Pro-Concept under the CCP Agreement, in fact, protect the Group from the investment risk involved in the acquisition of the Licensed Rights under the CCI Agreement.

Moreover, we note that the consideration for the acquisition of the Licensed Rights by Pro-Concept under the CCI Agreement was determined with reference to the Valuation Report 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 million as at 31 December 2005. We have reviewed the Valuation Report and discussed with the Valuer regarding, among other things, the methodologies adopted therein. We understand that the valuation of the Licensed Rights under the Valuation Report represents the present value of the Aggregate Amount, being derived by applying a discount rate of 10.5% (the "Discount Rate"). According to the Valuation Report, the Discount Rate is set as a rate between the Hong Kong prime rate, a benchmark for the investment rate of return requirements of an unsecured lender (i.e. 7.5% as stated in the Valuation Report) and the required rate of return of an equity investor in companies similar to CCP (i.e. 13% as stated in Valuation Report). We understand from the Valuer that as Pro-Concept does not invest directly as an equity investor in CCP, and thus a lower risk level to Pro-Concept for the license of the Licensed Rights is assumed, the Valuer considers it more appropriate to make reference to the Hong Kong prime rate in determining the Discount Rate.

Theoretically, as the valuation of the Licensed Rights shall not be less than HK$150 million as at 31 December 2005 pursuant to the CCI Agreement, the estimated rate of return from the investment in acquiring the Licensed Rights by Pro-Concept of HK$150 million (the "Investment") to be achieved by the receipt of the Aggregate Amount shall be not less than 10.5%, being a rate between the local investment rate of return requirement of an unsecured lender and an equity shareholder of companies similar to CCP based on the Valuation Report. Given the loss making position of the Group and the estimated rate of return from the Investment, we consider that the license of the Licensed Rights by Pro-Concept to CCP for the Annual Payment under the CCP Agreement commercially acceptable in a sense that the Group may not be able to identify other investment opportunities in the PRC multimedia field with comparable secured returns. We, therefore, consider that the entering into of the CCP Agreement is in the interest of the Company and the Shareholders as a whole.

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. We note that 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. As such, we consider the annual cap fair and reasonable.

We, however, do not envisage our role as to advise on the terms of acquisition of the Licensed Rights by Pro-Concept, including but not limited to the basis of the consideration, contemplated under the CCI Agreement, and thus the fairness and reasonableness of the basis for determining the consideration for the acquisition of the Licensed Rights by Pro-Concept under the CCI Agreement, including the Valuation Report as well as the Discount Rate, is beyond the scope of our advice.

Terms regarding non-receipt of the Annual Payment

It is provided in the CCP Agreement that 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 overall 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.

Furthermore, CCI has unconditionally and irrevocably undertaken to Pro-Concept to procure 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 obligation.

We consider that the above terms are favourable to the Group for it provides a safe harbour to Pro-Concept in relation to the risk of non-receipt of the Annual Payment and reduces its risk of investment in acquiring the Licensed Rights under the CCI Agreement.

Taking into account (1) the inter-conditional nature of the CCI Agreement and the CCP Agreement; (2) the reasons for and benefits of the Transactions as discussed, in particular the expansion in the PRC online game industry and the generation of recurring income from the Annual Payment; (3) the benefit of receiving secured Annual Payment as compared to non-guaranteed Royalties; (4) the fact that the Group may not be able to identify other investment opportunities in the PRC multimedia field with a secured return comparable to that from the Investment to be achieved by the receipt of the Aggregate Amount under the CCP Agreement; and (5) the favourable terms to Pro-Concept in relation to the non-receipt of the Annual Payment under the CCP Agreement reducing its risk of investment in acquiring the Licensed Rights under the CCI Agreement, we consider that the terms of CCP Agreement fair and reasonable and the entering into of the CCP Agreement is in the interest of the Company and the Shareholders as a whole. We, however, consider that we are not in the position to opine on the fairness and reasonableness of the amount of the Annual Payment.

III. Financial effects

Earnings

For the year ended 31 March 2005, the audited consolidated loss attributable to Shareholders was approximately HK$3.3 million. As shown in the section headed "Unaudited pro forma income statement of the Enlarged Group" in Appendix III of this Circular, the unaudited pro forma consolidated loss attributable to Shareholders of the Enlarged Group for the year ended 31 March 2005 is adjusted to HK$0.28 million. Please refer to Appendix III for details of the unaudited pro forma income statement of the Enlarged Group.

Given the Annual Payment receivable by Pro-Concept under the CCP Agreement, which is subject to a compound increment of 10% to its previous Annual Payment, we expect the CCP Agreement would have a positive impact on the Group's future earnings.

Working capital, gearing and net asset value

The Annual Payment receivable by Pro-Concept would generate recurring cash inflow to the Group during the continuation of the CCP Agreement. As stated in the Letter, approximately 70% 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. We therefore consider the CCP Agreement would have a positive impact on the Group's working capital and the repayment of the Promissory Note to be financed by the deposited amount from the Annual Payment would then reduce the gearing of the Group. Besides, we consider that the CCP Agreement shall not have any material impact on the net asset value of the Group.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that we are not in the position to opine on the fairness and reasonableness of the amount of the Annual Payment, but we are of the view that the terms of the CCP Agreement and the annual cap of the Annual Payment are fair and reasonable and in the interest of the Company and the Shareholders as a whole, entered into on normal commercial terms and in the ordinary and usual course of business. Accordingly, we recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the CCP Agreement and the annual cap of the Annual Payment.

Yours faithfully,
For and on behalf of
Nuada Limited
Bernard Chan
Director

1. SUMMARY OF FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated income statements of the Group for the years ended 31st March, 2003, 2004 and 2005, unaudited balance sheet as at 30th September, 2005 and the unaudited income statements of the Group for the nine months ended 31st December, 2005 together with the comparative unaudited figures for the corresponding period in 2004, and the audited balance sheets of the Group as at 31st March, 2004 and 2005 as extracted from the Company's annual report of year 2005, the interim report for the six months ended 30th September, 2005 and the third quarterly report for the nine months ended 31st December, 2005. The auditors of the Company have given an unqualified opinion on each of the Company's and the Group's financial statements for the years ended 31st March, 2003, 2004 and 2005.

Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the years ended 31st March, 2003, 2004 and 2005. The adoption of these new HKFRSs beginning from 1st January, 2005 had no significant impact on the Group's result of operations and financial position.

CONSOLIDATED INCOME STATEMENT

	Unaudited For the nine months ended 31st December,		Audited For the year ended 31st March,		
	2005	2004	2005	2004	2003
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Turnover	2,357,026	3,640,318	4,569,961	2,693,048	5,383,247
Cost of sales	(432,910)	(1,260,218)	(1,451,860)	(487,022)	(2,401,503)
Gross profit	1,924,116	2,380,100	3,118,101	2,206,026	2,981,744
Other revenue	346,717	5,117	33,481	62,594	38,610
Selling expenses	(250,260)	(267,226)	(331,496)	(245,119)	(112,097)
Administrative expenses	(3,723,819)	(2,970,109)	(3,889,804)	(3,575,242)	(2,470,130)
Other operating expenses	(1,131,525)	(1,250,270)	(1,648,508)	(1,786,878)	(1,629,502)
Operating loss	(2,834,771)	(2,102,388)	(2,718,226)	(3,338,619)	(1,191,375)
Finance costs	(248,755)	–	–	–	(11,671)
Share of loss of associated company	(1,241,750)	(235,283)	(551,947)	–	–
Loss before taxation	(4,325,276)	(2,337,671)	(3,270,173)	(3,338,619)	(1,203,046)
Taxation	–	–	–	–	–
Loss attributable to shareholders	(4,325,276)	(2,337,671)	(3,270,173)	(3,338,619)	(1,203,046)
Loss per share – basic	HK1.02 cent	HK0.58 cent	HK0.82 cent	HK0.83 cent	HK0.34 cent
Loss per share – diluted	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

	Unaudited As at 30th September 2005	Audited As at 31st March 2005	2004	2003
	HK$	HK$	HK$	HK$
NON-CURRENT ASSETS				
Fixed assets	95,263	103,621	250,989	143,262
Investments in an associated company	4,730,989	5,569,353	4,622,641	–
Loan receivables from an associated company	1,850,436	–	–	–
	6,676,688	5,672,974	4,873,630	143,262
CURRENT ASSETS				
Loan receivable from an associated company	–	1,850,436	–	–
Accounts receivable	99,520	30,080	18,440	228,262
Deposits and prepayments	10,644,382	221,945	746,594	557,235
Cash and bank balances	7,604,842	4,683,667	9,486,992	16,713,224
	18,348,744	6,786,128	10,252,026	17,498,721
CURRENT LIABILITIES				
Accounts payable	5,730	5,370	6,866	31,000
Accrued expenses	211,199	239,287	144,187	174,170
Receipts in advance and other payables	329,182	124,905	1,113,549	237,140
	546,111	369,562	1,264,602	442,310
NET CURRENT ASSETS	17,802,633	6,416,566	8,987,424	17,056,411
TOTAL ASSETS LESS CURRENT LIABILITIES	24,479,321	12,089,540	13,861,054	17,199,673
CONVERTIBLE BONDS	4,622,527	–	–	–
TOTAL NET ASSETS	19,856,794	12,089,540	13,861,054	17,199,673
CAPITAL AND RESERVES				
Share capital	4,277,100	4,000,000	4,000,000	4,000,000
Reserves	15,579,694	8,089,540	9,861,054	13,199,673
	19,856,794	12,089,540	13,861,054	17,199,673

2. AUDITED FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31ST MARCH 2005

Set out below are the audited financial statements of the Group for the two years ended 31st March 2005, which are extracted from the annual report of the Company for the year ended 31st March 2005. The auditors of the Company have given an unqualified opinion on each of the Group's financial statements for each of the two years ended 31st March 2005.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31st March	
		2005	**2004**
	Notes	*HK$*	*HK$*
Turnover	*4*	4,569,961	2,693,048
Cost of sales		(1,451,860)	(487,022)
Gross profit		3,118,101	2,206,026
Other revenue		33,481	62,594
Selling expenses		(331,496)	(245,119)
Administrative expenses		(3,889,804)	(3,575,242)
Other operating expenses		(1,648,508)	(1,786,878)
Operating loss	*5*	(2,718,226)	(3,338,619)
Finance costs		–	–
Share of loss of associated company		(551,947)	–
Loss before taxation		(3,270,173)	(3,338,619)
Taxation	*6*	–	–
Loss attributable to shareholders		(3,270,173)	(3,338,619)
Loss per share – basic	*8*	HK0.82 cent	HK0.83 cent
Loss per share – diluted	*8*	N/A	N/A

CONSOLIDATED BALANCE SHEET

		As at 31st March	
		2005	**2004**
	Notes	*HK$*	*HK$*
NON-CURRENT ASSETS			
Fixed assets	*11*	103,621	250,989
Investment in an associated company	*12(a)*	5,569,353	4,622,641
		5,672,974	4,873,630
CURRENT ASSETS			
Loan receivable from an associated company	*12(b)*	1,850,436	–
Accounts receivable	*14*	30,080	18,440
Deposits and prepayments		221,945	746,594
Cash and bank balances		4,683,667	9,486,992
		6,786,128	10,252,026
CURRENT LIABILITIES			
Accounts payable	*15*	5,370	6,866
Accrued expenses		239,287	144,187
Receipts in advance and other payables		124,905	1,113,549
		369,562	1,264,602
NET CURRENT ASSETS		6,416,566	8,987,424
TOTAL NET ASSETS		12,089,540	13,861,054
CAPITAL AND RESERVES			
Share capital	*16*	4,000,000	4,000,000
Reserves	*17*	8,089,540	9,861,054
		12,089,540	13,861,054

BALANCE SHEET

		As at 31st March	
		2005	**2004**
	Notes	*HK$*	*HK$*
NON-CURRENT ASSETS			
Investments in subsidiary companies	*13*	10,585,794	10,213,910
CURRENT ASSETS			
Cash and bank balances		3,922,647	6,854,764
CURRENT LIABILITIES			
Accrued expenses		24,000	16,500
NET CURRENT ASSETS		3,898,647	6,838,264
TOTAL NET ASSETS		14,484,441	17,052,174
CAPITAL AND RESERVES			
Share capital	*16*	4,000,000	4,000,000
Reserves	*17*	10,484,441	13,052,174
		14,484,441	17,052,174

