



## **CHINAINFO HOLDINGS LIMITED**

**神州資訊控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8206)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2006**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

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*This announcement, for which the directors (the "Directors") of Chinainfo Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purpose only

## **CHAIRMAN'S STATEMENT**

On behalf of the board of the Directors (the "Board"), I am pleased to present the audited consolidated results of Chinainfo Holdings Limited (the "Company", together with its subsidiary companies, collectively the "Group") for the year ended 31 March 2006.

## **FINANCIAL PERFORMANCE**

The Group reported a turnover of approximately HK\$7,766,000 in 2005/06, an increase of 69.9% over the previous year and loss attributable to shareholders for the year ended 31 March 2006 amounted to approximately HK\$6,261,000, representing an increase of approximately HK\$2,991,000 as compared to the previous year. Basic loss per share was approximately HK1.48 cents, compared to HK0.82 cent in 2004/05.

The Board does not recommend any payment of a final dividend for the year ended 31 March 2006.

## **BUSINESS REVIEW**

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

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

The Board considers that the acquisition of the Licensed Rights is a strategic move to expand the Group's business and to 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 the industrial policy supports from the PRC government. As such, the acquisition of the Licensed Rights will enable the Group to capture such development opportunity.

The Group is also a multimedia financial information services provider offering a comprehensive range of financial information services which include the provision of (i) real-time financial news and up-to-date financial market commentaries and recommendations through multimedia; (ii) investor education within financial market in Hong Kong and (iii) corporate public relations services.

### **Licensing income from the license of the Licensed Rights**

The Group receives the Annual Payment (as defined in the Company's circular dated 15 March 2006) under the CCP Agreement for a period of ten years and the Annual Payment will be adjusted annually by a compound rate of 10%. For the year ended 31 March 2006, the revenue derived from the license of the Licensed Rights was approximately HK\$4,808,000. No revenue was derived from the license of the Licensed Rights in last year.

### **Provision of real-time financial information services**

For the year ended 31 March 2006, the revenue derived from provision of real-time financial information services was approximately HK\$1,483,000, compared to approximately HK\$1,344,000 in 2004/05. The increase was attributable to the continuous efforts in enhancing the real-time financial information services by the Group's management during the year.

**Investor education on financial market**

Capitalising on the Group's expertise in Hong Kong financial market with its strong database of financial market information and relationship with celebrities, the Group is also engaged in organising seminars and courses focusing on investor education within the financial market in Hong Kong.

For the year ended 31 March 2006, revenue derived from investor education on financial market was approximately HK\$1,381,000, compared to approximately HK\$2,572,000 in 2004/05. The decrease in revenue was attributable to the decrease in the number of courses organized during the year.

**Corporate public relations services**

For the year ended 31 March 2006, the revenue derived from the corporate public relations services was approximately HK\$94,000. No revenue was derived from the corporate public relations services in 2004/05.

**BUSINESS OUTLOOK**

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 educational financial markets in Hong Kong.

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

On 1 February 2006, the Group entered into the CCI Agreement in respect of a conditional very substantial transaction involving the acquisition of the Licensed Rights in the PRC (excluding Hong Kong, Macau Administrative Region and Taiwan) and the CCP Agreement in respect of the continuing connected transaction in relation to the license of the Licensed Rights. 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.

In 2003, the General Administration of Sports of the PRC announced that 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 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 further explore business opportunities in this emerging industry by accumulating experiences.

In addition to the above, the Directors will continue to seek opportunities to form alliances with companies with strong audience or viewership base in Hong Kong and the PRC to strengthen the Group's distribution networks. The Directors will continue to do their best to deploy their strengths and capabilities to expand the revenue base of the Group and capture the new opportunities offered by prosperity of PRC market.

## Results

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2006, together with the comparative figures for the corresponding year ended 31 March 2005 as follows:

