Annual Report 2006

Chinainfo Holdings Limited
神 州 資 訊 控 股 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 8206)

* For identification purpose only

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. He Chenguang *(Chairman)*
Mr. Xiao Haiping
Ms. Chan Tan Lui, Danielle
Mr. Zhang Peng *(Managing Director)*
Mr. Choo Kwok How
Ms. Zhang Jialin

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. Chan Mei Yee, *CPA*

QUALIFIED ACCOUNTANT

Ms. Chan Mei Yee, *CPA*

COMPLIANCE OFFICER

Ms. Chan Tan Lui, Danielle

AUDITORS

Baker Tilly Hong Kong Limited
12th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

P.O. Box 309GT
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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

www.hk6.com

GEM STOCK CODE

8206

FINANCIAL HIGHLIGHTS

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2006	2005	2004	2003	2002
	HK$	HK$	HK$	HK$	HK$
Turnover	**7,765,796**	4,569,961	2,693,048	5,383,247	3,247,026
Loss before taxation	**(7,375,675)**	(3,270,173)	(3,338,619)	(1,203,046)	(2,765,516)
Taxation	**1,115,135**	–	–	–	–
Loss attributable to shareholders	**(6,260,540)**	(3,270,173)	(3,338,619)	(1,203,046)	(2,765,516)
Basic loss per share (HK cents)	**1.48**	0.82	0.83	0.34	0.84

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2006	2005	2004	2003	2002
	HK$	HK$	HK$	HK$	HK$
Total assets	**161,819,951**	12,459,102	15,125,656	17,641,983	3,759,178
Total liabilities	**(74,727,395)**	(369,562)	(1,264,602)	(442,310)	(4,258,946)
Net assets/(liabilities)	**87,092,556**	12,089,540	13,861,054	17,199,673	(499,768)
Net assets/(liabilities) per share (HK cents)	**16.96**	3.02	3.47	4.30	(0.15)

CHAIRMAN'S STATEMENT

On behalf of the board of the Directors (the "Board"), I am pleased to present the annual report 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.

He Chenguang
Chairman

Hong Kong, 16 June 2006

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. He Chenguang, aged 45, joined the Group and was elected as the Chairman of the Group in June 2006. He holds a professional qualification in business administration and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC. Mr. He is responsible for formulating the Group's strategy of overall business development.

Mr. He had been president of 中國海外投資公司 (China Overseas Investment Limited). Currently, he is also the Chairman of the board of China Communication Co. Ltd. ("CCC") a nationwide telecommunication operator in the PRC and the Chairman of China Cyber Port Co., Ltd., which is a subsidiary of CCC.

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 was the president of major customer division, merchant banking division and corporate banking division of the headquarters of Shenzhen Development Bank Co., Limited, the executive vice president of the Nanjing Branch of Shenzhen Development Bank Co., Limited and the branch manager of the Changchen sub-branch 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 Hunan Branch of China and the department head of the credit department of the Hunan Branch of Bank of China.

Ms. Chan Tan Lui, Danielle, aged 37, joined the Group in January 2000. She is one of the founders of the Group 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. Zhang Peng, aged 42, joined the Group in June 2006. He is responsible for formulating the group's strategy of overall business development. Mr. Zhang holds a Master of Business Administration Degree from the Graduate School of Management of Rutgers, the State University of New Jersey, U.S.A.. Prior to joining the Group in June 2006, he had been the Managing Director of RBC Capital Markets, the Executive Vice President of RBC Capital Markets Pacific Group and the Deputy Chief Executive Officer of RBC Hong Kong Branch. Before working for the RBC Group, Mr. Zhang had been the Managing Director and the Head of Bond Trading and Treasury Department of Mitsubishi UFJ Securities (HK) Limited. Prior to that, he had been working for two major state-owned Chinese banks for over 18 years, including working in one of their overseas branch in New York for over 8 years.

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, is the responsible for the 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 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 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, 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 and is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining to the Group in September 2005, she worked in an international accounting firm for more than four years.

Senior management, Mr. Poon Man Wai resigned on 30 September 2005.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the Growth Enterprise Market (the "GEM") Listing Rules was introduced on 1 January 2005, which set out the principles of good corporate governance and the Company is expected to comply with the code provisions of the CCGP. The Company believes that good and effective corporate governance could make an important contribution to corporate success and enhance values to the Group and our shareholders. Therefore, the Board is committed to maintain and ensure the standards of corporate governance within the Group and to ensure that the business activities and decision making processes are regulated in a proper and responsible manner. Except for certain deviation as disclosed in this report, the Group has adopted practices which met and complied with the code provisions of the CCGP throughout the year ended 31 March 2006.

To ensure better compliance with the CCGP, the Company has undertaken a review of its Articles of Association (the "Articles"). At the forthcoming annual general meeting of the Company, a special resolution will be proposed to the shareholders of the Company to approve the amendments to the Articles in order to bring them in line with the requirements under the CCGP.

In the opinion of the Directors, the Company has met the code provisions set out in the CCGP.

THE BOARD

The Board is accountable to the shareholders and lead the Group in an ethical, responsible and effective manner. The Board sets the overall strategic directions of the Group, establishes effective management and monitors its performance. The Board is required to meet at least four times a year in addition to the meetings to approve the financial results. Matters requiring the Board's unanimous decision include material acquisitions or disposals of assets, significant investments, capital projects, annual budgets, and key issues relating to human resources and administration matters. Daily operations and administration are delegated to the senior management team.

