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## CHINAINFO HOLDINGS LIMITED

神州資訊控股有限公司\*

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

**(Stock Code: 8206)**

### CHANGE OF USE OF PROCEEDS

This announcement is made pursuant to rule 17.10 of the Rules (“**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

#### BACKGROUND

On 1 February 2006, Pro-Concept Development Limited (“**Pro-Concept**”), a wholly owned subsidiary of Chinainfo Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) had entered into an agreement (the “**CCI Agreement**”) with China Communication Investment Limited (“**CCI**”) in relation to the acquisition of certain licensed rights to distribute and sell computer games in the People’s Republic of China for a total consideration of HK\$150 million. Please refer to the announcement of the Company dated 1 February 2006 and the circular dated 15 March 2006 for further details.

Pursuant to the CCI Agreement, part of the consideration was satisfied by Pro-Concept issuing a promissory note (the “**Promissory Note**”) in the principal sum of approximately HK\$116.05 million to CCI on completion of the CCI Agreement. Completion had taken place on 31 March 2006 and the Promissory Note was duly issued by Pro-Concept to CCI.

On 15 May 2006, the Company conducted a fund raising activity by way of a top-up placing (the “**Top-up Placing**”) which was completed on 26 May 2006. The net proceeds of the Top-up Placing amounts to approximately HK\$142.8 million and is intended to be used by the Group as general working capital. Please refer to the announcements of the Company dated 16, 19 and 26 May 2006 for further details.

The board (the “**Board**”) of directors (“**Directors**”) of the Company was very pleased with result of the Top-up Placing. In view of the substantial amounts raised, the Board has been looking for alternative use of such funds with a view to improve the performance of the Group and to enhance the value of the Shares. However, no suitable investment opportunities have been identified so far. On the other hand, the Board has noticed in the latest audited consolidated financial results of the Company for the year ended 31 March 2006, it has a gearing ratio of about 46.2% primarily due to the Promissory Note, being a non-current liability of the Company. Further, substantial amounts of finance costs will be incurred by the Company during the subsistence of the Promissory Note.

\* For identification purpose only

## **CHANGE OF USE OF PROCEEDS**

The Board, after due care and consideration exercised, considers it would be in the interest of the Company and its shareholders as a whole to reduce the gearing ratio by terminating the Promissory Note. On 22 June 2006, the Board and CCI agreed to terminate the Promissory Note with effect upon payment to CCI in cash a sum of HK\$69,911,478. Such amount was paid by the Company on that same date from the net proceeds (originally intended to be applied as the Group's general working capital) of the Top-up Placing which was sufficient for the said purpose.

Such sum of HK\$69,911,478 was determined with reference to the carrying value of the Promissory Note which is estimated to be about HK\$69.73 million as at 31 March 2006 and calculated by discounting the expected future cash flows at the agreed borrowing rate of 5.1% per annum with CCI. The Company's borrowing rate for calculation of the carrying value of the Promissory Note was 5% as at 31 March 2006. Upon termination of the Promissory Note, the gearing ratio of the Company was reduced to about 3.1% and eliminate all the finance costs that may be incurred due to the Promissory Note.

The Board confirms that save and except the termination of the Promissory Note and the reduction of the aggregate consideration from HK\$150 million to about HK\$104 million payable by Pro-Concept to CCI under the CCI Agreement, no other terms thereto have been amended. Further, the Board considers that the existing measures to safeguard the interests of the Company under the agreement entered into between Pro-Concept, CCI and China Cyber Port Co., Ltd ("CCP") on 1 February 2006 are adequate in the event CCP defaults in payment of the annual license fees.

The Board considers that such termination of the Promissory Note and the reduction of the aggregate consideration are desirable and in the interest of the Company and its shareholders as a whole and would not have any material adverse impact on the financial position or operations of the Group.

## **BOARD OF DIRECTORS**

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 Mr. Yip Tai Him, Ms. Guo Qi and Mr. Chiu Kwok Ching.

By order of the Board  
**Chinainfo Holdings Limited**  
**He Chenguang**  
*Chairman*

Hong Kong, 23 June 2006

*This announcement, 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 issuer. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:*

- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading;*
- (2) there are no other matters the omission of which would make any statement in this announcement misleading; and*
- (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain at [www.hkgem.com](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).*