|                                                                                            | Notes | 2006<br>HK\$          | 2005<br>HK\$  |
|--------------------------------------------------------------------------------------------|-------|-----------------------|---------------|
| <b>Turnover</b>                                                                            | 2     | <b>7,765,796</b>      | 4,569,961     |
| Cost of sales                                                                              |       | <b>(4,322,010)</b>    | (1,451,860)   |
| Gross profit                                                                               |       | <b>3,443,786</b>      | 3,118,101     |
| Other revenue                                                                              |       | <b>396,208</b>        | 33,481        |
| Selling expenses                                                                           |       | <b>(263,100)</b>      | (331,496)     |
| Administrative expenses                                                                    |       | <b>(5,881,756)</b>    | (3,889,804)   |
| Other operating expenses                                                                   |       | <b>(3,066,841)</b>    | (1,648,508)   |
| <b>Operating loss</b>                                                                      | 3     | <b>(5,371,703)</b>    | (2,718,226)   |
| Finance costs                                                                              | 4     | <b>(353,524)</b>      | –             |
| Share of loss of associated company                                                        |       | <b>(1,650,448)</b>    | (551,947)     |
| <b>Loss before taxation</b>                                                                |       | <b>(7,375,675)</b>    | (3,270,173)   |
| Taxation                                                                                   | 5     | <b>1,115,135</b>      | –             |
| <b>Loss attributable to shareholders</b>                                                   | 6     | <b>(6,260,540)</b>    | (3,270,173)   |
| <b>Loss per share for loss attributable to shareholders of the Company during the year</b> | 7     |                       |               |
| – Basic                                                                                    |       | <b>(HK1.48 cents)</b> | (HK0.82 cent) |
| – Diluted                                                                                  |       | <b>N/A</b>            | N/A           |

# Consolidated Balance Sheet

As at 31 March 2006

|                                              | Notes | 2006<br>HK\$       | 2005<br>HK\$ |
|----------------------------------------------|-------|--------------------|--------------|
| <b>NON-CURRENT ASSETS</b>                    |       |                    |              |
| Fixed assets                                 | 9     | 452,388            | 103,621      |
| Deferred tax assets                          |       | 1,115,135          | –            |
| Intangible assets                            |       | 146,250,000        | –            |
| Investments in associated company            |       | 4,026,008          | 5,569,353    |
|                                              |       | <b>151,843,531</b> | 5,672,974    |
| <b>CURRENT ASSETS</b>                        |       |                    |              |
| Loan receivable from associated company      |       | 1,884,615          | 1,850,436    |
| Accounts receivable                          | 10    | 21,360             | 30,080       |
| Amount due from a related company            | 11    | 4,807,692          | –            |
| Deposits and prepayments                     |       | 412,164            | 221,945      |
| Cash and bank balances                       |       | 2,850,589          | 4,683,667    |
|                                              |       | <b>9,976,420</b>   | 6,786,128    |
| <b>CURRENT LIABILITIES</b>                   |       |                    |              |
| Accounts payable                             | 12    | –                  | 5,370        |
| Accrued expenses                             |       | 147,189            | 239,287      |
| Convertible bonds                            | 13    | 4,805,083          | –            |
| Receipts in advance and other payables       |       | 41,497             | 124,905      |
|                                              |       | <b>4,993,769</b>   | 369,562      |
| <b>NET CURRENT ASSETS</b>                    |       | <b>4,982,651</b>   | 6,416,566    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <b>156,826,182</b> | 12,089,540   |
| <b>NON-CURRENT LIABILITIES</b>               |       |                    |              |
| Promissory notes                             | 15    | 69,733,626         | –            |
| <b>NET ASSETS</b>                            |       | <b>87,092,556</b>  | 12,089,540   |
| <b>FINANCED BY</b>                           |       |                    |              |
| Share capital                                | 14    | 5,135,520          | 4,000,000    |
| Reserves                                     |       | 81,957,036         | 8,089,540    |
| <b>TOTAL EQUITY</b>                          |       | <b>87,092,556</b>  | 12,089,540   |