As at the date of this report, the Board comprises nine directors in which six are Executive Directors; three are Independent Non–Executive Directors. The Directors as at the date of this report are as follows:

- He Chenguang *(Chairman and Executive Director)*
- Xiao Haiping *(Executive Director)*
- Chan Tan Lui, Danielle *(Executive Director)*
- Zhang Peng *(Executive Director and Managing Director)*
- Choo Kwok How *(Executive Director)*
- Zhang Jialin *(Executive Director)*
- Yip Tai Him *(Independent Non-executive Director)*
- Guo Qi *(Independent Non-executive Director)*
- Chiu Kwok Ching *(Independent Non-executive Director)*

THE BOARD (CONTINUED)

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.

The Independent Non-Executive Directors are appointed for a specific term. Yip Tai Him and Guo Qi have been appointed for a term of one year and Chiu Kwok Ching has been appointed for a term of three years subject to retirement by rotation in accordance with the Articles.

The Company has received the annual independence confirmation from each of Yip Tai Him, Guo Qi and Chiu Kwok Ching (all being Independent Non-Executive Directors) pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all of them satisfied the independence criteria.

To assist the execution of its responsibilities, two Board committees, namely Audit Committee and Remuneration Committee, have been established by the Board. These committees well function within the clearly defined terms of reference. All Independent Non-Executive Directors play a significant role in these committees to ensure the independence and objectivity.

AUDIT COMMITTEE

The written terms of reference, which describe the authorities and duties of the Audit Committee, were implemented in accordance with the GEM Listing Rules. The Audit Committee comprises three members, all of whom are Independent Non-Executive Directors and is chaired by Yip Tai Him.

The Audit Committee meets at least four times each year. The main duties of the Audit Committee are summarised as follows:

– Discuss the work with the external auditors of the Company;
– Meet with external auditors of the Company, when they consider necessary;
– Review the quarterly, interim and annual financial statements and the auditors' report on the Company's annual consolidated financial statements before these are presented to the Board;
– Ensure the quarterly, interim and annual consolidated financial statements are properly prepared;
– Review the independence of the external auditors annually;
– Ensures that cooperation is provided by management to the external auditors; and
– Review the adequacy and effectiveness of the Group's internal control system.

The Audit Committee is empowered to conduct investigations on any matters within the scope of responsibilities of the Audit Committee. The Audit Committee is authorised to obtain independent professional advices if it deems necessary to discharge its responsibilities.

AUDIT COMMITTEE (CONTINUED)

For the year ended 31 March 2006, the Audit Committee held four meetings in which the members of the Audit Committee reviewed and concluded with satisfaction the internal control system of the Group 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; and
- Interim report for 2005/06.

REMUNERATION COMMITTEE

At the Board meeting held on 1 April 2005, the Board established a Remuneration Committee comprising three Independent Non-Executive Directors. The Remuneration Committee meets at least once a year.

The functions of the Remuneration Committee are to review and recommend the remuneration packages of the Directors and the senior management of the Group, oversee and review the administration of the Share Option Scheme and to review the appropriateness of compensation for Directors and the senior management of the Group. No Directors is involved in determining his own remuneration.

The Remuneration Committee takes into consideration the market condition, comparable companies, past performance and the experience and knowledge possessed when determining remuneration packages of the Directors.

This committee comprises of three members, all of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Yip Tai Him.

The number of the Board meetings and the other committees' meetings held for the year ended 31 March 2006 and the attendance of each Director are as follows:

	Numbers of the meetings attended/held			
	Board	**Nomination Committee** *Note 1*	**Audit Committee**	**Remuneration Committee**
Executive Director				
He Chenguang (Appointed on 28 April 2006)	0/0	0/0	N/A	N/A
Xiao Haiping (Appointed on 17 January 2006)	11/13	0/0	N/A	N/A
Chan Tan Lui, Danielle	36/36	2/2	N/A	N/A
Zhang Peng (Appointed on 16 June 2006)	0/0	0/0	N/A	N/A
Choo Kwok How	36/36	2/2	N/A	N/A
Zhang Jialin (Appointed on 1 June 2005)	25/25	1/1	N/A	N/A
Independent Non-Executive Directors				
Yip Tai Him	35/36	2/2	4/4	3/3
Guo Qi	17/36	2/2	1/4	1/3
Chiu Kwok Ching	34/36	2/2	4/4	3/3

Note 1 Among the Board meetings held during the year, 2 meetings are in relation to the nomination of Directors.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exactly than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2006. The Company also had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (THE "CEO")

The code provisions of the CCGP provide that management of the Board should rest on the Chairman and the daily management of the Company should rest on the CEO.

Chan Tan Lui, Danielle, the founder of the Company, was the Chairman of the Company until her resignation of such position and taken up by He Chenguang.

The Company did not have a CEO position. The functions of the CEO have always been taken up collectively by the Board and where appropriate, delegated to senior management. The Board is of the view that it is for the best interests of the Group to adopt a single leadership structure for a distinctive and unique leadership image. Sufficient safeguards are in place to ensure that the management is accountable to the Board as a whole.