STATEMENTS OF CHANGES IN EQUITY OF THE GROUP

FOR THE YEAR ENDED 31ST MARCH, 2005

Group

	Note	Share capital	Share premium	Merger reserve	Capital surplus	Accumulated losses	Total
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance as at 1st April, 2003		4,000,000	15,195,487	8,320,333	–	(10,316,147)	17,199,673
Loss for the year		–	–	–	–	(3,338,619)	(3,338,619)
Balance as at 31st March, 2004		4,000,000	15,195,487	8,320,333	–	(13,654,766)	13,861,054
Loss for the year		–	–	–	–	(3,270,173)	(3,270,173)
Excess amount contributed by the major investor of the Associated Company	17	–	–	–	1,498,659	–	1,498,659
Balance as at 31st March, 2005		4,000,000	15,195,487	8,320,333	1,498,659	(16,924,939)	12,089,540

CONSOLIDATED CASH FLOW STATEMENT

	For the year ended 31st March	
	2005	**2004**
	HK$	*HK$*
OPERATING ACTIVITIES		
Operating loss	(2,718,226)	(3,338,619)
Adjustments for:		
Interest income	(1,630)	(62,594)
Provision for doubtful debts	–	(3,720)
Depreciation	191,729	275,258
Operating loss before working capital changes	(2,528,127)	(3,129,675)
(Increase)/decrease in accounts receivable	(11,640)	213,542
Decrease/(increase) in deposits and prepayments	524,649	(189,359)
Decrease in accounts payable	(1,496)	(24,134)
Increase/(decrease) in accrued expenses	95,100	(29,983)
(Decrease)/increase in receipts in advance and other payables	(988,644)	876,409
Net cash used in operating activities	(2,910,158)	(2,283,200)
INVESTING ACTIVITIES		
Purchases of fixed assets	(44,361)	(382,985)
Loan advance to an associated company	(1,850,436)	–
Investment in an associated company	–	(4,622,641)
Interest received	1,630	62,594
Net cash used in investing activities	(1,893,167)	(4,943,032)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,803,325)	(7,226,232)
CASH AND CASH EQUIVALENTS AT 1ST APRIL	9,486,992	16,713,224
CASH AND CASH EQUIVALENTS AT 31ST MARCH	4,683,667	9,486,992
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,683,667	9,486,992

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 23rd May, 2002 with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company were listed on GEM on 15th November, 2002.

The principal activities of the Company is investment holding. During the year, the Group was principally engaged in the operation of financial website, production of financial programmes and videos and the provision of financial information and investor education.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs"), which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005. The Group has already commenced an assessment of the potential impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Subsidiary companies

A subsidiary company is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

(c) Associated companies

An associated company is a company, not being a subsidiary and a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

(d) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with time when the goods are delivered to customers and the title has passed.

Revenue from the provision of services is recognised when the services are rendered.

Interest income is recognised on a time apportionment basis.

Dividend income is recognised when the right to receive payment is established.

(e) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases, net of incentives received from the leasing company, are charged to the income statement on a straight-line basis over the lease periods.

(g) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(ii) Pension scheme

The Group contributes to defined contribution retirement schemes. The assets are held separately from those of the Group in an independently administered fund. Contributions to these retirement schemes are charged to the income statement as they become payable in accordance with the rules of these schemes.

(iii) Equity compensation benefits

Share options are granted to the directors, a consultant, a management shareholder and employees. No compensation cost is recognised in the income statement in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(h) Taxation

The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowable. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date is used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(i) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any provisions for impairment losses required to reflect recoverable amounts. Cost represents purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure is capitalised when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as expenses in the period in which it is incurred.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives, on a straight-line basis, at the following annual rates:

Computer equipment	$33\,^1/_3$% – 50%
Leasehold improvements	Shorter of unexpired lease period or useful life
Equipment, furniture and fixtures	25% – $33\,^1/_3$%

The gain or loss arising from the retirement or disposal of fixed assets, representing the difference between the estimated net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

(j) Borrowing costs

Borrowing costs are loan interest and other costs charged to the income statement as they are incurred by the Group in connection with the borrowing of funds.

(k) Related parties

Two parties are considered to be related within the Group if one party has the ability, directly or indirectly, to control the other parties or exercise significant influence over the other parties in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(l) Accounts receivable

Provision is made against accounts receivables to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision, if any.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made.

(n) Cash and cash equivalents

Cash and cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

4. SEGMENT INFORMATION

The Group is principally engaged in providing real-time financial news and up-to-date financial market commentaries and recommendations through multimedia, financial programme and video production services, and financial seminars and courses. In accordance with the Group's operating activities, the primary segment reporting is by business segments. No analysis by geographical segment is presented as the Group's turnover and results are substantially derived from Hong Kong.

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

Segment revenue and results for the years ended 31st March, 2005 and 31st March, 2004:

	Financial information		Financial programme and video production		Financial seminars and courses		Total	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Turnover	1,344,068	1,426,972	653,400	188,000	2,572,493	1,078,076	4,569,961	2,693,048
Segment results	1,153,408	1,359,597	36,000	14,300	1,928,693	832,129	3,118,101	2,206,026
Other revenue							33,481	62,594
Unallocated costs							(5,869,808)	(5,607,239)
Operating loss							(2,718,226)	(3,338,619)
Finance costs							–	–
Share of loss of associated company							(551,947)	–
Loss before taxation							(3,270,173)	(3,338,619)
Taxation							–	–
Loss attributable to shareholders							(3,270,173)	(3,338,619)

There are no significant sales or other transactions between the business segments.

Segment assets and liabilities as at 31st March, 2005 and 31st March, 2004:

	Financial information		Financial programme and video production		Financial seminars and courses		Total	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Segment assets	30,080	18,440	–	534,369	–	–	30,080	552,809
Unallocated assets							12,429,022	14,572,847
Total assets							12,459,102	15,125,656
Segment liabilities	69,276	88,295	–	653,400	–	375,920	69,276	1,117,615
Unallocated liabilities							300,286	146,987
Total liabilities							369,562	1,264,602
Other information:								
Unallocated capital expenditure							44,361	382,985
Depreciation							191,729	275,258

5. **OPERATING LOSS**

Operating loss is stated after crediting and charging the following:

	2005	**2004**
	HK$	*HK$*
Crediting:		
Interest income	1,630	62,594
Bad debts recovered	–	3,720
Charging:		
Auditors' remuneration	100,000	90,000
Depreciation	191,729	275,258
Operating leases in land and buildings	300,362	446,664
Retirement benefit costs	104,804	101,223
Staff costs (including directors' remuneration but excluding retirement benefit costs)	3,299,139	2,798,446

6. TAXATION

The Group's business is operated in Hong Kong and is subject to Hong Kong profits tax at the rate of 17.5% (2004: 17.5%). No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year.

Details of deferred taxation of the Group are set out in note 18 to the financial statements.

The nil provision for the year can be reconciled from taxation based on the loss per income statement as follows:–

	2005	**2004**
	HK$	*HK$*
Loss before taxation	(3,270,173)	(3,338,619)
Tax at the domestic tax rate of 17.5%	(572,280)	(584,258)
Tax effect of non-deductible expenses	34,423	52,449
Tax effect of non-taxable revenue	(42)	(860)
Tax effect of prior year's tax losses utilized this year	(289,520)	(37,147)
Tax effect of unused tax losses not recognised	837,888	591,882
Others	(10,469)	(22,066)
Tax charge for the year	–	–

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$2,567,733 (2004: HK$1,640,834)

8. LOSS PER SHARE

The calculation of the basic loss per share for the year ended 31st March, 2005 is based on the consolidated net loss attributable to shareholders of HK$3,270,173 (2004: HK$3,338,619) and the weighted average number of 400,000,000 (2004: 400,000,000) ordinary shares in issue during the year.

No diluted loss per share has been presented as the Company has no dilutive potential shares.

9. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2004: Nil).

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Details of the emoluments paid and payable to the directors of the Company during the year are as follows:

	2005	**2004**
	HK$	*HK$*
Fees	–	90,322
Other emoluments	–	–
Basic salaries, allowances and benefit in kinds	1,698,400	1,008,600
Bonuses	–	–
Retirement benefit costs	26,320	27,105
	1,724,720	1,126,027

The emoluments of the directors fell within the following bands:

	Number of Directors 2005	2004
Emolument bands		
HK$ Nil to HK$1,000,000	6	9
HK$1,000,001 to HK$2,000,000	1	–

Four executive directors received emoluments for the year ended 31st March, 2005 of HK$1,312,000, HK$274,320, HK$70,400 and HK$68,000 (2004: HK$303,945, HK$ Nil, HK$372,000 and HK$358,500) respectively.

During the year, all independent non-executive directors did not receive any fees and emoluments. (2004: The fee of an independent non-executive director was HK$90,322).

(ii) The five individuals whose emoluments were the highest within the Group are as follows:

	2005	2004
Director	2	3
Employees	3	2
	5	5

(iii) Details of the directors' emoluments are set out in (i) above. Details of the emoluments of employees as mentioned above are as follows:

	2005 *HK$*	2004 *HK$*
Basic salaries, allowances and benefit in kinds	472,233	476,610
Bonuses	–	3,700
Retirement benefit costs	21,160	23,065
	493,393	503,375

(iv) The emoluments of employees fell within the following bands:

	2005	2004
Emolument bands		
HK$ Nil to HK$1,000,000	3	2

(v) During the year, no directors waived any emoluments and no emoluments have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or joining the Group as compensation for loss of office.

11. FIXED ASSETS

Group

	Computer equipment	Leasehold improvements	Equipment, furniture and fixtures	Total
	HK$	*HK$*	*HK$*	*HK$*
Cost				
At 1st April, 2004	1,904,228	250,058	159,826	2,314,112
Additions	37,687	–	6,674	44,361
At 31st March, 2005	1,941,915	250,058	166,500	2,358,473
Accumulated depreciation				
At 1st April, 2004	1,821,611	125,029	116,483	2,063,123
Charge for the year	46,770	125,029	19,930	191,729
At 31st March, 2005	1,868,381	250,058	136,413	2,254,852
Net book value				
At 31st March, 2005	73,534	–	30,087	103,621
At 31st March, 2004	82,617	125,029	43,343	250,989

12. INVESTMENT IN AN ASSOCIATED COMPANY

(a) Interests in an associated company

	Group	
	2005	**2004**
	HK$	*HK$*
Unlisted shares, at cost	4,622,641	4,622,641
Share of loss	(551,947)	–
Share of capital surplus *(Note 17)*	1,498,659	–
Share of net assets	5,569,353	4,622,641

Details of the Group's associated company are as follows:–

Name	Percentage of equity interest	Principal activities	Place of operation
神州速達導航通信資訊(北京)有限公司	49%	Provision of various value-added services, including financial information relating to Hong Kong, to telecommunication users through the media channels in the PRC	People's Republic of China

(b) Loan receivable from an associated company

The loan receivable is unsecured, bearing interest at the rate of 5% per annum and repayable on 4th November, 2005.

13. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2005	**2004**
	HK$	*HK$*
Unlisted shares, at cost	3,293,008	3,293,008
Amounts due from subsidiary companies	8,157,816	6,920,910
Amounts due to subsidiary companies	(865,030)	(8)
	10,585,794	10,213,910

Amounts due from/(to) subsidiary companies are unsecured, interest-free and have no fixed terms of repayment.

Details of the Company's subsidiary companies at 31st March, 2005 are as follows:

Name	Place of incorporation and type of legal entity	Issued and fully paid up share capital	Percentage of equity interest	Principal activities and place of operation
* HK6 Investment Limited	British Virgin Islands, limited liability company	US$2,614.00	100%	Investment holding in British Virgin Islands
Hong Kong Financial Institute Limited	Hong Kong, limited liability company	HK$1,307.00	100%	Production of financial programmes and videos and provision of investor education in Hong Kong
hk6.com Limited	Hong Kong, limited liability company	HK$2.00	100%	Operation of financial websites and provision of financial information in Hong Kong
HK6 Media Limited	Hong Kong, limited liability company	HK$2.00	100%	Development of business alliances with media channels in Hong Kong
* HK6 Investment China (BVI) Limited	British Virgin Islands, limited liability company	US$1.00	100%	Investment holding in British Virgin Islands
Sino Key International Ltd.	British Virgin Islands, limited liability company	US$1.00	100%	Investment holding in British Virgin Islands
Pro-Concept Development Ltd.	British Virgin Islands, limited liability company	US$1.00	100%	Investment holding in British Virgin Islands
**神州資訊(深圳)有限公司	People's Republic of China, limited liability company	HK$1,000,000.00	100%	Business has not yet been commenced

* *shares held directly by the Company*

** *newly established during the year*

14. ACCOUNTS RECEIVABLE

The balances at year ends are all aged less than 30 days.