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

|                                                                                 | Share<br>capital<br>HK\$ | Share<br>premium<br>HK\$ | Merger<br>reserve<br>HK\$ | Capital<br>surplus<br>HK\$ | Asset<br>revaluation<br>reserve<br>HK\$ | Exchange<br>revaluation<br>reserve<br>HK\$ | Convertible<br>bond<br>reserve<br>HK\$ | Employee<br>share-based<br>compensation<br>reserve<br>HK\$ | Accumulated<br>losses<br>HK\$ | Total<br>HK\$ |
|---------------------------------------------------------------------------------|--------------------------|--------------------------|---------------------------|----------------------------|-----------------------------------------|--------------------------------------------|----------------------------------------|------------------------------------------------------------|-------------------------------|---------------|
| Balance as at 1 April 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<br>by the major investor of<br>the associated company | -                        | -                        | -                         | 1,498,659                  | -                                       | -                                          | -                                      | -                                                          | -                             | 1,498,659     |
| Balance as at 1 April 2005                                                      | 4,000,000                | 15,195,487               | 8,320,333                 | 1,498,659                  | -                                       | -                                          | -                                      | -                                                          | (16,924,939)                  | 12,089,540    |
| Loss for the year                                                               | -                        | -                        | -                         | -                          | -                                       | -                                          | -                                      | -                                                          | (6,260,540)                   | (6,260,540)   |
| Issue of shares                                                                 | 1,118,420                | 33,353,340               | -                         | -                          | -                                       | -                                          | -                                      | -                                                          | -                             | 34,471,760    |
| Currency translation differences                                                |                          |                          |                           |                            |                                         |                                            |                                        |                                                            |                               |               |
| - Group                                                                         | -                        | -                        | -                         | -                          | -                                       | 34,179                                     | -                                      | -                                                          | -                             | 34,179        |
| - Associate                                                                     | -                        | -                        | -                         | -                          | -                                       | 107,103                                    | -                                      | -                                                          | -                             | 107,103       |
| Employee share option scheme                                                    |                          |                          |                           |                            |                                         |                                            |                                        |                                                            |                               |               |
| - Value of employee services                                                    | -                        | -                        | -                         | -                          | -                                       | -                                          | -                                      | 317,241                                                    | -                             | 317,241       |
| - Proceed from shares issued                                                    | 20,000                   | 74,000                   | -                         | -                          | -                                       | -                                          | -                                      | -                                                          | -                             | 94,000        |
| Convertible bond issuing<br>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<br>convertible bonds issued<br>during the year         | -                        | -                        | -                         | -                          | -                                       | -                                          | 448,441                                | -                                                          | -                             | 448,441       |
| Revaluation - intangible assets                                                 | -                        | -                        | -                         | -                          | 46,314,614                              | -                                          | -                                      | -                                                          | -                             | 46,314,614    |
| Balance as at 31 March 2006                                                     | 5,135,520                | 48,201,945               | 8,320,333                 | 1,498,659                  | 46,314,614                              | 141,282                                    | 348,441                                | 317,241                                                    | (23,185,479)                  | 87,092,556    |

Notes:

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the New HKFRSs in the preparation of accounts for the period from 1 April 2005 onward. The comparative financial statements for the year ended 31 March 2005 have been restated in accordance with the relevant requirements of the New HKFRSs, if applicable.

The adoption of New HKFRSs does not result in substantial changes to the Group's accounting policies except for the presentation and disclosure of the financial statements.

At the date of this announcement, the following standards and interpretations were in issue but not yet effective:

|                                  |          |                                                                                                            |
|----------------------------------|----------|------------------------------------------------------------------------------------------------------------|
| HKAS 1 (Amendment)               | (Note a) | Capital disclosures                                                                                        |
| HKAS 19 (Amendment)              | (Note b) | Employee benefits – Actuarial gains and losses, group plans and disclosures                                |
| HKAS 21 (Amendment)              | (Note b) | The effect of changes in foreign exchange rates – Net investment in a foreign operation                    |
| HKAS 39 (Amendment)              | (Note b) | Cash flow hedges of forecast intragroup transactions                                                       |
| HKAS 39 (Amendment)              | (Note b) | The fair value option                                                                                      |
| HKAS 39 and HKFRS 4 (Amendments) | (Note b) | Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts |
| HKFRS 6                          | (Note b) | Exploration for and evaluation of mineral resources                                                        |
| HKFRS 7                          | (Note a) | Financial Instruments: Disclosures                                                                         |
| HKFRS – Int 4                    | (Note b) | Determining whether an arrangement contains a lease                                                        |
| HKFRS – Int 5                    | (Note b) | Rights to interests arising from decommissioning, restoration and environment rehabilitation funds         |
| HK (IFRIC) – Int 6               | (Note c) | Liabilities arising from participating in a specific market–waste electrical and electronic equipment      |
| HK (IFRIC) – Int 7               | (Note d) | Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies       |

Note a: effective for annual periods beginning on or after 1 January 2007

Note b: effective for annual periods beginning on or after 1 January 2006

Note c: effective for annual periods beginning on or after 1 December 2005

Note d: effective for annual periods beginning on or after 1 March 2006

The Group has commenced considering the potential impact of the above new HKFRS but is not yet in a position to determine whether these HKFRS would have a significant impact on how its result of operations and financial position are prepared and presented. These HKFRS may result in changes in the future as to how the results and financial position are prepared and presented.