However, in view of the spirit of the CCGP, the Board fully supports the division of responsibility between the Chairman of the Board and the CEO to ensure a balance of power and authority. The Board will consider appointing a CEO if a suitable candidate is found to fill the CEO position.

NOMINATION OF DIRECTORS

Up to the date of this report, the Board has not yet established a Nomination Committee. The appointment of any new director is therefore unanimously considered and approved by the Board. The Board considers that the new directors are expected to equip with expertise in making positive contributions to the Group and to provide timely and sufficient attention to the affairs of the Group.

All Directors are subject to election by shareholders of the Company at the annual general meeting. The new directors are notified on the role of the Board and Board Committee, their duties and obligation as a director of a listed company.

At the Board meeting held on 1 June 2005, 17 January 2006, 28 April 2006 and 16 June 2006, the Board approved the appointment of Zhang Jialin, Xiao Haiping as Executive Directors, He Chenguang as the Chairman and Executive Director and Zhang Peng as Executive Director and Managing Director respectively. The Board considers that they possess relevant expertise and knowledge in the field of capital markets with valuable experience in strategic business planning and management and believes that they have abilities in making valuable contributions to the Group. Xiao Haiping, He Chenguang and Zhang Peng will retire at the forthcoming annual general meeting and the re-election of Xiao Haiping, He Chenguang and Zhang Peng as Executive Directors are to be proposed at the forthcoming annual general meeting.

AUDITORS' REMUNERATION

The Company has appointed Baker Tilly Hong Kong Limited as the auditors of the Group (the "Auditors") since the Company was listed. The Audit Committee is responsible for considering the appointment of the external auditors, including whether such non-audit engagements could affect their independence. The Board is authorised in the annual general meeting to determine the remuneration of the Auditors. During the year, the Group has agreed to pay approximately HK$100,000 to the external auditors for their audit services. No non-audit services have been provided by the external auditors during the year.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view. The Auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

OTHER SPECIFIC DISCLOSURES

The Directors have acknowledged their responsibility for preparing all information and representations contained in the financial statements of the Company for the year ended 31 March 2006. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgement of the Board and Management with an appropriate consideration to materiality. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The Directors present their annual report together with the audited financial statements of Chinainfo Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiary companies are set out in note 17 to the financial statements.

An analysis of the Group's turnover and contributions to results by principal activities for the year is set out in the note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 30.

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the statements of the changes in equity on pages 33 to 34.

FIXED ASSETS

Details of the movement in fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2006, the Company's reserves available for distribution amounted to HK$38,650,213 (2005: HK$10,484,441).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights either under the Company's Articles of Association, or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

FINANCIAL INFORMATION SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased its own shares on the Growth Enterprise Market ("GEM") as follows:

Month of repurchases	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
August 2005	200,000	0.330	0.315	64,500
September 2005	90,000	0.330	0.330	29,700
	290,000			94,200

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.

SHARE OPTIONS SCHEME

Prior to the listing of the Company's shares on the GEM, the Board was authorised to grant options to certain directors, an ex-consultant, an ex-management shareholder and certain employees of the Group to subscribe for an aggregate of 20,000,000 ordinary shares in the Company, representing 3.9% of the shares of the Company in issue as at 31 March 2006, under the terms of the pre-IPO share option scheme on 28 October 2002 (the "Pre-IPO Share Options Scheme") and the price payable for each share on exercise of such options granted is HK$0.21, representing 70% of the offer price per share of the Company to the public.

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain directors, an ex-consultant, an ex-management shareholder and certain employees of the Group to the business and growth of the Group.

Save for the options which have been granted under the Pre-IPO Share Option Scheme (see below) on or before 28 October 2002, no further options may be offered, accepted or granted thereunder after 28 October 2002.

The options granted under the Pre-IPO Share Option Scheme were granted to the relevant grantees subject to the receipt by the Company of the sum of HK$1.00 by way of consideration for the grant thereof to such grantee.

SHARE OPTIONS SCHEME (CONTINUED)

Particulars of the options which had been granted under the Pre-IPO Share Option Scheme as at 31 March 2006 were as follows:

				Number of share options					
Name or category of participant	Date of grant	Exercisable period	Exercise price per share	At 1 April 2005	Options granted during the year	Options exercised during the year	Options lapsed during the year [(2)]	Options exercised or cancelled during the year	At 31 March 2006
			HK$						
Directors									
Chan Tan Lui, Danielle	28 October 2002	15 November 2003 to 14 November 2005 [(1)]	0.21	2,500,000	–	–	(2,500,000)	–	–
Choo Kwok How	28 October 2002	15 November 2003 to 14 November 2005 [(1)]	0.21	1,500,000	–	–	(1,500,000)	–	–
Ex-Consultant									
Chan Wing Luk	28 October 2002	15 November 2003 to 14 November 2005 [(1)]	0.21	2,500,000	–	–	(2,500,000)	–	–
Other employees									
In aggregate	28 October 2002	15 November 2003 to 14 November 2005 [(1)]	0.21	1,600,000	–	–	(1,600,000)	–	–
				8,100,000	–	–	(8,100,000)	–	–

SHARE OPTIONS SCHEME (CONTINUED)

Notes:

(1) *Under the terms of the options granted under the Pre-IPO Share Option Scheme, these options can only be exercised by the grantees in the following manner:*

Commencement date when the options become exercisable	***Proportion of options granted under the Pre-IPO Share Option Scheme that can be exercised***
the date falling 12 months after 15 November 2002 (the "Listing Date")	*50%*
the date falling 18 months after the Listing Date	*25%*
the date falling 24 months after the Listing Date	*25%*

(2) *In accordance with the Pre-IPO Share Option Scheme, the grantee of an option ceases to be an eligible participant due to termination of relationship with the Company or its subsidiaries. The grantee may exercise the option up to his entitlement at the date of cessation of his relationship within the period of three months following the date of such cessation.*

During the year, all pre-IPO share options have been lapsed.