The Group generally granted its customers credit period ranging between 7 days and 30 days.

15. ACCOUNTS PAYABLE

The balances at year ends are all aged less than 30 days.

16. SHARE CAPITAL

(a) Share capital

	Company	
	2005	**2004**
	HK$	*HK$*
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	10,000,000	10,000,000
Issued and fully paid:		
400,000,000 ordinary shares of HK$0.01 each	4,000,000	4,000,000

(b) Share option scheme

Details of the share option information are set out in the directors' report.

17. RESERVES

During the year, the major investor of the associated company, China Communication Co. Ltd ("China Communication"), made capital contribution with assets totaling HK$7,869,809 (RMB8,341,998 equivalent), for the 51% equity interests, amounting to HK$4,811,321 (RMB5,100,000 equivalent), in the associated company. The excess amount of HK$3,058,488 (RMB3,241,998 equivalent) over the nominal paid in capital is recorded in the capital surplus account of the associated company. The balance in the capital surplus of the Group represents the 49% share of the excess amount contributed by China Communication.

18. UNRECOGNISED DEFERRED TAXATION

At the balance sheet date, the Group had unrecognised deferred taxation assets as follows:

	Group	
	2005	**2004**
	HK$	*HK$*
Taxation effect of temporary differences arising as a result of:		
Tax losses available to set off against future assessable profits	2,550,000	1,900,000
Excess of depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	28,000	17,000
	2,578,000	1,917,000

No provision for deferred taxation has been recognised in respect of the tax losses as this has not yet been all agreed with the Inland Revenue Department and it is not certain that they can be utilised in the foreseeable future.

The amount of unrecognised deferred taxation credit for the year is as follows:

	Group	
	2005	**2004**
	HK$	*HK$*
Taxation effect of timing differences arising as a result of:		
Tax losses arising	650,000	202,000
Excess of depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	11,000	25,000
	661,000	227,000

The Company had no significant unrecognised deferred taxation at the balance sheet date.

19. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	2005	**2004**
	HK$	*HK$*
Loan receivable from an associated company *(Note 12 (b))*	1,850,436	–
Talent fees paid to a company in which a shareholder has beneficial interest at the time entering into the transactions	–	35,000
Talent fees paid to directors of the Company	–	18,200

The directors are of the opinion that the above transactions were conducted at arm's length in the ordinary course of business and on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

20. RETIREMENT BENEFIT COSTS

The Group has participated in the mandatory provident fund (the "Fund") for its employees in Hong Kong. Contributions to the scheme by the Group are calculated at 5% of employees' basic salaries. The retirement benefit costs charged to the income statement for the year ended 31st March, 2005 amounted to HK$104,804 (2004: HK$101,223), representing contributions paid and payable by the Group to the Fund. The assets of the Fund are held separately from those of the Group in an independently administered fund.

21. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make rental payments in respect of land and buildings after the balance sheet date under operating leases falling due as follows:

	Group	
	2005	**2004**
	HK$	*HK$*
Within one year	551,845	259,200
In the second to fifth year inclusive	–	–
	551,845	259,200

22. CAPITAL COMMITMENTS

As at 31st March, 2005, the Group has a capital commitment to contribute the remaining amount of HK$800,000 for the capital of its wholly owned subsidiary, 神州資訊(深圳)有限公司.

23. POST BALANCE SHEET EVENTS

On 10th May, 2005, the Company entered into convertible bonds placing agreement with the placing agent for the placing of the convertible bonds of HK$5,000,000. In addition, Superhero Limited, one of the substantial shareholders of the Company, entered into the placing agreement with the placing agent for the placing of 26,300,000 shares owned by Superhero Limited to the independent third parties at HK$0.40 per share. At the same time, Superhero Limited also entered into the subscription agreement with the Company to subscribe for the subscription shares, which is equal to the number of the placing shares successfully placed under the placing, at the subscription price of HK$0.40 per share. The placing of the existing shares has been completed on 17th May, 2005 while the placing of convertible bonds and subscription for new shares have been completed on 23 May, 2005. Announcements in relation to the above transactions were issued by the board of directors (the "Board") on 11th May, 2005 and 23rd May, 2005 respectively.

On 26th April, 2005, a wholly-owned subsidiary of the Company, Pro-Concept Development Limited, entered into a memorandum of understanding with a third party to acquire certain equity interest of a PC game company in the PRC and a refundable deposit of HK$10,000,000 has been placed into an escrow account as stipulated in the memorandum of understanding. Announcements in relation to the memorandum of understanding were issued by the Board on 26th April, 2005 and 24th May, 2005 respectively.

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 23rd June, 2005.

3. UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH SEPTEMBER 2005

Set out below is the unaudited financial statements of the Group for the three months and six months ended 30th September, 2005 together with the comparative figures for the corresponding period in 2004, which is extracted from the interim report of the Group for the six months ended 30th September, 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and for the six months ended 30th September, 2005

		Three months ended 30th September,		Six months ended 30th September,	
		2005	**2004**	**2005**	**2004**
		(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*
Turnover	*3*	704,134	791,529	1,286,907	2,468,688
Cost of sales		(127,180)	(143,427)	(226,500)	(976,525)
Gross profit		576,954	648,102	1,060,407	1,492,163
Other revenue	*3*	92,470	68	158,674	147
Selling expenses		(69,801)	(100,314)	(154,348)	(187,546)
Administrative expenses		(1,160,194)	(934,043)	(2,279,851)	(1,823,327)
Other operating expenses		(336,038)	(349,141)	(632,855)	(755,351)
Operating loss	*4*	(896,609)	(735,328)	(1,847,973)	(1,273,914)
Finance costs	*5*	(50,000)	–	(70,968)	–
Share of loss of associated company		(401,940)	–	(838,364)	–
Loss before taxation		(1,348,549)	(735,328)	(2,757,305)	(1,273,914)
Taxation	*6*	–	–	–	–
Loss attributable to shareholders		(1,348,549)	(735,328)	(2,757,305)	(1,273,914)
Loss per share – basic	*7*	HK 0.32 cent	HK 0.18 cent	HK 0.66 cent	HK 0.32 cent
Loss per share – diluted	*7*	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2005

	Notes	30th September, 2005 (Unaudited) HK$	31st March, 2005 (Audited) HK$
Non-current assets			
Fixed assets	9	95,263	103,621
Investments in an associated company	10(a)	4,730,989	5,569,353
Loan receivables from an associated company	10(b)	1,850,436	–
		6,676,688	5,672,974
Current assets			
Loan receivables from an associated company	10(b)	–	1,850,436
Accounts receivable	11	99,520	30,080
Deposits and prepayments		10,644,382	221,945
Cash and bank balances		7,604,842	4,683,667
		18,348,744	6,786,128
Current liabilities			
Accounts payable	12	5,730	5,370
Accrued expenses		211,199	239,287
Receipts in advance		329,182	124,905
		546,111	369,562
Net current assets		17,802,633	6,416,566
Total assets less current liabilities		24,479,321	12,089,540
Convertible bonds	14	4,622,527	–
Total net assets		19,856,794	12,089,540
Capital and reserves			
Share capital	13	4,277,100	4,000,000
Reserves		15,579,694	8,089,540
		19,856,794	12,089,540

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2005

	Six months ended 30th September, 2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*
Net cash used in operating activities	(12,969,240)	(1,668,039)
Net cash generated from/(used in) investing activities	814,297	(13,863)
Net cash generated from financing activities	15,076,118	–
Increase/(decrease) in cash and cash equivalents	2,921,175	(1,681,902)
Cash and cash equivalents at 1st April	4,683,667	9,486,992
Cash and cash equivalents at 30th September	7,604,842	7,805,090
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	7,604,842	7,805,090

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2005

	Share capital (Unaudited) *HK$*	Share premium (Unaudited) *HK$*	Merger reserve (Unaudited) *HK$*	Capital surplus (Unaudited) *HK$*	Convertible bond reserve (Unaudited) *HK$*	Accumulated losses (Unaudited) *HK$*	Total (Unaudited) *HK$*
Balance as at 1st April, 2004	4,000,000	15,195,487	8,320,333	–	–	(13,654,766)	13,861,054
Loss for the period	–	–	–	–	–	(1,273,914)	(1,273,914)
Balance as at 30th September, 2004	4,000,000	15,195,487	8,320,333	–	–	(14,928,680)	12,587,140
Balance as at 1st April, 2005	4,000,000	15,195,487	8,320,333	1,498,659	–	(16,924,939)	12,089,540
Loss for the period	–	–	–	–	–	(2,757,305)	(2,757,305)
Issue of shares	263,000	10,257,000	–	–	–	–	10,520,000
Exercise of share options	17,000	62,900	–	–	–	–	79,900
Convertible bond issuing expenses	–	(100,000)	–	–	–	–	(100,000)
Share issue expenses	–	(329,582)	–	–	–	–	(329,582)
Repurchase of shares	(2,900)	(91,300)	–	–	–	–	(94,200)
Equity component for the convertible bonds issued during the period *(Note 14)*	–	–	–	–	448,441	–	448,441
Balance as at 30th September, 2005	4,277,100	24,994,505	8,320,333	1,498,659	448,441	(19,682,244)	19,856,794

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 23rd 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 15th November, 2002.

The principal activities of the Company is investment holding. The Group was principally engaged in the operation of financial website, production of financial programmes and videos and the provision of financial information and investor education.

2. BASIS OF PREPARATION

(i) Adoption of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("New HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of New HKFRSs which are effective for accounting periods beginning on or after 1st January, 2005. The Group has adopted the New HKFRSs in the preparation of accounts for the period from 1st April, 2005 onward. The comparative financial statements for 2005 have been restated in accordance with the relevant requirements of the New HKFRSs, if applicable.

The adoption of Hong Kong Financial Reporting Standards 2 – Share-based Payments ("HKFRS 2") has resulted in a change in accounting policy for share options. Prior to this, the provision of share options to employees and directors did not result in a charge to the profit and loss account. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortized over the relevant vesting periods to the profit and loss account. The Company has not applied the HKFRS 2 retrospectively as share options of the Company granted after 7th November, 2002 had vested at 1st April, 2005.

The adoption of other New HKFRS does not result in substantial changes to the Group's accounting policies except presentation and disclosure of the accounts will be effected on the 2006 half year and annual reports.

(ii) The unaudited condensed financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March, 2005 except for the matter as referred to Note 2 (i) above.

All significant inter-company transactions and balances between the group companies have been eliminated on consolidation.

3. SEGMENT INFORMATION

The Group is principally engaged in providing real-time financial news and up-to-date financial market commentaries and recommendations through multimedia, financial programme and video production services, and financial seminars and courses. In accordance with the Group's operating activities, the primary segment reporting is by business segments. No analysis by geographical segment is presented as the Group's turnover and results are substantially derived from Hong Kong.

The following tables present revenue, results and expenditure information for the Group's business segments.

Segment revenue and results for the six months ended 30th September, 2005 and 2004:

	Financial information		Financial programme and video production		Financial seminars and courses		Group	
	2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*	2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*	2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*	2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*
Turnover	725,947	684,088	–	653,400	560,960	1,131,200	1,286,907	2,468,688
Segment results	631,747	632,862	–	85,000	428,660	774,301	1,060,407	1,492,163
Other revenue							158,674	147
Unallocated costs							(3,067,054)	(2,766,224)
Operating loss							(1,847,973)	(1,273,914)
Finance costs							(70,968)	–
Share of loss of associated company							(838,364)	–
Loss before taxation							(2,757,305)	(1,273,914)
Taxation							–	–
Loss attributable to shareholders							(2,757,305)	(1,273,914)

There are no significant sales or other transactions between the business segments.

4. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Three months ended 30th September,		Six months ended 30th September,	
	2005	**2004**	**2005**	**2004**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$	*HK$*	*HK$*	*HK$*
Crediting:				
Interest income	25,971	68	34,174	147
Management fee	66,500	–	124,500	–
Charging:				
Auditors' remuneration	22,500	22,500	45,000	45,000
Depreciation of fixed assets	17,161	47,600	34,055	97,685
Directors' remuneration	528,000	378,000	956,000	838,720
Operating leases in land and buildings	142,560	129,600	285,120	157,440
Retirement benefit costs	26,967	18,472	53,475	34,537
Staff costs	382,679	367,281	824,812	705,870

5. FINANCE COSTS

	Three months ended 30th September,		Six months ended 30th September,	
	2005	**2004**	**2005**	**2004**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$	*HK$*	*HK$*	*HK$*
Interest expense for convertible bonds wholly repayable within five years	50,000	–	70,968	–

6. TAXATION

The Group's business is operated in Hong Kong and is 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 has no estimated assessable profits for the three months (2004: Nil) and for the six months (2004: Nil) ended 30th September, 2005.