## 2. SEGMENT INFORMATION

The Group is principally engaged in licensing the licensed rights, providing real-time financial news and up-to-date financial market commentaries and recommendations through multimedia and financial seminars and courses. In accordance with the Group's operating activities, the primary segment reporting is by business segments.

### (a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 March 2006 and 31 March 2005:

#### Segment Revenue and Results

|                                        | Licensing income |              | Financial information |              | Financial seminars<br>and courses |              | Others       |              | Total        |              |
|----------------------------------------|------------------|--------------|-----------------------|--------------|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
|                                        | 2006<br>HK\$     | 2005<br>HK\$ | 2006<br>HK\$          | 2005<br>HK\$ | 2006<br>HK\$                      | 2005<br>HK\$ | 2006<br>HK\$ | 2005<br>HK\$ | 2006<br>HK\$ | 2005<br>HK\$ |
| Turnover                               | 4,807,692        | –            | 1,482,712             | 1,344,068    | 1,381,392                         | 2,572,493    | 94,000       | 653,400      | 7,765,796    | 4,569,961    |
| Segment results                        | 1,057,692        | –            | 1,334,792             | 1,153,408    | 1,059,742                         | 1,928,693    | (8,440)      | 36,000       | 3,443,786    | 3,118,101    |
| Other revenue                          |                  |              |                       |              |                                   |              |              |              | 396,208      | 33,481       |
| Unallocated costs                      |                  |              |                       |              |                                   |              |              |              | (9,211,697)  | (5,869,808)  |
| Operating loss                         |                  |              |                       |              |                                   |              |              |              | (5,371,703)  | (2,718,226)  |
| Finance costs                          |                  |              |                       |              |                                   |              |              |              | (353,524)    | –            |
| Share of loss of<br>associated company |                  |              |                       |              |                                   |              |              |              | (1,650,448)  | (551,947)    |
| Loss before taxation                   |                  |              |                       |              |                                   |              |              |              | (7,375,675)  | (3,270,173)  |
| Taxation                               |                  |              |                       |              |                                   |              |              |              | 1,115,135    | –            |
| Loss attributable to shareholders      |                  |              |                       |              |                                   |              |              |              | (6,260,540)  | (3,270,173)  |

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

The licensing income is a receivable from the licensee net of all taxes.

For the year ended 31 March 2006, others mainly comprise the provision of corporate public relations services to independent third parties and production of financial books.

For the year ended 31 March 2005, others mainly comprise the production of financial programme and video.

Unallocated costs represent corporate expenses including selling expenses, administrative expenses and other expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.



**Segment assets and liabilities as at 31 March 2006 and 31 March 2005**

|                                 | Licensing income   |              | Financial information |              | Financial seminars<br>and courses |              | Others       |              | Total              |              |
|---------------------------------|--------------------|--------------|-----------------------|--------------|-----------------------------------|--------------|--------------|--------------|--------------------|--------------|
|                                 | 2006<br>HK\$       | 2005<br>HK\$ | 2006<br>HK\$          | 2005<br>HK\$ | 2006<br>HK\$                      | 2005<br>HK\$ | 2006<br>HK\$ | 2005<br>HK\$ | 2006<br>HK\$       | 2005<br>HK\$ |
| Segment assets                  | <b>151,057,692</b> | –            | <b>21,360</b>         | 30,080       | –                                 | –            | –            | –            | <b>151,079,052</b> | 30,080       |
| Unallocated assets              |                    |              |                       |              |                                   |              |              |              | <b>10,740,899</b>  | 12,429,022   |
| Total assets                    |                    |              |                       |              |                                   |              |              |              | <b>161,819,951</b> | 12,459,102   |
| Segment liabilities             | <b>69,733,626</b>  | –            | <b>41,497</b>         | 69,276       | <b>1,800</b>                      | 87,100       | –            | –            | <b>69,776,923</b>  | 156,376      |
| Unallocated liabilities         |                    |              |                       |              |                                   |              |              |              | <b>4,950,472</b>   | 213,186      |
| Total liabilities               |                    |              |                       |              |                                   |              |              |              | <b>74,727,395</b>  | 369,562      |
| Other information:              |                    |              |                       |              |                                   |              |              |              |                    |              |
| Unallocated capital expenditure |                    |              |                       |              |                                   |              |              |              | <b>465,588</b>     | 44,361       |
| Depreciation                    |                    |              |                       |              |                                   |              |              |              | <b>116,821</b>     | 191,297      |

Segment assets consist primarily of intangible assets, amount due from a related party and accounts receivable.