On 28 October 2002, the Company conditionally adopted a further share option scheme (the "Share Option Scheme") whereby full-time employees, executive or officers, directors of the Group and any suppliers, contractors, consultants, agents and/or advisers who, in the absolute determination of the Directors, will contribute or have contributed to the Group may be granted options to subscribe for shares of the Company. The Share Option Scheme became unconditional upon the listing of the Company's shares on the GEM on 15 November 2002. Summary of the Share Option Scheme is as follows:

(a) **Purpose and Participants of the Share Option Scheme**

The purpose of the Share Option Scheme is to enable the Company to grant options to full-time employees, executive or officers, directors of the Group and any suppliers, contractors, consultants, agents and/or advisers who, in the absolute determination of the Directors, will contribute or have contributed to the Group (the "Eligible Participant").

At the forthcoming annual general meeting, an ordinary resolution will be proposed to make amendments to the Share Option Scheme by extending the definition of the Eligible Participant in the Share Option Scheme to allow any substantial shareholders (as defined under the GEM Listing Rules), part-time employees, Non-Executive Directors (including Independent Non-Executive Directors) of the Group or any entity in which any member of the Group holds any equity interest.

The Board believes that the proposed amendments would enhance the ability of the Group in attracting and retaining high calibre part-time employees for the development of the Group's business and providing comparable incentives to part-time employees as provided for the full-time employees, taking into account that there has been a general trend in the employment market, especially in the computer and information technology industry in which the Group operates, that more people are willing or prefer to take up part-time instead of full-time employment.

SHARE OPTIONS SCHEME (CONTINUED)

(b) Maximum number of shares

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the Shareholders.

The limit of the Share Option Scheme was refreshed by a resolution of the shareholders at the annual general meeting of the Company held on 30 July 2004 pursuant to which the Directors were allowed to grant further options under the Share Option Scheme carrying the right to subscribe for a maximum of 40,000,000 Shares, being 10% of the shares in issue as at the date of the aforesaid resolution.

Subject to the issue of a circular by the Company and the approval of the shareholders of the Company (the "Shareholders") in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

(i) refresh this limit at any time to 10% of the shares of the Company in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed).

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

(iii) notwithstanding the foregoing, the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiary companies if this will result in the 30% limit being exceeded.

As at the latest practicable date prior to the issue of this report, options to subscribe for a total of 28,000,000 option shares were still outstanding under the Share Option Scheme which represents approximately 4.5% of the issued ordinary shares of the Company.

(c) Maximum number of options to any one individual

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such Eligible Participant and his associates (as defined in the GEM Listing Rules) abstaining from voting and/or other requirements prescribed under the GEM Listing Rules from time to time.

SHARE OPTIONS SCHEME (CONTINUED)

(d) Price of shares

The subscription price for a share of the Company in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

(e) Granting options to connected persons

Any grant of options to a director, chief executive or management shareholder or substantial shareholder of the Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the Independent Non-Executive Directors (excluding the Independent Non-Executive Director who is the grantee of the options).

If the Company proposes to grant options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or any Independent Non-Executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of shares of the Company issued and to be issued upon exercise of options granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the offer; and

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the shares of the Company at the date of each offer,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the GEM Listing Rules from time to time. A connected person (as defined in the GEM Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

(f) Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme by shareholders of the Company by resolution at a general meeting.

SHARE OPTIONS SCHEME (CONTINUED)

(f) Time of exercise of option (Continued)

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

Name or category of participant	Date of grant	Exercisable period	Exercise price per share	Number of share options: At 1 April 2005	Options granted during the year	Options exercised during the year	Options lapsed during the year [1]	Options cancelled during the year	At 31 March 2006
			HK$						
Directors									
Chan Tan Lui, Danielle	17 March 2004	17 September 2004 to 16 March 2014	0.047	4,000,000	–	–	–	–	4,000,000
Choo Kwok How	17 March 2004	17 March 2005 to 16 March 2014	0.047	2,000,000	–	–	–	–	2,000,000
Guo Qi	17 March 2004	17 September 2004 to 16 March 2014	0.047	400,000	–	–	–	–	400,000
Yip Tai Him	17 March 2004	17 September 2004 to 16 March 2014	0.047	400,000	–	–	–	–	400,000
Other employees									
In aggregate	17 March 2004	17 March 2005 to 16 March 2014	0.047	9,900,000	–	(1,700,000)	(200,000)	–	8,000,000
Other Eligible Participants									
In aggregate	17 March 2004	17 March 2005 to 16 March 2014	0.047	600,000	–	(300,000)	–	–	300,000
In aggregate	14 February 2006	14 August 2006 to 13 February 2009	0.34	–	10,000,000	–	–	–	10,000,000
				17,300,000	10,000,000	(2,000,000)	(200,000)	–	25,100,000

SHARE OPTIONS SCHEME (CONTINUED)

(f) Time of exercise of option (Continued)

Notes:

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

During the year, 200,000 share options were lapsed upon the resignation of employee.