No provision for deferred taxation has been recognised in respect of the tax losses as this has not yet been agreed with the Inland Revenue and it is not certain that they can be utilised in the foreseeable future.

7. LOSS PER SHARE

The calculation of the basic loss per share for the three months and six months ended 30th September, 2005 is based on the unaudited consolidated net loss attributable to shareholders of HK$1,348,549 (2004: HK$735,328) and HK$2,757,305 (2004: HK$1,273,914) respectively and on the weighted average number of 427,885,109 (2004: 400,000,000) and 420,148,798 (2004: 400,000,000) issued ordinary shares for the three months and six months ended 30th September, 2005 respectively.

No diluted loss per share for the three months (2004: Nil) and six months (2004: Nil) ended 30th September, 2005 has been presented as the Company has no dilutive potential shares.

8. DIVIDENDS

No dividends have been paid or declared during the three months (2004: Nil) and six months (2004: Nil) ended 30th September, 2005.

9. FIXED ASSETS

	(Unaudited) *HK$*
Cost	
At 1st April, 2005	2,358,473
Additions	25,697
At 30th September, 2005	2,384,170
Accumulated depreciation	
At 1st April, 2005	2,254,852
Charge for the period	34,055
At 30th September, 2005	2,288,907
Net book value	
At 30th September, 2005	95,263
At 31st March, 2005	103,621

10. INVESTMENTS IN AN ASSOCIATED COMPANY

(a) Interests in an associated company

This represents the share of net assets of the unlisted associated company. Details of the Group's associated company are as follows: –

Name	Percentage held	Principal activities	Place of operation
神州速達導航通信資訊（北京）有限公司	49%	Provision of various value-added services, including financial information relating to Hong Kong, to telecommunication users through the media channels in the PRC	People's Republic of China

(b) Loan receivables from an associated company

The loan receivables is unsecured, bearing interest at the rate of 5% per annum. During the period, a supplemental agreement was signed on 4th November, 2005 pursuant to which the repayment date of the loan and the interests incurred therein has been extended to 4th November, 2006 and therefore, the balance is classified as a non-current asset.

11. ACCOUNTS RECEIVABLE

Details of the ageing analysis are as follows:

	30th September, 2005 (Unaudited) *HK$*	31st March, 2005 (Audited) *HK$*
0 to 30 days	99,520	30,080

The Group generally granted credit period to its customers from 7 days to 30 days (31st March, 2005: 7 days to 30 days).

12. ACCOUNTS PAYABLE

Details of the ageing analysis are as follows:

	30th September, 2005 (Unaudited) *HK$*	31st March, 2005 (Audited) *HK$*
0 to 30 days	5,730	5,370

13. SHARE CAPITAL

	30th September, 2005 (Unaudited)		31st March, 2005 (Audited)	
	Number of Shares	Nominal value *HK$*	Number of Shares	Nominal value *HK$*
Authorised:				
Ordinary shares of HK$0.01 each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	427,710,000	4,277,100	400,000,000	4,000,000

14. CONVERTIBLE BONDS

In May 2005, the Company issued convertible bonds with a nominal value of HK$5 million. These bonds bear interest at a rate of 4.0% per annum and mature in May 2007.

The bondholder has the right to convert the whole or part of the nominal value of the convertible bonds into the shares of the Company before maturity at conversion price of HK$0.42 per share.

The fair values of the liability component and the equity conversion component were determined at the date of issuance of the bonds based on the discounted rate of 9% per annum.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in other reserves in shareholder' equity, net of deferred income taxes.

The convertible bonds recognised in the balance sheet is calculated as follows:

	30th September, 2005 (Unaudited) *HK$*	31st March, 2005 (Audited) *HK$*
Nominal value of convertible bonds issued in May 2005	5,000,000	–
Equity component upon initial recognition	(448,441)	–
Liability component upon initial recognition	4,551,559	–
Interest expense *(Note 5)*	70,968	–
Liability component, at fair value, at the end of the period/year	4,622,527	–

15. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Three months ended 30th September,		Six months ended 30th September,	
	2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*	2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*
Loan receivable from an associated company *(Note 10(b))*	1,850,436	–	1,850,436	–

The Directors are of the opinion that the above transactions were conducted after arm's length negotiation in the ordinary course of business and on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

The following is the management and discussion analysis extracted from the annual report of the Company for the year ended 31st March, 2003, 2004 and 2005 and the third quarterly report for the nine months ended 31st December, 2005.

For the year ended 31st March, 2003

Revenue and profitability

The Group recorded turnover of approximately HK$5,383,000 (2002: approximately HK$3,247,000) for the year ended 31st March, 2003, representing an increase of approximately 65.8%, compared to last year. Approximately 62.2%, 26.4% and 11.4% (2002: approximately 52.3%, 41.9% and 2.8%) of turnover for the year ended 31st March, 2003 were attributable to income for the production of financial programmes and videos, provision of real-time financial information services and investor education on financial market respectively.

The Group's gross profit for the year ended 31st March, 2003 amounted to approximately HK$2,982,000 (2002: approximately HK$2,364,000), representing an increase of 26.1% compared to last year whilst the Group's gross profit margin dropped to 55.4% (2002: 72.8%), representing a decrease of 17.4% compared to that in previous year. The lower gross profit margin of the Group for the year ended 31st March, 2003 was mainly attributable to the reduction of gross profit margin for financial programme and video production services from approximately 54.8% for the last year to approximately 41.0% for the current year.

Selling, administrative and other operating expenses for the year ended 31st March, 2003 decreased by approximately 17.0% to approximately HK$4,212,000 (2002: approximately HK$5,076,000) from last year. The decrease was mainly attributable to more effective cost control by management.

Net loss attributable to shareholders

The Group's net loss for the year ended 31st March, 2003 decreased to approximately HK$1,203,000 (2002: approximately HK$2,766,000) compared to last year. The improvement in the results was attributable to the increase in turnover and effective cost control by management.

Liquidity, financial resources and capital structure

On 10th June, 2002, a total of 207 shares of HK$1.00 each in the share capital of Smart Talent Holdings Limited, a wholly-owned subsidiary company of the Company, were allotted and issued to the convertible bondholders credited as fully paid at an aggregate consideration of HK$3,000,000 upon these bondholders' exercise of the conversion rights under the convertible bonds issued by Smart Talent Holdings Limited in 2000.

As at 31st March, 2003, the Group did not have any borrowings outstanding (2002: approximately HK$3,112,000 of convertible bonds and interest payables issued by Smart Talent Holdings Limited, a wholly-owned subsidiary company of the Company, comprising non-current portion of approximately HK$2,071,000 and current portion of approximately HK$1,041,000. The interest rate of the bonds was 2% per annum.) and did not have any committed borrowing facilities and any significant capital commitments (2002: nil).

As at 31st March, 2003, the Group has net current assets approximately HK$17,056,000 (2002: approximately HK$1,059,000). The Group's current assets consisted of cash and cash equivalents of approximately HK$16,713,000 (2002: approximately HK$1,918,000), accounts receivable of approximately HK$228,000 (2002: approximately HK$372,000) and deposits and prepayments of approximately HK$557,000 (2002: approximately HK$957,000). The Group's current liabilities consisted of accounts payable of approximately HK$31,000 (2002: approximately HK$18,000), accrued expenses of approximately HK$174,000 (2002: approximately HK$413,000), receipts in advance of approximately HK$237,000 (2002: approximately HK$716,000) and there were no convertible bonds and interest payables to be matured within one year (2002: approximately HK$1,041,000).

The gearing ratio, expressed in terms of total liabilities over total assets, was 2.5% as at 31st March, 2003, compared to 113.3% as at 31st March, 2002. The improvement in the gearing ratio was mainly attributed to the conversion of convertible bonds to the share capital of Smart Talent Holdings Limited on 10th June, 2002 and the issuance of the shares of the Company in November 2002.

At present, the Group generally finances its operations and investing activities with internally generated cash flows. Excess cash held by the Group is generally deposited in banks in Hong Kong.

The shares of the Company were successfully listed on GEM on 15th November, 2002. There has been no change in the capital structure of the Company since that date.

Charge on group assets

The Group did not have any charge on its assets during the years ended 31st March, 2002 and 2003.

Material acquisitions and disposals

On 28th October, 2002, pursuant to the group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on GEM, the Company became the holding company of HK6 Investment Limited, Smart Talent Holdings Limited, hk6.com Limited and HK6 Media Limited. Details of the Reorganisation are set out in the prospectus of the Company dated 31st October, 2002 (the "Prospectus"). There were no material acquisitions or disposals of subsidiary companies and affiliated companies after the Reorganisation. However, the Company has established three subsidiary companies after the Reorganisation.

Employees

As at 31st March, 2003, the Group had 20 employees (2002: 18). The staff costs for the year ended 31st March, 2003 was approximately HK$2,159,000 (2002: approximately HK$2,749,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance of individual employees.

Material investment or capital assets

Save as disclosed in the section "Statement of Business Objectives" of the Prospectus, the Group has no plans for material investments or capital assets.

Foreign currency risk

The income and expenditure of the Group are mainly in Hong Kong dollars and the assets and liabilities of the Group were denominated in Hong Kong dollars. Accordingly, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31st March, 2002 and 2003.

For the year ended 31st March, 2004

Revenue and profitability

The Group recorded turnover of approximately HK$2,693,000 (2003: approximately HK$5,383,000) for the year ended 31st March, 2004, representing a decrease of approximately 50.0%, compared to last year. Approximately 7.0%, 53.0% and 40.0% (2003: approximately 62.2%, 26.4% and 11.4%) of turnover for the year ended 31st March, 2004 were attributable to income for the production of financial programmes and videos, provision of real-time financial information services and investor education on financial market respectively.

The Group's gross profit for the year ended 31st March, 2004 amounted to approximately HK$2,206,000 (2003: approximately HK$2,982,000), representing a decrease of 26.0% compared to last year whilst the Group's gross profit margin rose to 81.9% (2003: 55.4%), representing an increase of 26.5% compared to that in last year. The higher gross profit margin of the Group for the year ended 31st March, 2004 was mainly attributable to the increase in the proportion for the revenue derived from the provision of real-time financial information services, the gross profit margin was approximately 95.3% for the year ended 31st March, 2004.

Selling, administrative and other operating expenses for the year ended 31st March 2004 increased by approximately 33.1% to approximately HK$5,607,000 (2003: approximately HK$4,212,000) from the last year. The increase was mainly attributable to increase in staff costs for the year.

Net loss attributable to shareholders

The Group's net loss for the year ended 31st March, 2004 increased to approximately HK$3,339,000 (2003: approximately HK$1,203,000) compared to last year. The increase in net loss was attributable to the decrease in turnover and the increase in administrative expenses and other operating expenses.

Liquidity, financial resources and capital structure

As at 31st March, 2004, the Group did not have any borrowings outstanding (as at 31st March, 2003: nil) and did not have any committed borrowing facilities and any significant capital commitments (as at 31st March, 2003: nil).

As at 31st March, 2004, the Group has net current assets approximately HK$8,987,000 (as at 31st March, 2003: approximately HK$17,056,000). The Group's current assets consisted of cash and cash equivalents of approximately HK$9,487,000 (as at 31st March, 2003: approximately HK$16,713,000), accounts receivable of approximately HK$18,000 (as at 31st March, 2003: approximately HK$228,000) and deposits and prepayment of approximately HK$747,000 (as at 31st March, 2003: approximately HK$557,000). The Group's current liabilities consisted of accounts payable of approximately HK$7,000 (as at 31st March, 2003: approximately HK$31,000), accrued expenses of approximately HK$144,000 (as at 31st March, 2003: approximately HK$174,000), receipts in advance and other payables of approximately HK$1,114,000 (as at 31st March, 2003: approximately HK$237,000).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 8.4% as at 31st March, 2004, compared to 2.5% as at 31st March, 2003.

At present, the Group generally finances its operations and investing activities with internally generated cash flows. Excess cash held by the Group is generally placed in licensed banks in Hong Kong.