Segment liabilities comprise promissory note, accrued expenses and receipts in advance and other payable.

(b) Geographical segments years ended 31 March 2006 and 31 March 2005:

**Segment Revenue and Results**

|                                     | Hong Kong        |              | PRC              |              | Total              |              |
|-------------------------------------|------------------|--------------|------------------|--------------|--------------------|--------------|
|                                     | 2006<br>HK\$     | 2005<br>HK\$ | 2006<br>HK\$     | 2005<br>HK\$ | 2006<br>HK\$       | 2005<br>HK\$ |
| Turnover                            | <b>2,958,104</b> | 4,569,961    | <b>4,807,692</b> | –            | <b>7,765,796</b>   | 4,569,961    |
| Segment results                     | <b>2,386,094</b> | 3,118,101    | <b>1,057,692</b> | –            | <b>3,443,786</b>   | 3,118,101    |
| Other revenue                       |                  |              |                  |              | <b>396,208</b>     | 33,481       |
| Unallocated costs                   |                  |              |                  |              | <b>(9,211,697)</b> | (5,869,808)  |
| Operating loss                      |                  |              |                  |              | <b>(5,371,703)</b> | (2,718,226)  |
| Finance costs                       |                  |              |                  |              | <b>(353,524)</b>   | –            |
| Share of loss of associated company |                  |              |                  |              | <b>(1,650,448)</b> | (551,947)    |
| Loss before taxation                |                  |              |                  |              | <b>(7,375,675)</b> | (3,270,173)  |
| Taxation                            |                  |              |                  |              | <b>1,115,135</b>   | –            |
| Loss attributable to shareholders   |                  |              |                  |              | <b>(6,260,540)</b> | (3,270,173)  |

**Segment assets and liabilities as at 31 March 2006 and 31 March 2005**

|                                 | Hong Kong        |              | PRC                |              | Total              |              |
|---------------------------------|------------------|--------------|--------------------|--------------|--------------------|--------------|
|                                 | 2006<br>HK\$     | 2005<br>HK\$ | 2006<br>HK\$       | 2005<br>HK\$ | 2006<br>HK\$       | 2005<br>HK\$ |
| Segment assets                  | <b>4,650,420</b> | 4,838,042    | <b>157,169,531</b> | 7,621,060    | <b>161,819,951</b> | 12,459,102   |
| Segment liabilities             | <b>4,993,769</b> | 369,562      | <b>69,733,626</b>  | –            | <b>74,727,395</b>  | 369,562      |
| Other information:              |                  |              |                    |              |                    |              |
| Unallocated capital expenditure |                  |              |                    |              | <b>465,588</b>     | 44,361       |
| Depreciation                    |                  |              |                    |              | <b>116,821</b>     | 191,297      |

### 3. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

|                                        | 2006<br>HK\$ | 2005<br>HK\$ |
|----------------------------------------|--------------|--------------|
| <b>Crediting:</b>                      |              |              |
| Interest income                        | 76,116       | 1,630        |
| <b>Charging:</b>                       |              |              |
| Auditors' remuneration                 | 90,000       | 100,000      |
| Depreciation                           | 116,821      | 191,729      |
| Amortization                           | 3,750,000    | –            |
| Operating leases in land and buildings | 934,297      | 300,362      |
| Employee benefit expense               | 4,472,375    | 3,403,943    |

### 4. FINANCE COSTS

|                                                                           | 2006<br>HK\$ | 2005<br>HK\$ |
|---------------------------------------------------------------------------|--------------|--------------|
| Interest expense for convertible bonds wholly repayable within five years | 353,524      | –            |

### 5. TAXATION

The Group's business is operated in Hong Kong and is subject to Hong Kong profits tax at the rate of 17.5% (2005: 17.5%).