(2) The weighted average share price at the date of exercise is HK$0.455 per share.

DIRECTORS

The Directors who held office during the period from 1 April 2005 to the date of this report were:–

Executive Directors

He Chenguang	(Appointed on 28 April 2006)
Xiao Haiping	(Appointed on 17 January 2006)
Chan Tan Lui, Danielle	
Zhang Peng	(Appointed on 16 June 2006)
Choo Kwok How	
Zhang Jialin	(Appointed on 1 June 2005)

Independent Non-Executive Directors

Yip Tai Him
Guo Qi
Chiu Kwok Ching

In accordance with Article 95 of the Articles of Association, Mr. He Chenguang, Mr. Xiao Haiping and Mr. Zhang Peng, being Directors appointed by the Board to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election at that meeting. Accordingly, they shall retire at the forthcoming AGM and, being eligible, they offer themselves for re-election at the AGM.

In accordance with Article 112 of the Articles of Association, one-third of the Directors shall retire from office by rotation. Accordingly, Mr. Choo Kwok How and Ms. Guo Qi shall retire at the AGM and, being eligible, offer themselves for re-election at the AGM.

The terms of office of Independent Non-Executive Directors should be subject to retirement by rotation in accordance with the Company's articles of association.

The Company has received the annual independent confirmation from each of the Independent Non-Executive Directors and considered that all of them satisfied the independence criteria.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company. The employment of each Executive Director under his service contract shall be continuous subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of service of such notice.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. He Chenguang is the Chairman of the board of China Communication Co., Ltd. ("CCC"). CCC is a substantial shareholder of the Company through its wholly owned subsidiary China Communication Investment Limited holding 85,542,000 shares of the Company. During the year, Pro-Concept Development Limited ("Pro-concept"), which is a wholly owned subsidiary of the Company, entered into the CCP Agreement for the license of the Licensed Rights (as defined in the Company's circular dated 15 March 2006) by Pro-concept to China Cyber Port Co. Ltd. ("CCP").

Save as disclosed above, no Director had a significant beneficial interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiary companies were a party at the end of the year or any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 8 to 9.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES AND DEBENTURES

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

	Number of shares held					Number of underlying shares			
Name of Director	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Pre-IPO Share Option Scheme	Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
Chan Tan Lui, Danielle	240,000	82,079,195 *(Note)*	–	–	82,319,195	–	4,000,000	86,319,195	16.81%
Choo Kwok How	–	–	–	–	–	–	2,000,000	2,000,000	0.39%
Yip Tai Him	–	–	–	–	–	–	400,000	400,000	0.08%
Guo Qi	–	–	–	–	–	–	400,000	400,000	0.08%

Notes: These shares are held by Superhero Limited, which is wholly and beneficially owned by Ms. Chan Tan Lui, Danielle.

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

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

		Number of shares held	Number of underlying shares			
Name of Shareholder	**Capacity**	**Interests in shares**	**Pre-IPO Share Option Scheme**	**Share Option Scheme**	**Aggregate interests**	**Approximate percentage of the issued share capital of the Company**
Fu Shing Ki	Beneficial owner	97,001,144	–	–	97,001,144	18.89%
China Communication Investment Limited	Beneficial owner	85,542,000	–	–	85,542,000	16.66%
Superhero Limited *(Note)*	Beneficial owner	82,079,195	–	–	82,079,195	15.98%
Chan Tan Lui, Danielle *(Note)*	Beneficial owner & interest of a controlled corporation	82,319,195	–	4,000,000	86,319,195	16.81%
Chan Wong Kam Fung, Cecilia	Beneficial owner	71,265,798	–	–	71,265,798	13.88%

Note: Superhero Limited is a company wholly and beneficially owned by Ms. Chan Tan Lui, Danielle. By virtue of the SFO, Ms. Chan Tan Lui, Danielle, is deemed to have interest of 82,079,195 shares held by Superhero Limited in addition to 240,000 shares held by herself.

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

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	24.48%
– five largest suppliers	61.11%
Sales (Included the licensing income)	
– the largest customer	61.91%
– five largest customers	95.85%
Sales (Excluded the licensing income)	
– the largest customer	46.70%
– five largest customers	89.11%

Save as disclosed above, none of the Directors, their associates or any shareholder (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

CONTINUING CONNECTED TRANSACTIONS

On 1 February 2006, Pro-Concept Development Limited ("Pro-Concept"), a wholly owned subsidiary of the Company, as licensor entered into a license agreement (the "License Agreement") with CCP as licensee and China Communication Investment Ltd ("CCI") as guarantor of CCP in relation to the licence of certain computer games software and computer game guide books modified into Chinese language for distribution and sale in the PRC for an initial term of three years renewable for another term of three years and two further terms of two years each in return for an annual license payment net of all taxes payable to Pro-Concept during the continuance of the License Agreement in cash. The initial payment will be in the sum of RMB20 million payable to Pro-Concept on 31 December 2006 and will be adjusted annually by a compound increment of 10% to its previous annual payment.