The shares of the Company was successfully listed on GEM on 15th November, 2002. There has been no change in the capital structure of the Company since that date.

Charge on group assets

The Group did not have any charge on its assets during the years ended 31st March, 2004 and 2003.

Material acquisitions and disposals

There were no material acquisitions or disposals of subsidiary companies and affiliated companies during the year ended 31st March, 2004.

Employees

As at 31st March, 2004, the Group had 17 employees (as at 31st March, 2003: 20). The staff costs for the year ended 31st March, 2004 was approximately HK$2,900,000 (for the year ended 31st March, 2003: approximately HK$2,159,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material investment or capital assets

Save as disclosed in the section "Statement of Business Objectives" of the Prospectus, the Group has no plans for material investments or capital assets.

Foreign currency risk

The income and expenditure of the Group are mainly in Hong Kong dollars and the assets and liabilities of the Group were denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange fluctuations.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31st March, 2003 and 2004.

For the year ended 31st March, 2005

Revenue and profitability

The Group recorded turnover of approximately HK$4,570,000 (2004: approximately HK$2,693,000) for the year ended 31st March, 2005, representing an increase of approximately 69.7%, compared to last year. Approximately 14.3%, 29.4% and 56.3% (2004: approximately 7.0%, 53.0% and 40.0%) of turnover for the year ended 31st March, 2005 were attributable to income from the production of financial programmes and videos, provision of real-time financial information services and investor education on financial market respectively.

The Group's gross profit for the year ended 31st March, 2005 amounted to approximately HK$3,118,000 (2004: approximately HK$2,206,000), representing an increase of 41.3% compared to last year whilst the Group's gross profit margin dropped to 68.2% (2004: 81.9%), representing a decrease of 13.7% compared to that of last year. The lower gross profit margin of the Group for the year ended 31st

March, 2005 was mainly attributable to the decrease in gross profit margin from the provision of real-time financial information services and the production of financial programmes and videos.

Sales, administrative and other operating expenses for the year ended 31st March, 2005 was approximately HK$5,870,000 compared to approximately HK$5,607,000 in the last year is relatively stable.

Net loss attributable to shareholders

The Group incurred a net loss attributable to shareholders of approximately HK$3,270,000 for the year ended 31st March, 2005 as compared to approximately HK$3,339,000 for the year ended 31st March, 2004. No material change in net loss was noted when compared with last year.

Liquidity and financial resources

As at 31st March, 2005, the Group did not have any borrowings outstanding (2004: Nil) and did not have any committed borrowing facilities (2004: Nil). However, the Group has a capital commitment of approximately HK$800,000 (2004: Nil) which relates to the capital contribution to the wholly-foreign owned enterprise in the PRC in the coming year.

As at 31st March, 2005, the Group had net current assets of approximately HK$6,417,000 (2004: approximately HK$8,987,000). The Group's current assets consisted of cash and cash equivalents of approximately HK$4,684,000 (2004: approximately HK$9,487,000), loan receivable from an associated company of approximately HK$1,850,000 (2004: Nil), accounts receivable of approximately HK$30,000 (2004: approximately HK$18,000) and deposits and prepayments of approximately HK$222,000 (2004: approximately HK$747,000). The Group's current liabilities consisted of accounts payable of approximately HK$5,000 (2004: approximately HK$7,000), accrued expenses of approximately HK$239,000 (2004: approximately HK$144,000), receipts in advance and other payables of approximately HK$125,000 (2004: approximately HK$1,114,000).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 3.0% as at 31st March, 2005, compared to 8.4% as at 31st March, 2004.

At present, the Group generally finances its operations and investing activities with internally generated cash flows. Excess cash held by the Group is generally placed in licensed banks in Hong Kong.

Capital structure

The shares of the Company was successfully listed on GEM on 15th November, 2002. There has been no change in the capital structure of the Company during the year ended 31st March, 2005.

Subsequent to 31st March, 2005 up to the date of approval of the financial statements by the Board, the Company entered into convertible bonds placing agreement, placing of existing shares agreement and subscription for new shares agreement (the "Transactions") with a placing agent and the independent third parties. Details of the Transactions are set out in note 23 to the financial statements.

Charge on group assets

The Group did not have any charge on its assets during the years ended 31st March, 2005 and 2004.

Material acquisitions and disposals

Except for the establishment of a subsidiary company in the PRC, there were no material acquisitions or disposals of subsidiary companies and affiliated companies during the year ended 31st March, 2005.

Employees

As at 31st March, 2005, the Group had 17 employees (2004: 17). The staff costs for the year ended 31st March, 2005 was approximately HK$3,404,000 (2004: approximately HK$2,900,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material investment or capital assets

Save as disclosed in the section "Statement of Business Objectives" of the Prospectus, the Group has no plans for material investments or capital assets.

Foreign currency risk

The income and expenditure of the Group are mainly in Hong Kong dollars and the assets and liabilities of the Group were denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange fluctuations.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31st March, 2005 and 2004.

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 January 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total borrowings approximately HK$4,735,000 representing the convertible bonds with nominal value of HK$5 million. The bonds bears interest at a rate of 4.0% per annum and mature in May 2007.

Security

As at 31 January 2006, the Group do not have any banking facilities and charge on its assets.

DISCLAIMER

Saved as disclosed above, the Company did not have, at the close of business on 31 January 2006, any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade payables), acceptance credits or any guarantees or other material contingent liabilities.

MATERIAL CHANGES

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 January 2006.

WORKING CAPITAL

As at the Latest Practicable Date, the Directors were of the opinion that, after taking into account the Group's internal resources, the Group has sufficient working capital for its present requirements in the next 12 months from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2005, being the date to which the latest published audited financial statements of Group were made up.

The following is the text of the letter and valuation report received from Grant Sherman and addressed to the Company in connection with its valuation as at 31 December 2005 of the Licensed Rights, which has been prepared for the purpose of incorporation in this circular.

GRANT SHERMAN APPRAISAL LIMITED

Room 904
9th Floor, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

15 March 2006

Chinainfo Holdings Limited
Units 2115-2116, 21/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road
Central, Hong Kong

Dear Sirs/Madams,

In accordance with your instructions, we have made an appraisal of the fair market value of the Licensed Rights Chinainfo Holdings Limited and its subsidiaries ("the Group") is considering to acquire from China Communication Investment Limited ("CCI") which the Group will simultaneously license to China Cyber Port Limited ("CCP") as of 31 December 2005 ("the Appraisal Date"). This letter identifies the property appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

The Licensed Rights entitle the holder the rights to replicate, reproduce, manufacture, distribute and sell the Localised Products in the Territory 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-four computer game softwares and guide books modified into Chinese language for sale and distribution in retail stores, cybercafes, and on-line servers located in the PRC.

The Territory refers to retail stores, cybercafes, and on-line servers located in the PRC.

It is our understanding that the appraisal results will be used for acquisition purposes.

BACKGROUND

Chinainfo Holdings Limited is a company listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong. It is primarily engaged in the provision of (1) real-time financial news and up-to-date financial market commentaries and recommendations through multimedia; (2) financial programme and video production services; and (3) investor education on financial market in Hong Kong. In December 2005, the Group entered into negotiation with CCI to acquire the Licensed Rights. At the same time, the Group entered into negotiation with China Cyber Port Company Limited ("CCP"), a subsidiary of CCI, to license the Licensed Rights to CCP who will make use of the Licensed Rights to establish a "teleinfotainment" market place in the Peoples' Republic of China ("the PRC"), upon completion of the acquisition. In return, the Group will receive from CCP an Annual Payment fee of not less than RMB20 million per year with an annual growth rate of 10% for a period of 10 years commencing year 2006.

THE LOCALISED PRODUCTS

Following are details of registration of the Localised Products:

編號	遊戲名稱	英文名稱	總署批號	合同登記批復編號	ISBN	有效期
1	魔獸爭霸3：混亂之治	Warcraft III: Reign of Chaos	新出音管 2002 213號	電出字 17-2002-005	7-900634-45-2	31 December 2052
2	魔獸爭霸3：冰封王座	Warcraft III: The Frozen Throne	新出音管 2002 235號	電出字 17-2003-003	7-900634-67-3	31 December 2053
3	暗黑破壞神	Diablo	新出音管 1997 192號	電出字 17-1997-041	7-900610-31-6	31 December 2047
4	KA52 鱷魚直升機中隊	KA-52 Team Alligator	新出音管 2000 239號	電出字 17-2000-008	7-900616-29-2	31 December 2050
5	半條命：反恐精英	Half-Life: Counter Strike	新出音管 2000 588號	電出字 17-2001-005	7-900633-02-2/G.25	31 December 2050
6	星際爭霸	StarCraft	新出音管 1997 249號	電出字 17-1997-055	7-900614-07-9/Z.22	31 December 2047
7	魔獸世界官方攻略指南	World of Warcraft Strategy Guide	N/A	N/A	7-900675-51-5/Z.15	31 December 2053
8	地面控制II：大撤退	Ground Control II: Operation Exodus	新出音管 2001 304號	電出字 17-2004-001	7-900655-98-0/Z.108	31 December 2051
9	英倫霸主3	Lords of the Realm III	新出音管 2003 455號	電出字 17-2003-007	7-900655-99-9/Z.109	31 December 2053
10	暗黑破壞神II	Diablo II	新出音管 1999 518號	電出字 17-1999-011	7-900614-79-6/Z.33	31 December 2049

編號	遊戲名稱	英文名稱	總署批號	合同登記批復編號	ISBN	有效期
11	暗黑破壞神II：毀滅之王	Diablo II: Lord of Destruction	新出音管 1999 518號	電出字 17-2001-007	7-900633-12-X/Z.45	31 December 2049
12	反恐精英：零點行動	Counter-Strike Condition Zero	新出音管 2005 068號	電出字 17-2003-005	7-900655-43-3/Z.90	31 December 2055
13	半條命II(攻略書)	Half-Life II Strategy Guide	N/A	N/A	7-900625-48-5/Z.13	31 December 2048
14	辛普森橫衝直撞	The Simpsons Hit & Run	新出音管 2003 582號	電出字 17-2003-011	7-900655-78-6/Z.103	31 December 2053
15	魔獸爭霸3：混亂之治官方攻略	WarCraft III: Reign of Chaos Strategy Guide	N/A	N/A	7-900633-66-9/Z.60	31 December 2052
16	指環王：魔戒之戰	War of the Ring	新出音管 2003 119號	電出字 17-2003-006	7-900655-87-5/Z.104	31 December 2053
17	指環王：魔戒前傳	The Hobbit	新出音管 2003 119號	電出字 17-2003-014	7-900655-87-5/Z.104	31 December 2053
18	魔獸爭霸3：冰封王座攻略書	WarCraft III: The Frozen Throne Strategy Guide	N/A	N/A	7-900655-56-5/Z.97	31 December 2053
19	獅心王：十字軍遺產	Lionheart: Legarcy of crusader	新出音管 2003 582號	電出字 17-2003-011	7-900655-77-8/Z.102	31 December 2053
20	神界：無限超越	Beyond Divenity	新出音管 2004 430號	電出字 17-2004-002	7-900675-33-7/Z.110	31 December 2054
21	勇士之王	Warrior Kings	新出音管 2001 427號	電出字 17-2001-014	7-900633-46-6/Z.54	31 December 2051
22	虎膽龍威	Die Hard	新出音管 2002 185號	電出字 17-2002-003	7-900633-59-6/Z.59	31 December 2052
23	雲斯頓賽車 2002	Nascar Racing 2002	新出音管 1999 399號	電出字 17-2002-003	7-900633-58-8/Z.58	31 December 2049
24	異形2	Aliens Vs. Predator 2	新出音管 2002 185號	電出字 17-2002-007	7-900633-57-X/Z.57	31 December 2052

編號	遊戲名稱	英文名稱	總署批號	合同登記批復編號	ISBN	有效期
25	無人永生2:殺手傑克	No One Lives Forever 2: Contract Jack	新出音管 2003 236號	電出字 17-2002-007	7-900655-76-X/Z.101	31 December 2053
26	異形2:原始獵殺	Aliens vs. Predator 2: Primal Hunt	新出音管 2002 185號	電出字 17-2002-003	7-900655-00-X/Z.64	31 December 2052
27	法老王	Pharaoh	新出音管 1999 518號	電出字 17-1999-010	7-900614-30-3/Z.32	31 December 2049
28	地球時代	Empire Earth	新出音管 2001 427號	電出字 17-2001-019	7-900633-27-8/Z.51	31 December 2051
29	突變怪物	The Thing	新出音管 2003 119號	電出字 17-2002-007	7-900655-30-1/Z.71	31 December 2053
30	半條命	Half-Life	新出音管 1998 336號	電出字 17-1998-015	7-900614-26-5/TP.64	31 December 2048
31	指環王:護戒使者	The Lord of the Rings: The Fellowship of the Ring	新出音管 2003 119號	電出字 17-2002-009	7-900655-29-8/Z.76	31 December 2053
32	家園II	Homeworld 2	新出音管 2003 455號	電出字 17-2003-004	7-900655-58-1/Z.99	31 December 2053
33	侏羅紀公園	Jurassic Park	新出音管 2003 455號	電出字 17-2003-008	7-900655-72-7/Z.100	31 December 2053
34	部落:復仇	Tribes: Vengeance	新出音管 2004 476號	電出字 17-2004-003	7-900675-38-8/Z.11	31 December 2054

Many of the above games are very popular and award winning. A list of awards won by some of the games in the last few years has been incorporated in the attached appendix.