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated companies as follows:

|                                                   | 2006<br>HK\$ | 2005<br>HK\$ |
|---------------------------------------------------|--------------|--------------|
| Loss before taxation                              | (7,375,675)  | (3,270,173)  |
| Tax at the domestic tax rate of 17.5%             | (1,290,743)  | (572,280)    |
| Expenses not deductible for tax purposes          | –            | 34,423       |
| Income not subject to tax                         | (854,666)    | (42)         |
| Utilisation of previously unrecognized tax losses | –            | (289,520)    |
| Recognition of previously unrecognized tax losses | (1,305,442)  | –            |
| Tax effect of unused tax losses not recognized    | 2,336,804    | 837,888      |
| Others                                            | (1,088)      | (10,469)     |
| Tax (credit)/expense for the year                 | (1,115,135)  | –            |

## 6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$5,506,368 (2005: HK\$2,567,733).

## 7. LOSS PER SHARE

The calculation of the basic loss per share for the year ended 31 March 2006 is based on the consolidated net loss attributable to shareholders of HK\$6,260,540 (2005: HK\$3,270,173) and the weighted average number of 423,933,836 (2005: 400,000,000) ordinary shares in issue during the year.

## 8. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2005: Nil).

## 9. FIXED ASSETS

|                          | Computer<br>equipment<br>HK\$ | Leasehold<br>improvements<br>HK\$ | Group<br>Equipment,<br>furniture and<br>fixtures<br>HK\$ | Total<br>HK\$    |
|--------------------------|-------------------------------|-----------------------------------|----------------------------------------------------------|------------------|
| Cost                     |                               |                                   |                                                          |                  |
| At 1 April 2005          | 1,941,915                     | 250,058                           | 166,500                                                  | 2,358,473        |
| Additions                | 45,557                        | 361,271                           | 58,760                                                   | 465,588          |
| Disposals                | (55,930)                      | (250,059)                         | (57,053)                                                 | (363,042)        |
| <b>At 31 March 2006</b>  | <b>1,931,542</b>              | <b>361,270</b>                    | <b>168,207</b>                                           | <b>2,461,019</b> |
| Accumulated depreciation |                               |                                   |                                                          |                  |
| At 1 April 2005          | 1,868,381                     | 250,058                           | 136,413                                                  | 2,254,852        |
| Charge for the year      | 54,541                        | 41,280                            | 21,000                                                   | 116,821          |
| Disposals                | (55,930)                      | (250,059)                         | (57,053)                                                 | (363,042)        |
| <b>At 31 March 2006</b>  | <b>1,866,992</b>              | <b>41,279</b>                     | <b>100,360</b>                                           | <b>2,008,631</b> |
| Net book value           |                               |                                   |                                                          |                  |
| <b>At 31 March 2006</b>  | <b>64,550</b>                 | <b>319,991</b>                    | <b>67,847</b>                                            | <b>452,388</b>   |
| At 31 March 2005         | 73,534                        | –                                 | 30,087                                                   | 103,621          |

## 10. 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.

## 11. AMOUNT DUE FROM A RELATED COMPANY

The balance relates to the outstanding of the licensing fee receivable, and is unsecured, interest free and is repayable by 31 December 2006.

## 12. ACCOUNTS PAYABLE

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

## 13. 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.

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

|                                                            | Group        |              |
|------------------------------------------------------------|--------------|--------------|
|                                                            | 2006<br>HK\$ | 2005<br>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)                                  | 353,524      | —            |
| Interest repaid                                            | (100,000)    | —            |
| Liability component, at fair value, at the end of the year | 4,805,083    | —            |

## 14. SHARE CAPITAL

### (a) Share capital

|                                                | Company      |              |
|------------------------------------------------|--------------|--------------|
|                                                | 2006<br>HK\$ | 2005<br>HK\$ |
| <i>Authorised:</i>                             |              |              |
| 1,000,000,000 ordinary shares of HK\$0.01 each | 10,000,000   | 10,000,000   |
| <i>Issued and fully paid:</i>                  |              |              |
| 513,552,000 ordinary shares of HK\$0.01 each   | 5,135,520    | 4,000,000    |

### (b) Share option scheme

The fair value of the share option granted during the year was calculated based on the Black-Scholes option pricing model.

## 15. PROMISSORY NOTES

|                                                             | Group        |              |
|-------------------------------------------------------------|--------------|--------------|
|                                                             | 2006<br>HK\$ | 2005<br>HK\$ |
| Promissory note, nominal amount                             | 116,048,240  | —            |
| Designated as fair value through assets revaluation reserve | 46,314,614   | —            |
|                                                             | 69,733,626   | —            |

The note is interest free, unsecured and mature on 30 June 2016.