CCI has unconditionally and irrevocably undertaken to Pro-Concept to procure the due and punctual performance by CCP of all its obligations including the annual license payment obligations and to indemnify Pro-Concept against all liabilities under the License Agreement.

As CCI is a substantial shareholder (as defined under the GEM Listing Rules) holding 85,542,000 shares of the Company, representing about 13.67% of the issued shares of the Company as at the latest practicable date prior to issue of this report, and both CCI and CCP are subsidiaries of their parent company, China Communication Co., Ltd., both CCI and CCP are connected persons (as defined under the GEM Listing Rules) of the Company and the on-going License Agreement constitutes a continuing connected transaction among the parties.

CONTINUING CONNECTED TRANSACTION (CONTINUED)

The aforesaid License Agreement has been reviewed by the Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors confirmed that the License Agreement were entered into (a) in the ordinary and usual course of business of the Group; (b) on terms no less favourable to the Group than terms available to or from independent third parties, and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditors of the Company have confirmed that the License Agreement (a) has been approved by the board of directors of the Company, and (b) has been entered into in accordance with the terms of the relevant agreements governing the transactions.

ADVANCES AND FINANCIAL ASSISTANCE TO THE ASSOCIATED COMPANY

As at 31 March 2006, the aggregate advances and financial assistance provided by the Group to 神州速達導航通信資訊(北京)有限公司 (China Star Navigation Communication Information (Beijing) Co., Ltd.) (the "Associated Company") amounted to RMB1,960,000 (equivalent to approximately HK$1,884,615), representing approximately 1.1% of the audited total assets of the Group as at 31 March 2006.

The advance to the Associated Company was made on 5 November 2004 and is unsecured, bearing interest at the rate of 5% per annum. During the year, a supplemental agreement was signed on 4 November 2005 pursuant to which the repayment date of the loan and the interests incurred therein have been extended to 4 November 2006.

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

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

	HK$'000
Non-current assets	6,531
Current assets	5,129
Current liabilities	(3,443)
Net assets	8,217
The group's share of net assets	4,026

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Directors and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of this report.

COMPETING INTERESTS

None of the Directors of the Company had any interest in a business which competes or may compete with the businesses of the Group.

SUBSEQUENT EVENTS

Details of significant events which have been taken place subsequent to the balance sheet date are set out in note 28 to the financial statements.

OTHER MATTERS

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

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

AUDITORS

The financial statements have been audited by Baker Tilly Hong Kong Limited who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board
He Chenguang
Chairman

Hong Kong, 16 June 2006

AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHINAINFO HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 30 to 58 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March 2006 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BAKER TILLY HONG KONG LIMITED
Certified Public Accountants
Chan Cheuk Chi
Practising Certificate number P01137

Hong Kong, 16 June 2006

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	**2006** **HK$**	2005 HK$
Turnover	*5*	**7,765,796**	4,569,961
Cost of sales		**(4,322,010)**	(1,451,860)
Gross profit		**3,443,786**	3,118,101
Other revenue		**396,208**	33,481
Selling expenses		**(263,100)**	(331,496)
Administrative expenses		**(5,881,756)**	(3,889,804)
Other operating expenses		**(3,066,841)**	(1,648,508)
Operating loss	*6*	**(5,371,703)**	(2,718,226)
Finance costs	*7*	**(353,524)**	–
Share of loss of associated company		**(1,650,448)**	(551,947)
Loss before taxation		**(7,375,675)**	(3,270,173)
Taxation	*8*	**1,115,135**	–
Loss attributable to shareholders		**(6,260,540)**	(3,270,173)
Loss per share for loss attributable to shareholders of the Company during the year	*10*		
– Basic		**(HK1.48 cents)**	(HK0.82 cent)
– Diluted		**N/A**	N/A

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	2006 HK$	2005 HK$
NON-CURRENT ASSETS			
Fixed assets	*13*	**452,388**	103,621
Deferred tax assets	*14*	**1,115,135**	–
Intangible assets	*15*	**146,250,000**	–
Investments in associated company	*16(a)*	**4,026,008**	5,569,353
		151,843,531	5,672,974
CURRENT ASSETS			
Loan receivable from associated company	*16(b)*	**1,884,615**	1,850,436
Accounts receivable	*18*	**21,360**	30,080
Amount due from a related company	*19*	**4,807,692**	–
Deposits and prepayments		**412,164**	221,945
Cash and bank balances		**2,850,589**	4,683,667
		9,976,420	6,786,128
CURRENT LIABILITIES			
Accounts payable	*20*	**–**	5,370
Accrued expenses		**147,189**	239,287
Convertible bonds	*21*	**4,805,083**	–
Receipts in advance and other payables		**41,497**	124,905
		4,993,769	369,562
NET CURRENT ASSETS		**4,982,651**	6,416,566
TOTAL ASSETS LESS CURRENT LIABILITIES		**156,826,182**	12,089,540
NON-CURRENT LIABILITIES			
Promissory notes	*23*	**69,733,626**	–
NET ASSETS		**87,092,556**	12,089,540
FINANCED BY			
Share capital	*22*	**5,135,520**	4,000,000
Reserves		**81,957,036**	8,089,540
TOTAL EQUITY		**87,092,556**	12,089,540