In addition to the above awards, four of the games ("Counter-Strike: Condition Zero"; "Warcraft"; "Diablo II" and "StarCraft") are amongst the top ten games of 2004 as selected by a committee of the First Annual Conference of the China Games Industry held on January 20, 2005 in Guangzhou.

VALUATION BASIS AND ASSUMPTIONS

We have appraised the Licensed Rights on the basis of fair market value. Fair market value is defined as the estimated amount at which the underlying assets might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

Our investigation included discussions with members of the Group's management in relation to the history and nature of the business, operations and prospects of CCP, and other related market information of the internet content-entertainment industry. We have assumed that such information and representation provided to us are true and accurate. Before arriving at our opinion of value, we have considered the following principal factors:

– history of CCP from its inception and the nature of the business as presented by CCP's management;

– CCP's operation plan and financial conditions;

– the regional economic outlook in general and specific economic and competitive elements affecting CCP's business, its industry and its markets;

– the market prices of shares of companies engaged in the same or similar lines of business as CCP and whose shares are actively traded in a free and open market on an stock exchange;

– CCP's business history and future plans; and

– present worth of future monetary benefits ("the Forecast") to be generated by the Licensed Rights (Annual Payments less associated costs) based upon appropriate rates of return as indicated by alternative investment opportunities of comparable magnitude, character and risk.

Due to the changing environment in which the CCP is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the Licensed Rights. The major assumptions adopted in this appraisal are:

– there will be no major changes in the existing political, legal, and economic conditions in the PRC;

– the Group will receive all Annual Payment according to the terms of the CCP Agreement that CCP and the Group will enter into;

– the Annual Payment to be received by the Group will not be subject to any profit tax;

– exchange rates and interest rates will not differ materially from those presently prevailing;

– the availability of finance will not be a constraint on the future growth of the CCP's business;

– competent management, key personnel, and technical staff will be recruited to support the ongoing operation of CCP; and

– industry trends and market conditions for related industries in the PRC and around the world will not deviate significantly from the current situation.

VALUATION METHODOLOGY

We have considered the following approaches in determining the fair market value of the Licensed Rights:

- Market approach
- Income approach
- Cost approach

Selection of Valuation Method

After a review of the above approaches, it is our opinion that the most appropriate approach for appraising the fair market value of the Licensed Rights is the income approach. The simple rationale behind is that income approach relies on data from a forecast of future economic benefits of ownership which can be achieved by the financial projections prepared by the management of the Group or by the Annual Payment receivable by the Group. On the contrary, the market approach and cost approach rely on data from public trading markets or copyright-writers which are rarely available in most of valuation of copyrights or rights derived from copyrights. More importantly, it is not generally appropriate to apply the cost or market approach to value intangible assets due to the uniqueness of the individual intangible asset and when there is a reasonable base to estimate the future income to be generated by the intangible asset.

Within the income approach, we relied on the discounted cash flow method ("DCF") to appraise the fair market value of the Licensed Rights. This DCF analysis was based on the Annual Payment receivable by the Group as the Group is entering into an agreement with CCP that indicates a series of royalty fee will be received by the Group in the next 10 years which forms a solid base of future economic benefits for DCF analysis. In addition, as Gordon V. Smith and Russell L. Parr point out, "When an individual owns copyrighted materials and licenses the materials to another party for commercialization, the value of the copyrights to the owner must be viewed differently. The value of the copyrights to an individual owner are represented solely by the present value of future royalty income. Forecasts of expected sales and the resulting royalties of the licensee serve as the basis for the economic benefits to be discounted."[1] In this appraisal, the Licensed Rights are rights derived from copyrights and therefore should be appraised using the same method.

1 Gordon V. Smith and Russell L. Parr. "Valuation of Intellectual Property and Intangible Assets". (John Witey & Son, Inc, 2003), pp320.

In a DCF analysis, value depends on the present worth of future economic benefits to be derived from ownership of the intellectual property. Thus, an indication of value is established by discounting future free cash flows to be generated by the Licensed Rights to their present worth at market-derived rates of return appropriate for the subject property.

Discount Rate Development

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest. The discount rate must reflect the risk associated with receiving Annual payments. When developing a discount rate to apply to the cash flow streams attributable to the Licensed Rights, we make reference to the investment rate of return requirements of an unsecured lender and an equity shareholder of the licensing corporation. Our analysis suggested that a discount rate of 10.5% was appropriate for valuing the Licensed Rights.

The discount rate we applied is a rate around the arithmetic mean of the Hong Kong prime rate, a benchmark for the investment rate of return requirements of an unsecured lender, and the required rate of return of an equity investor in companies similar to CCP.

The Hong Kong prime rate was 7.5% as at the Appraisal Date. When developing a discount rate to apply to the cash flow streams attributable to the licensing corporation, the discount rate is the cost of equity. The cost of equity was developed using the Capital Asset Pricing Model ("CAPM"), with reference to the required rates of return demanded by investors for similar companies.

The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole, but requires no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. Under the CAPM, the appropriate rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the systematic risk assumed. Our analysis suggested that a discount rate of 13% was appropriate for estimating the rate of return requirement of an equity investor in a company similar to CCP.

We were furnished for the purpose of this appraisal with records, documents (such as "CCP's business history" and "CCP's financial conditions" from its incorporation date on 15 August 2005 up to the appraisal date in the "Valuation Basis and Assumptions" section.) and security houses' research reports (one from Taiwan published in May 2004 for the Game Industry, three from international securities houses issued in May 2004, August 2005 and September 2005 for the "China Internet Sector"). We have relied on such records, documents and reports in arriving at our opinion of value of the Licensed Rights.

Sensitivity Test

We have identified the discount rate as the only variable in our model whose sensitivity on the fair market value of the Licensed Rights is being tested. Our conclusion of the fair market value of the Licensed Rights falls in the range of RMB141.5 million and RMB186.1 million as the discount rate decreases from 13% to 7.5%.

CONCLUSION

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that as of December 31, 2005, the fair market value of the Licensed Rights is reasonably stated by the amount of **RMB ONE HUNDERD AND FIFTY NINE MILLION SIX HUNDERED THOUSAND (RMB159,600,000) ONLY.**

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the property appraised.

We hereby certify that we have neither present nor prospective interests in the Group, the Licensed Rights or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Keith C.C. Yan, ASA
Managing Director

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation) and he has been conducting business and intangible assets valuation in the Greater China region for various purposes since 1988.

Analyze and report by:
Keith C.C. Yan, ASA
Jacqueline W. Huang, Ph.D.

APPENDIX遊戲獎項名列表

2004年10月

第二屆CHINA JOY杯展會紳受玩家喜愛的PC單機版遊戲第一名《反恐精英:零點行動》

第二屆CHINA JOY杯展會紳受玩家喜愛的PC單機版遊戲第二名《魔獸爭霸3：冰封王座》

第二屆CHINA JOY杯展會紳受玩家喜愛的PC單機版遊戲第三名《暗黑破壞神2：毀滅之王》

第二屆CHINA JOY杯展會最值得期待的PC單機版遊戲第一名《半條命2》

2004年10月

互聯星空2003年十大最受歡迎的單機遊覽車第一名《反恐精英》

互聯星空2003年十大最受歡迎的單機遊覽車第二名《魔獸爭霸3：冰封王座》

互聯星空2003年十大最受歡迎的單機遊覽車第四名《暗黑破壞神2》

2004年1月

第七屆大眾軟件獎流行遊戲排行榜第一名《半條命—反恐精英》

大眾軟件雜誌社

2002年8月

榮獲2002年度最愛之駕駛遊戲獎《雲斯頓賽車》

2002

2002年度PC SHOPPER消費者喜愛的品種最佳美工獎《神界》

2002年

榮獲SINA最愛之策略遊戲魔獸爭霸III

2002年

榮獲1998-1999年度計算機報編輯選擇獎《StarCraft》

1999年

榮獲1998-1999年度計算機報編輯選擇獎《Half Life》

The following is the text of the letter dated 15 March 2006 made by the reporting accountants appointed by the Company in respect of the Transactions, RSM Nelson Wheeler, in connection with the valuation of the Licensed Rights, which has been prepared for the purpose of incorporation in this circular.

RSM Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

The Board of Directors
Chinainfo Holdings Limited
BCOM Securities Company Limited

15 March, 2006

Dear Sirs,

We refer to the valuation letter of the Licensed Rights dated 31 December 2005 prepared by Grant Sherman Appraisal Limited ("Grant Sherman") in respect of the appraisal of the fair market value of the Licensed Rights which Chinainfo Holdings Limited (the "Company") is considering to acquire from China Communication Investment Limited ("CCI") which the Company will simultaneously license to China Cyber Port Limited ("CCP") as of 31 December 2005 ("Valuation Letter") set out on pages 76 to 84 in Appendix II of the circular of the Company dated 15 March, 2006 (the "Circular").

As stated in the Valuation Letter set out on pages 76 to 84 in the Circular, the valuation has been arrived at based on the income approach (discounted cashflow method) (the "Valuations"), after taking into account other adjustments which are considered necessary by Grant Sherman.

The valuation based on the income approach takes into account the net discounted cash flows of Licensed Rights for a period of 10 years commencing in year 2006 amounted to RMB159,600,000 (the "DCF"). Being a projection of future cash flows, the DCF does not involve the application of any accounting policies adopted or to be adopted by Licensed Rights. Accordingly, there are no accounting policies for us to report on.

The DCF has been prepared using the assumptions, as set out in the Valuation Letter on pages 80 to 81 of the Circular for which the Directors of the Company are solely responsible. The DCF has been prepared for use in the Valuations to derive the fair market value of the Licensed Rights as at 31 December 2005. Since the Licensed Rights are not yet obtained by the Company, the DCF has been prepared using a set of assumptions that include hypothetical assumptions about future events and actions of management of the Company that may or may not necessarily be expected to occur. Consequently, readers are cautioned that the DCF may not be appropriate for purposes other than for deriving the fair market value of the Licensed Rights as at 31 December 2005. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from that of the DCF since the other anticipated events frequently may or may not occur as expected and the variation may be material.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance engagements other than audits or reviews of historical financial information" with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the calculations in arriving at the DCF. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the DCF, so far as the calculations and bases and assumptions are concerned, have been properly compiled in accordance with the basis and assumptions made by the directors of Company. Our work does not constitute any valuation of the Licensed Rights.

As set out in the bases and assumptions on pages 80 to 81 of the Circular, the DCF have been prepared based on a number of assumptions, of which the principal assumptions are set out below:

– The hypothetical assumption that CCP will be able to pay all Annual Payment to the Group according to the terms of the license agreement that CCP and the Group will enter into. Given the limited operational history, we were unable to obtain sufficient appropriate evidence to evaluate or express any opinion on the appropriateness of the bases and assumptions made.

– The assumption of a discount rate of 10.5% will be applied on the net cash flows of Licensed Rights for a period of 10 years commencing in year 2006. Given the start up nature of, the inherent uncertainties and risks associated with the growing PRC multimedia and internet market, we were unable to obtain sufficient appropriate evidence to evaluate or give any opinion on the appropriateness of the assumption made.

Because of the significance of the matters discussed above, we are unable to evaluate the appropriateness of the bases and assumptions used in arriving at the DCF.

Based on the work we have performed, in our opinion, the DCF, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions set out on pages 80 to 81 of the Circular made by the Directors of the Company.