The carrying amount of the note approximate to its fair value. The fair value of the note is calculated by discounting the expected future cash flows at the Company's borrowing rate of 5% per annum.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE AND PROFITABILITY

The Group recorded a turnover of approximately HK\$7,766,000 (2005: approximately HK\$4,570,000) for the year ended 31 March 2006, representing an increase of approximately 69.9% as compared with 2004/05. Approximately 61.9%, 19.1% and 17.8% (2005: approximately 0%, 29.4% and 56.3%) of the turnover for the year ended 31 March 2006 were attributable to licensing income for license of the Licensed Rights, provision of real-time financial information services and investor education on financial market respectively.

The Group's gross profit for the year ended 31 March 2006 amounted to approximately HK\$3,444,000 (2005: approximately HK\$3,118,000), representing an increase of 10.5% as compared to the previous year whilst the Group's gross profit margin dropped to 44.3% (2005: 68.2%), representing a decrease of 35.0% as compared with 2004/05. The lower gross profit margin of the Group for the year ended 31 March 2006 was mainly attributable to the relatively low profit margin from licensing income.

Selling, administrative and other operating expenses for the year ended 31 March 2006 was approximately HK\$9,212,000 compared to approximately HK\$5,870,000 in previous year. The increase of the expenses was mainly attributable to the increase in administrative expenses and other operating expenses.

### NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The Group incurred a net loss attributable to shareholders of approximately HK\$6,261,000 for the year ended 31 March 2006 as compared to approximately HK\$3,270,000 of last year. The increase of the net loss was mainly attributable to the increases in administrative and other operating expenses and share of loss of the associated company.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, the Group had outstanding convertible bonds at a nominal value of HK\$5 million (2005: Nil) with a discounted value of approximately HK\$4.8 million (2005: Nil) and promissory note at a nominal value of approximately HK\$116 million (2005: Nil) with a discount value of approximately HK\$69.7 million (2005: Nil). The convertible bonds bear interest at a rate of 4% per annum and mature in May 2007. The promissory note is non-interest bearing and matures in June 2016. Other than these, the Group did not have any other committed borrowing facilities as at 31 March 2006 (2005: Nil).

As at 31 March 2006, the Group had net current assets of approximately HK\$4,983,000 (2005: approximately HK\$6,417,000). The Group's current assets consisted of an amount due from a related company of approximately HK\$4,808,000 (2005: Nil), cash and cash equivalents of approximately HK\$2,851,000 (2005: approximately HK\$4,684,000), a loan receivable from the associated company of approximately HK\$1,885,000 (2005: approximately HK\$1,850,000), accounts receivable of approximately HK\$21,000 (2005: approximately HK\$30,000) and deposits and prepayments of approximately HK\$412,000 (2005: approximately HK\$222,000). The Group's current liabilities consisted of accrued expenses of approximately HK\$147,000 (2005: approximately HK\$239,000), receipts in advance and other payables of approximately HK\$41,000 (2005: approximately HK\$125,000) and convertible bonds of approximately HK\$4,805,000 (2005: Nil).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 46.2% as at 31 March 2006, compared to 3.0% as at 31 March 2005.

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

## **CAPITAL STRUCTURE**

During the year, 113,842,000 new ordinary shares were issued and allotted by the Company, among which 26,300,000 new ordinary shares were issued and allotted by a top-up placing in May 2005, 85,542,000 new ordinary shares were issued as part of the consideration for the acquisition of the Licensed Rights in March 2006, and 2,000,000 new ordinary shares were issued upon the exercise of share options. During the year, 290,000 ordinary shares were repurchased and cancelled by the Company.

In May 2005, the Company placed convertible bonds, with a nominal value of HK\$5,000,000 to an independent third party, bearing an interest of 4.0% per annum (the "Convertible Bonds"). The Company shall repay, unless previously converted or repaid, the outstanding principal amount under the Convertible Bonds in May 2007. On 13 April 2006, the registered holder of the Convertible Bonds has elected to exercise the conversion rights attached to the Convertible Bonds to convert the whole principal amount of HK\$5,000,000 into shares of the Company at the conversion price of HK\$0.42 per share. 11,904,761 new ordinary shares were therefore issued and allotted to the Convertible Bonds holder.

## **CHARGE ON ASSETS**

The Group did not have any charge on its assets during the years ended 31 March 2006 and 2005.

## **MATERIAL ACQUISITIONS OF CAPITAL ASSETS**

Other than the acquisition of the Licensed Rights, there were no material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 March 2006.

Details of the acquisition have been set out in the Company's circular dated 15 March 2006.