He Chenguang
Director

Chan Tan Lui, Danielle
Director

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 MARCH 2006

	Notes	2006 HK$	2005 HK$
NON-CURRENT ASSETS			
Investments in subsidiary companies	*17*	**48,134,229**	10,585,794
CURRENT ASSETS			
Cash and bank balances		**479,556**	3,922,647
CURRENT LIABILITIES			
Accrued expenses		**22,969**	24,000
Convertible bonds		**4,805,083**	–
		4,828,052	24,000
NET CURRENT (LIABILITIES)/ASSETS		**(4,348,496)**	3,898,647
TOTAL NET ASSETS		**43,785,733**	14,484,441
FINANCED BY			
Share capital	*22*	**5,135,520**	4,000,000
Reserves		**38,650,213**	10,484,441
TOTAL EQUITY		**43,785,733**	14,484,441

He Chenguang
Director

Chan Tan Lui, Danielle
Director

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY OF THE GROUP AND THE COMPANY

FOR THE YEAR ENDED 31 MARCH 2006

Group

	Share capital HK$	Share premium HK$	Merger reserve HK$	Capital surplus HK$	Asset revaluation reserve HK$	Exchange revaluation reserve HK$	Convertible bond reserve HK$	Employee share-based compensation reserve HK$	Accumulated losses HK$	Total 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 by the major investor of 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 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 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

Company

	Share capital HK$	Share premium HK$	Convertible bond reserve HK$	Employee share-based compensation reserve HK$	Accumulated losses HK$	Total HK$
Balance as at 1 April 2004	4,000,000	15,195,487	–	–	(2,143,313)	17,052,174
Loss for the year	–	–	–	–	(2,567,733)	(2,567,733)
Balance as at 1 April 2005	4,000,000	15,195,487	–	–	(4,711,046)	14,484,441
Loss for the year	–	–	–	–	(5,506,368)	(5,506,368)
Issue of shares	1,118,420	33,353,340	–	–	–	34,471,760
Employees share option scheme						
– value of employee services	–	–	–	317,241	–	317,241
– proceeds from shares issued	20,000	74,000	–	–	–	94,000
Convertible bonds issuing expenses	–	–	(100,000)	–	–	(100,000)
Share issue expenses	–	(329,582)	–	–	–	(329,582)
Repurchases of shares	(2,900)	(91,300)	–	–	–	(94,200)
Equity component for the convertible bonds issued during the year	–	–	448,441	–	–	448,441
Balance as at 31 March 2006	5,135,520	48,201,945	348,441	317,241	(10,217,414)	43,785,733

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 HK$	2005 HK$
Cash flows from operating activities	*25*	**(6,433,824)**	(2,910,158)
Interest paid		**(100,000)**	–
Net cash used in operating activities		**(6,533,824)**	(2,910,158)
Cash flows from investing activities			
Purchases of fixed assets		**(465,588)**	(44,361)
Purchases of intangible assets		**(10,000,000)**	–
Loan advance to an associated company		**–**	(1,850,436)
Interest received		**76,116**	1,630
Net cash used in investing activities		**(10,389,472)**	(1,893,167)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**263,000**	–
Repurchase of shares		**(94,200)**	–
Issue of shares on placing		**10,257,000**	–
Issue of shares on exercise of share options		**94,000**	–
Issuing expenses paid		**(429,582)**	–
Proceeds from issuance of convertible bonds		**5,000,000**	–
Net cash generated from financing activities		**15,090,218**	–
Net decrease in cash and cash equivalents		**(1,833,078)**	(4,803,325)
Cash and cash equivalents at beginning of the year		**4,683,667**	9,486,992
Cash and cash equivalents at end of the year		**2,850,589**	4,683,667
Analysis of cash and cash equivalents			
Cash and bank balances		**2,850,589**	4,683,667

Non-cash transactions

1. During the year, the license was acquired for a consideration of HK$150,000,000, of which an amount of HK$116,048,240 was financed by the issue of promissory note and an amount of HK$23,951,760 was financed by the issue of ordinary shares.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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 report, 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 hyperinflationery economies

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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.

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill net of any accumulated impairment loss identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized as a separate component of equity (the exchange revaluation reserve). Such exchange differences are recognized in income statement in the period in which the foreign operation is disposed of.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

2.6 Intangible assets

Licenses have a definite useful life and are carried at their revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the carrying amounts of the licenses over their estimated useful lives.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Accounts receivable

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.10 Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the financial liabilities using the effective interest method.

(a) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

(b) Promissory note

The note is initially recognized at the fair value of the consideration received less directly attributable costs. After initial recognition, the note is carried at amortized cost using the effective interest method, i.e. by discounting the expected cash flows at prevailing interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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 offset 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.

2.12 Employee benefits

(a) *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.

(b) *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.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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 recognized on a time-proportion basis using the effective interest method.

Licensing income is recognized on pro-rata and accruals basis as stipulated in the relevant agreements.

2.14 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.

2.15 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 considered to be related if they are subject to common control or common significant influence.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Credit risk*

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and provision of services are made to customers with an appropriate credit history.

(b) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(c) *Fair value interest rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from promissory note which is interest free, will expose the Group to fair value interest-rate risk. At the year end, 9% of borrowings were at fixed rates.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

The nominal value less estimated credit adjustments of accounts receivable and accounts payable are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are mainly share-based payments.

The fair value of option granted is estimated by independent professional valuers based on various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimates of the fair value of the share options at date of grant.