Our work in connection with the DCF has been undertaken solely for the purpose of reporting under paragraph 19.62 of the Rules Governing the Listing of Securities on the Growth Enterprise Market and for no other purpose. We accept responsibility solely to the Directors of the Company. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

The following is the text of the report dated 15 March 2006 made by the financial adviser to the Company appointed in respect of the Transactions, BCOM, in connection with the valuation of the Licensed Rights, which has been prepared for the purpose of incorporation in this circular.

交通證券有限公司
BCOM SECURITIES COMPANY LIMITED

15 March 2006

To Directors
Units 2115-2116, 21/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION

We refer to the valuation of the Licensed Rights (the "Valuation") prepared by Grant Sherman Appraisal Limited ("Grant Sherman") as set out in Appendix II to the circular issued by Chinainfo Holdings Limited dated 15 March 2006 (the "Circular") and the requirement under Rules 19.62(3) and 19.64(3) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange. Terms used herein shall have the meanings ascribed to them in Circular unless the context requires otherwise.

We note that the Valuation has been developed by Grant Sherman through the application of the income approach, known as the discounted cash flow method.

We also note that Grant Sherman in preparing the Valuation took account of a forecast of Annual Payment (the "Forecast") to be received by Pro-Concept in accordance with the terms and conditions of the CCP Agreement. We have discussed with Grant Sherman and you the bases and assumptions upon which the Forecast has been made. The preparation of the Forecast is the sole responsibility of, and has been approved by, the Directors.

On the basis above, we are of the opinion that the Forecast has been prepared after your due and careful consideration.

Yours faithfully,
For and on behalf of
BCOM SECURITIES COMPANY LIMITED

Kenneth Leung
Executive Director

Steve Wong
Director

A. UNAUDITED PRO FORMA BALANCE SHEET OF THE ENLARGED GROUP

Set out below is an illustrative and unaudited pro forma balance sheet of the Enlarged Group based on the unaudited consolidated balance sheet of the Group as at 30 September 2005 as set out in its published interim report for the period ended 30 September 2005, assuming that the termination of the memorandum of understanding in respect of a 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 license rights had taken place on 30 September 2005. The unaudited consolidated balance sheet of the Group was prepared based on new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for accounting periods commencing on or after 1 January 2005. The adoption of these new HKFRSs does not has any significant impact on the Group's consolidated balance sheet.

As the unaudited pro forma balance sheet of the Enlarged Group is prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up or at any future date.

	The Group as at 30 September 2005 HK$	Note	Pro forma adjustments HK$	Pro forma Enlarged Group HK$
Non-current assets				
Intangible assets	–	*(a)*	150,000,000	150,000,000
Fixed assets	95,263			95,263
Investments in an associated company	4,730,989			4,730,989
Loan receivables from an associated company	1,850,436			1,850,436
	6,676,688			156,676,688
Current assets				
Accounts receivable	99,520			99,520
Deposits and prepayments	10,644,382	*(b)*	(10,000,000)	644,382
Cash and bank balances	7,604,842			7,604,842
	18,348,744			8,348,744
Current liabilities				
Accounts payable	5,730			5,730
Accrued expenses	211,199			211,199
Receipts in advance	329,182			329,182
	546,111			546,111
Net current assets	17,802,633			7,802,633
Total assets less current liabilities	24,479,321			164,479,321
Non-current liabilities				
Convertible bonds	4,622,527			4,622,527
Promissory note	–	*(b)*	116,048,240	116,048,240
	4,622,527			120,670,767
NET ASSETS	19,856,794			43,808,554
CAPITAL AND RESERVES				
Share capital	4,277,100	*(b)*	855,420	5,132,520
Reserves	15,579,694	*(b)*	23,096,340	38,676,034
	19,856,794			43,808,554

Note:

(a) This adjustment is made to illustrate the aggregate consideration for the assignment of the Licensed Rights in respect of the Localised Products in the Territory by CCI to Pro-Concept in accordance with the terms and conditions of the CCI Agreement amounted to HK$150,000,000.

(b) According to the CCI Agreement dated 1 February 2006 as set out in Letter from the Board in this circular, the consideration shall be satisfied by (i) HK$10,000,000 in cash to be paid as deposit upon signing of the CCI Agreement, (ii) 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 Issued Price; and (iii) approximately HK$116.05 million by Pro-Concept issuing the Promissory Note to CCI on Completion.

For the purpose of this pro forma financial information, it is assumed that all the conditions of the CCI Agreement are fulfilled and the CCI Agreement had been completed on 30 September 2005. The adjustment is made to illustrate the above assumption.

B. UNAUDITED PRO FORMA INCOME STATEMENT OF THE ENLARGED GROUP

Set out below are the illustrative and unaudited pro forma income statement of the Enlarged Group for the year ended 31 March 2005 which have been prepared for the purpose of illustration as if the termination of the memorandum of understanding in respect of a 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 license rights had taken place on 1 April 2004.

The unaudited pro forma income statement of the Enlarged Group is based on the consolidated income statement of the Group for the year ended 31 March 2005 as set out in Appendix I to this circular after making pro forma adjustments that are necessary.

As the unaudited pro forma consolidated income statement of the Enlarged Group is prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the financial period in respect of which it is prepared or for any future financial period.

	The Group for the year ended 31 March 2005		Pro forma adjustments	Pro forma Enlarged Group
	HK$	*Note*	*HK$*	*HK$*
Turnover	4,569,961	*(a)*	18,867,925	23,437,886
Cost of sales	(1,451,860)	*(b)*	(15,914,000)	(17,365,860)
Gross profit	3,118,101			6,072,026
Other revenue	33,481	*(c)*	33,497	66,978
Selling expenses	(331,496)			(331,496)
Administrative expenses	(3,889,804)			(3,889,804)
Other operating expenses	(1,648,508)			(1,648,508)
Operating (loss)/profit	(2,718,226)			269,196
Finance costs	–			–
Share of loss of associated company	(551,947)			(551,947)
Loss before taxation	(3,270,173)			(282,751)
Taxation *(Note (d))*	–			–
Loss attributable to shareholders	(3,270,173)			(282,751)

Note:

(a) This adjustment is made to reflect the Annual Payment amounted to RMB20,000,000 net of all taxes payable (including business tax and withholding enterprise income tax charged at 5% and 10% respectively) received by the Group from CCP for the Group licensing to CCP the exclusive license to use the Licensed Rights in respect of the Localised Products in the Territory according to the CCP Agreement dated 1 February 2006. The adjustment is expected to have a continuing effect on the Group.

(b) This adjustment is made to reflect the direct costs incurred for the Annual Payment to be received from CCP which included the annual amortisation of the Licensed Rights of HK$15,000,000, staff salary of HK$200,000, renewal fee of Licensed Rights of HK$654,000 and travelling of HK$60,000. The annual amortisation of the Licensed Rights of HK$15,000,000 was based on the consideration for the assignment of Licensed Rights amounted to HK$150,000,000 and such rights were amortised on a straight-line method over ten years. The adjustment is expected to have a continuing effect on the Group.

(c) This adjustment is made to reflect the interest income received from 31 December 2004 to 31 March 2005 as the Annual Payment amounted to RMB20,000,000 net of all tax payable collected from CCP on 31 December 2004 and deposited in the RMB saving account of PRC commercial bank with the interest rate at 0.72% per annum which was set by The Peoples' Bank of China effective from 29 October 2004. The adjustment is expected to have a continuing effect on the Group.

(d) As the Annual Payment net of all tax payable and sourced outside Hong Kong, no tax has been provided for the Annual Payment received by the Group. The adjustment is expected to have a continuing effect on the Group.

(e) The exchange rate used in preparing the pro forma income statement is HK$1 = RMB1.06

MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

As disclosed in the paragraph headed "Information on the Licensed Rights" as set out in the letter from the Board contained in the circular, the Company was informed by CCI that the financial and operational books and records of the Licensed Rights are not available as CCI acquired the Licensed Rights without the corresponding financial and operational books and records at the very first stage, details of which have been disclosed in the paragraph headed "Information on the Licensed Rights" as set out in the letter from the Board contained in this circular. As a result, the management discussion and analysis of the pro forma financial information of the Enlarged Group for the year ended 31 March 2003, 2004 and 2005 are the same as those of the Group for the same corresponding period, details of which have been disclosed in the section headed "Financial information on the Group" as set out in Appendix I of this circular.

Based on the unaudited pro forma balance sheet of the Enlarged Group as at 30 September 2005 as set out in this appendix, which was prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2005, upon Completion, the non-current assets and the net assets of the Enlarged Group would be HK$156,676,688 and HK$43,808,554 respectively, representing an increase of approximately 2,246.62% and 120.62% respectively, as a result of acquisition of the Licensed Rights by paying HK$10,000,000 in cash, issuing Consideration Shares and Promissory Note to CCI.

Based on the unaudited pro forma consolidated income statement of the Enlarged Group as set out in this appendix, which was prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2005 as set out in this appendix, the turnover of the Enlarged Group would be HK$23,437,886, representing an increase of approximately 412.87%, as a result of receipt of Annual Payment. The gross profit of the Enlarged Group will be approximately HK$6,072,026, representing an increase of approximately 94.73%. Loss attributable to the Shareholders would be substantially reduced to HK$282,751. The gearing ratio of the Enlarged Group, defined as the ratio of total liabilities to total assets of the Enlarged Group will be approximately 73.45%

Based on the above, the Annual Payment, which will be received by Pro-Concept, would generate recurring cash inflow to the Group after the commencement of the CCP Agreement. The Annual Payment would have a positive impact on the Group's working capital and reduce the gearing of the Group.

C. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

15 March 2006

The Board of Directors
Chinainfo Holdings Limited

Dear Sirs,

Chinainfo Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group")

We report on the pro forma financial information set out on pages 89 to 92 under the headings of unaudited pro forma balance sheet of the Enlarged Group and unaudited pro forma income statement of the Enlarged Group (hereinafter collectively referred to as the "Pro Forma Financial Information of the Enlarged Group") in Appendix III of the Company's circular (the "Circular") dated 15 March 2006 in connection with the termination of the memorandum of understanding in respect of a 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 license rights ("Very Substantial Acquisition") pursuant to the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Very Substantial Acquisition might have affected the relevant financial information of the Group as at 30 September 2005 and for the year ended 31 March 2005.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information of the Enlarged Group in accordance with Paragraph 7.31 of Chapter 7 of the Listing Rules.

It is our responsibility to form an opinion, as required by Paragraph 7.31 of Chapter 7 of the Listing Rules, on the Pro Forma Financial Information of the Enlarged Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information of the Enlarged Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial Information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information of the Enlarged Group with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the Pro Forma Financial Information of the Enlarged Group.

The Pro Forma Financial Information of the Enlarged Group has been prepared on the basis set out on pages 89 to 92 of Appendix III to the Circular for illustrative purpose only and, because of its nature, it may not be indicative of:

– the financial position of the Group as enlarged by the completion of the Very Substantial Acquisition ("Enlarged Group") as at 30 September 2005 or at any future date, or

– the results of the Enlarged Group for the year ended 31 March 2005 or for any future financial periods.

Opinion

In our opinion:

(a) the Pro Forma Financial Information of the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information of the Enlarged Group as disclosed pursuant to Paragraph 7.31 of Chapter 7 of the Listing Rules.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

RESPONSIBILITY STATEMENT

This circular, for which the 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 circular 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 circular misleading; and

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

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

Authorised		*HK$*
1,000,000,000	Shares	10,000,000
Issued, fully paid or credited as fully paid		
427,710,000	Shares in issue as at the Latest Practicable Date	4,277,100
85,542,000	Consideration Shares to be allotted and issued pursuant to the CCI Agreement	855,420
513,252,000	total number of Shares upon Completion	5,132,520

All the Shares currently in issue rank pari passu in all respects with each other, including in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

The Company has on 17 March 2004 and 14 February 2006 respectively granted options to certain Directors, full-time employees of the Group and other eligible participants entitling them the right to subscribe for a total of 32,100,000 Shares under the share option scheme adopted by the Company on 28 October 2002. As at the Latest Practicable Date, a total of 25,400,000 options were in issue.

In May 2005, the Company issued convertible bonds with a nominal value of HK$5 million ("Bonds"). These Bonds bear interest at a rate of 4.0% per annum and mature in May 2007. The bondholder has the right to convert the whole or part of the nominal value of the Bonds into Shares before maturity at the conversion price of HK$0.42 per Share. As at the Latest Practicable Date, the Bonds remained outstanding.