## **EMPLOYEES**

As at 31 March 2006, the Group had 17 employees (2005: 17). The staff costs for the year ended 31 March 2006 were approximately HK\$4,472,000 (2005: approximately HK\$3,404,000). 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**

As at 31 March 2006, the Group did not have any plan for material investments or capital assets. Nevertheless, the Group is constantly looking for opportunities for investments or capital assets to enhance the shareholders' value.

## **FOREIGN CURRENCY RISK**

The income and expenditure of the Group are mainly carried out in Hong Kong dollars and the assets and liabilities of the Group were denominated in Hong Kong dollars. The Group does not expect significant exposure to foreign exchange fluctuations.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 March 2006 and 2005.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year, the Company repurchased its own shares on the GEM as follows:

| <b>Month of repurchases</b> | <b>Number of shares repurchased</b> | <b>Price per share</b> |               | <b>Aggregate consideration paid</b> |
|-----------------------------|-------------------------------------|------------------------|---------------|-------------------------------------|
|                             |                                     | <b>Highest</b>         | <b>Lowest</b> |                                     |
|                             |                                     | HK\$                   | HK\$          | HK\$                                |
| August 2005                 | 200,000                             | 0.330                  | 0.315         | 64,500                              |
| September 2005              | 90,000                              | 0.330                  | 0.330         | 29,700                              |
|                             | <u>290,000</u>                      |                        |               | <u>94,200</u>                       |

The above shares were cancelled upon the repurchases and accordingly the issued share capital of the Company was reduced by the par value of these shares amounting to HK\$2,900. An aggregate amount of approximately HK\$91,300 relating to the premium portion and brokerage expenses incurred on the repurchases was charged against the share premium account.

Apart from the repurchases of the shares as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares on the GEM during the year ended 31 March 2006.

## **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES**

The Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005, which set out the principles of good corporate governance and the Company is required to comply with the code provisions of the CCGP. The Company is fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and our shareholders. Not only is it a question of regularly compliance but also is the guidance of the Company to do the right thing. Therefore, the Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in following, the Group has adopted practices which meets the code provisions of the CCGP.



**Chairman and Chief Executive Officer (the “CEO”)**

Chan Tan Lui, Danielle, the founder of the Company, held both the roles of the Chairman and the CEO during the year. This structure is not complied with the code provision of the CCGP. After her resignation as the Chairman of the Company, He Chenguang took her roles as both the Chairman and the CEO. However, the Board is of the view that it is for the best interests of the Group to adopt a single leadership structure, instead of dual leadership structures as Ms. Chan possesses extensive experience and knowledge in the field of management, operation and strategic development and she is playing significant role in establishing the strategic decision and the overall management of the Group. The Board considers that there is no suitable professional or expertise in the market to fill the position of CEO at this stage. In light of the single leadership structure, sufficient safeguards are ensure that the management is accountable to the Board as a whole.

**The Articles of Association (the “Articles”) of the Company**

According to the Articles, one-third of the Directors (other than managing Director or joint managing Director) are subject to retirement by rotation in each annual general meeting of the Company under its articles of association and all Directors appointed to fill a causal vacancy are subject to election by the Shareholders at the next annual general meeting after their appointment. These deviated from the relevant code provisions of the CCGP as it provides that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and all Directors appointed to fill a causal vacancy should be subject to election by the Shareholders at the first general meeting after their appointment. Amendments to the Articles have been proposed to bring the Articles in line with the provisions of the CCGP at the forthcoming annual general meeting. In the forthcoming annual general meeting, the Company will still follow the existing Articles provisions.

**APPROPRIATIONS**

The Directors do not recommend the payment of any dividends during the year.

**AUDIT COMMITTEE**

For the year ended 31 March 2006, the audit committee held four meetings in which the members of the audit committee reviewed the internal control system and the following reports:

- Annual report for the year ended 31 March 2005;
- Quarterly reports for the first quarter and third quarter of 2005/06;
- Interim report for the first six months of 2005/06

The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2006 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company will be held at 4:30 p.m. on Friday, 28 July 2006 at Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. Notice of the annual general meeting of the Company will be sent to the shareholders of the Company.

By order of the Board  
**CHINAINFO HOLDINGS LIMITED**  
**He Chenguang**  
Chairman

Hong Kong, 16 June 2006

*As at the date of this announcement, the executive Directors are Mr. He Chenguang, Mr. Xiao Haiping, Ms. Chan Tan Lui, Danielle, Mr. Zhang Peng, 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.*

*This announcement will remain at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the website of the Group at [www.hk6.com](http://www.hk6.com).*