Save as disclosed above, the Company has no other options, warrants and conversion or exchange rights convertible or exchangeable into Shares. No share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in the Shares:

	Number of Shares, held, capacity and nature of interest				Approximate percentage of the Company's issued share
Name of Director	**Personal**	**Family**	**Corporate**	**Total**	**capital (%)**
Chan Tan Lui, Danielle *(Note)*	4,240,000	–	82,079,195	86,319,195	20.18%

Note:

Ms Chan Tan Lui, Danielle is deemed to be interested in the 82,079,195 Shares held by Superhero Limited, the entire issued share capital of which is wholly and beneficially owned by her. Ms Chan Tan Lui, Danielle is interested in the underlying Shares of the 4,000,000 options held by her as stated in sub-section (ii) below. The remaining 240,000 Shares is held personally in her own name.

(ii) Share options:

Particulars of the outstanding options which have been granted to the Directors under the share option scheme as at the Latest Practicable Date were as follows:

Name of Directors	Date of grant	Exercise Period	Exercise price per share *HK$*	Number of share option
Chan Tan Lui, Danielle	17 March 2004	17 September 2004 to 16 March 2014	0.047	4,000,000
Choo Kwok How	17 March 2004	17 March 2005 to 16 March 2014	0.047	2,000,000
Guo Qi	17 March 2004	17 September 2004 to 16 March 2014	0.047	400,000
Yip Tai Him	17 March 2004	17 September 2004 to 16 March 2014	0.047	400,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, 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 other member of the Group:

(i) Long positions in the Shares:

Name	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital (%)
Fu Shing Ki	Beneficial	97,001,144	22.68
Superhero Limited *(Note)*	Beneficial	82,079,195	19.19
Chan Wong Kam Fung, Cecilia	Beneficial	71,265,798	16.66

Note: Superhero Limited is a company wholly and beneficially owned by Ms. Chan Tan Lui, Danielle (Chairman and executive Director).

Save as the above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, 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 other member of the Group.

QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualification of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
BCOM	A licensed corporation to carry out types 1, 2, 4, 5, 6 and 9 regulated activities (dealing in securities, dealing in futures contracts, advising on securities, advising on futures contracts, advising on corporate finance and asset management) under the SFO
Grant Sherman	Independent Valuer
Independent Financial Adviser	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
RSM Nelson Wheeler	Certified Public Accountants

Each of BCOM, Grant Sherman, Independent Financial Adviser and RSM Nelson Wheeler has given and has not withdrawn its written consent to the issue of this circular with the expert's statement included in the form and context in which it is included and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of BCOM, Grant Sherman, Independent Financial Adviser and RSM Nelson Wheeler did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

MANAGEMENT

As at the Latest Practicable Date, the executive Directors were 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. The senior management team of the Company comprise Mr. Chen Zhong Min and Ms. Chan Mei Yee. Brief biographical details of the Directors and the senior management team members are set out below:

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Chan Tan Lui, Danielle, aged 37, joined the Group in January 2000. She is one of the founders of the Group and the Chairman of the Company responsible for the general management of the Group. Ms. Danielle Chan was graduated from the University of Canberra, Australia in 1997 and she is well known of her sporting achievements. She was selected as one of the Ten Outstanding Young Persons in Hong Kong in 2004. Currently, she is the director of Hong Kong Financial Institute Limited, hk6.com Limited and HK6 Media Limited, and she is heavily involved in the strategic planning and management of the Group's business especially in exploring new business opportunities in China.

Mr. Xiao Haiping, aged 54, joined the Group in January 2006. He is responsible for the Group's overall business development in China. Mr. Xiao holds a professional tertiary qualification from Human Normal University, China, majoring in Chinese language. Prior to joining the Group in January 2006, he had been president of major customer division, merchant banking division and corporate banking division of the headquarters of Shenzhen Development Bank Co., Limited, executive vice president of the Nanjing Branch of Shenzhen Development Bank Co., Limited and branch manager of the Changchen subbranch of Shenzhen Development Bank Co., Limited. Before working at Shenzhen Development Bank Co., Limited, Mr. Xiao had been manager of the assessment department of Shenzhen Credit Rating Co., Limited. Prior to that, he had been the officer-in-charge of the Shenzhen representative office of Human Branch of China and the department head of the credit department of the Human Branch of Bank of China.

Mr. Choo Kwok How, aged 37, joined the Group in May 2000. He is responsible for the management of the IT Department and Content Department's daily operations and implementation of strategies for the operations. Mr. Choo holds a degree of Bachelor of Arts in Economics and Social Studies from The University of Manchester and a degree of Master of Science in Finance from the University of Leicester. Prior to joining the Group in May 2000, he worked for Winning Investment Management Limited as a research analyst between 1998 to 2000 and the Hongkong Chinese Bank Ltd. as a manager in Securities Investment Section between 1994 to 1998.

Ms. Zhang Jialin, aged 31, joined the Group in January 2005. She is responsible for overall business development in China. Ms. Zhang holds a Master of Business Administration from University of Liverpool, England and a Master of Arts in International Business from University of Central Lancashire, England. Prior to joining the Group in January 2005, she worked for two Hong Kong listed companies and has various experience in corporate finance area and business development in China.

Independent Non-executive Directors

Mr. Yip Tai Him, aged 35, was appointed as an independent non-executive Director on 15 October 2002. Mr. Yip is a member of the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of Wing Lee Holdings Limited in Hong Kong, which is listed on the Stock Exchange.

Ms. Guo Qi, aged 32, was appointed as an independent non-executive Director on 15 October 2002. Ms. Guo graduated from Hu Nan Education Institute in China and obtained her Master of Science in the Social Science Degree in International Banking and Financial Studies from the University of Southampton in 2000. Ms. Guo is a registered investment advisor with the China Securities Regulatory Commission.

Mr. Chiu Kwok Ching, aged 58, was appointed as an independent non-executive Director on 22 September 2004. He is currently a director of Sunny Limited, which is an investment holding company in Hong Kong.

Senior Management

Mr. Chen Zhong Min, aged 41, joined the Group in January 2006, and is responsible for the Group's overall business development in China and investor relation of the Group. Mr. Chen holds a Bachelor of Law from Dr. Sun Yat Sen University Guangzhou, China and a Master of Law from School of Law, Boston University MA., U.S.A., majoring in international banking law studies. Prior to joining the Group in January 2006, he worked for China Overseas Land Investment Co. Limited as head of investor relations between 2004 to 2005 and worked for various investment and property development companies in Australia between 1996 to 2004. Prior to that, he was the first overseas student employed by Shenzhen Municipal Government and was assigned to the People's Bank of China, Shenzhen Branch. He was promoted to Deputy Director of the President Office before he left the company to Australia. Mr. Chen has extensive experience in western legal and operation system, property market and financial system.

Ms. Chan Mei Yee, aged 27, joined the Group in September 2005, and is the financial controller, qualified accountant and company secretary of the Group. She is responsible for financial planning and reporting and general administration of the Group. Ms. Chan holds a Degree of Bachelor of Accountancy from the Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in September 2005, she worked in an international accounting firm for more than four years.

AUDIT COMMITTEE

An audit committee has been established on 28 October 2002 comprising independent non-executive Directors Mr. Yip Tai Him and Ms. Guo Qi. Mr. Chiu Kwok Ching, the independent non-executive Director, joined the audit committee in September 2004.

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.

COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors and employees of the Group or their respective associates had any interests in a business which competes or may compete with the business of the Group or any other conflicts of interests with the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company or any member of the Group which is not determinable by the Group within one year without payment of compensation, other than the statutory compensation.

INTERESTS IN ASSETS

The Directors confirm that none of the Directors, BCOM, Grant Sherman, Independent Financial Adviser and RSM Nelson Wheeler has any interest, direct or indirect, in any assets which had been, since 31 March 2005, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTORS' INTEREST IN CONTRACTS

The Directors confirm that there is no contract or arrangement subsisting at the Latest Practicable Date in which a Director was materially interested and which was significant in relation to the business of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the CCI Agreement;

(b) the CCP Agreement;

(c) the convertible bond placing agreement dated 10 May 2005 entered into between the Company and Tai Fook Securities Company Limited for placing of the convertible bonds, on a best effort basis, up to a maximum of HK$5,000,000, which have been successfully placed and completed on 23 May 2005; and

(d) the subscription agreement dated 10 May 2005 entered into between Superhero Limited ("Superhero") and the Company pursuant to which Superhero agreed to subscribe for Shares, the number of which is equal to the number of the Shares placed successfully by Tai Fook Securities Company Limited ("Tai Fook") under the placing agreement dated 10 May 2005 entered into between Superhero and Tai Fook for the placing of up to a maximum of 50 million shares owned by the Vendor at a price of HK$0.40 per placing share on a best effort basis. Completion took place on 17 May 2005 and a total of 26,300,000 Shares were successfully placed by Tai Fook to six placees.

CORPORATE INFORMATION

(a) The registered office of the Company is located at P.O. Box 309 GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands

(b) The head office and principal place of business in Hong Kong is located at Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

(c) The principal share registrar and transfer office of the Company is Bank of Butterfield International (Cayman) Limited at Butterfield House, 68 Fort Street P.O. Box 705, George Town, Grand Cayman, Cayman Islands.

(d) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

(e) The secretary and qualified accountant of the Company is Ms. Chan Mei Yee, CPA.

(f) The compliance officer of the Company is Ms. Chan Tan Lui, Danielle appointed pursuant to Rule 5.19 of the GEM Listing Rules.

GENERAL

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, during 10:00 a.m. to 4:00 p.m. on any Business Day, from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Independent Board Committee, the text of which is set out on page 27 of this circular;

(c) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 28 to 37 of this circular;

(d) the valuation report prepared by Grant Sherman and the letters from RSM Nelson Wheeler and BCOM in connection with the valuation of the Licensed Rights, the text of which are set out in Appendix II to this circular;

(e) the letter from RSM Nelson Wheeler in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the annual reports of the Group for the three financial years ended 31 March 2003, 2004 and 2005;

(g) the interim and third quarterly reports of the Company for the six months ended 30 September 2005 and nine months ended 31 December 2005;

(h) the consent letters from BCOM, Grant Sherman, Independent Financial Adviser and RSM Nelson Wheeler referred to in the paragraph headed "Qualification and consent of experts" in this appendix;

(i) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(j) this circular.

CHINAINFO HOLDINGS LIMITED
神州資訊控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8206)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of Chinainfo Holdings Limited (the "**Company**") will be held at 10:30 a.m. on Friday, 31 March 2006 at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** conditional upon the passing of the ordinary resolution number 2 below, the conditional agreement (the "**CCI Agreement**") dated 1 February 2006 and entered into between 神州通信投資有限公司 (China Communication Investment Ltd.) ("**CCI**") and Pro-Concept Development Limited ("**Pro-Concept**") for the assignment of the Licensed Rights (as defined under the CCI Agreement) by CCI to Pro-Concept (a copy of the CCI Agreement has been produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and the directors of the Company (the "**Directors**") be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated under the CCI Agreement."

2. "**THAT** conditional upon the passing of the ordinary resolution number 1 above:

   (a) the conditional agreement (the "**CCP Agreement**") dated 1 February 2006 and entered into between Pro-Concept, 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.) ("**CCP**") and CCI for the license of the Licensed Rights (as defined under the CCP Agreement) by Pro-Concept to CCP (a copy of the CCP Agreement has been produced to the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified and the Directors be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated under the CCP Agreement; and

* *for identification purpose only*

(b) the proposed annual cap amount in respect of the Annual Payment (as defined under the CCP Agreement) by CCP to Pro-Concept pursuant to the CCP Agreement for the three financial years of 2006, 2007 and 2008 being RMB20 million, RMB22 million and RMB24.2 million respectively be and are hereby approved, confirmed and ratified."

By order of the Board
Chinainfo Holdings Limited
Chan Tan Lui, Danielle
Chairman

Hong Kong, 15 March 2006

Registered office:
P.O. Box 309 GT
Ugland House
South Church Street
Grand Cayman
Cayman Islands

Head office and principal place of business in Hong Kong:
Units 2115–2116
21/F, China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Notes:

1. Subject to the provisions of the articles of association of the Company, any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent and vote on his behalf at the EGM. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. On a poll, votes may be given either personally or by proxy.

2. A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkgem.com. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned, together with the power of attorney or other authority (if any) under which it is signed (or a copy which has been certified by a notary) to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting.

3. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.

5. Pursuant to the Rules Governing the Listing of Securities on GEM of the Stock Exchange, the voting on ordinary resolution number 2 at the EGM will be conducted by way of poll.