5. 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 and courses		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
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 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 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.

5. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

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

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

5. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

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

Segment Revenue and Results

	Hong Kong		PRC		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Turnover	**2,958,104**	4,569,961	**4,807,692**	–	**7,765,796**	4,569,961
Segment results	**2,386,094**	3,118,101	**1,057,692**	–	**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 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)

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

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

6. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	2006 HK$	2005 HK$
Crediting:		
Interest income	**76,116**	1,630
Charging:		
Auditors' remuneration	**90,000**	100,000
Depreciation (Note 13)	**116,821**	191,729
Amortization (Note 15)	**3,750,000**	–
Operating leases in land and buildings	**934,297**	300,362
Employee benefit expense (Note 12)	**4,472,375**	3,403,943

7. FINANCE COSTS

	2006 HK$	2005 HK$
Interest expense for convertible bonds wholly repayable within five years	**353,524**	–

8. 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 HK$	2005 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)**	–

9. 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).

10. 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.

	2006 HK$	2005 HK$
Loss attributable to equity holders of the Company	**(6,260,540)**	(3,270,173)
Weighted average number of ordinary shares in issue	**423,933,836**	400,000,000
Basic loss per share (cents per share)	**(1.48)**	(0.82)

11. DIVIDENDS

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

12. EMPLOYEE BENEFIT EXPENSE

	2006 HK$	2005 HK$
Wages and salaries	**4,041,733**	3,299,139
Share options granted	**317,241**	–
Pension costs – defined contribution plans	**113,401**	104,804
	4,472,375	3,403,943

(a) **Pensions – defined contribution plans**

No forfeited contributions were utilized during the year nor available at year end to reduce future contributions (2005: Nil).

12. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Directors' emoluments

The remuneration of the director for the year ended 31 March 2006 is set out below:

Name of Director	Fees HK$	Salary HK$	Employer's contribution to pension scheme HK$	Total HK$
He Chenguang (a)	–	–	–	–
Xiao Haiping (b)	–	198,710	3,000	201,710
Chan Tan Lui, Danielle	–	1,200,000	12,000	1,212,000
Zhang Peng (c)	–	–	–	–
Choo Kwok How	–	342,000	12,000	354,000
Zhang Jialin (d)	–	500,000	10,000	510,000
Yip Tai Him	–	–	–	–
Guo Qi	–	–	–	–
Chiu Kwok Ching	–	–	–	–
	–	2,240,710	37,000	2,277,710

The remuneration of every Director for the year ended 31 March 2005 is set out below:

Name of Director	Fees HK$	Salary HK$	Discretionary bonuses HK$	Employer's contribution to pension scheme HK$	Total HK$
Chan Tan Lui, Danielle	–	1,200,000	100,000	12,000	1,312,000
Choo Kwok How	–	240,400	24,000	9,920	274,320
Wu Wing Kin (e)	–	68,000	–	2,400	70,400
Kwok Chi Kin (f)	–	66,000	–	2,000	68,000
Yip Tai Him	–	–	–	–	–
Guo Qi	–	–	–	–	–
Chiu Kwok Ching	–	–	–	–	–
	–	1,574,400	124,000	26,320	1,724,720

Notes:
(a) Appointed on 28 April 2006.
(b) Appointed on 17 January 2006.
(c) Appointed on 16 June 2006.
(d) Appointed on 1 June 2005.
(e) Resigned on 8 June 2004.
(f) Resigned on 18 May 2004.

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.

12. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: three) individual during the year are as follows:

	2006	2005
	HK$	HK$
Basic salaries, allowances and benefit in kinds	**201,290**	472,233
Bonuses	**–**	–
Retirement benefit costs	**3,000**	21,160
	204,290	493,393

The emoluments of the employee fell within the following bands:

	Number of Individuals	
	2006	2005
Emolument bands		
HK$ Nil to HK$1,000,000	**1**	3

13. FIXED ASSETS

	Group			
	Computer equipment	**Leasehold improvements**	**Equipment, furniture and fixtures**	**Total**
	HK$	HK$	HK$	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)
At 31 March 2006	**1,931,542**	**361,270**	**168,207**	**2,461,019**
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)
At 31 March 2006	**1,866,992**	**41,279**	**100,360**	**2,008,631**
Net book value				
At 31 March 2006	**64,550**	**319,991**	**67,847**	**452,388**
At 31 March 2005	73,534	–	30,087	103,621

14. DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The gross movement on the deferred income tax account is as follows:

	Group	
	2006	2005
	HK$	HK$
Beginning of the year	**–**	–
Recognised in the income statement (Note 8)	**(1,115,135)**	–
End of the year	**(1,115,135)**	–

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Group
	Accelerated tax
	HK$
At 1 April 2005	–
Recognised in the income statement	9,204
At 31 March 2006	**9,204**

Deferred tax assets:

	Group
	Tax losses
	HK$
At 1 April 2005	–
Recognised in the income statement	(1,124,339)
At 31 March 2006	**(1,124,339)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. In the previous year, no deferred tax is recognized as the Group has not received the confirmation from the Inland Revenue on the exact amount of tax loss. In the current year, the Group has received the assessment for one of the subsidiary from the Inland Revenue that tax loss HK$7,304,000 can be carried forward to offset the chargeable profits in the future, therefore deferred tax assets of HK$1,124,000 are recognized.

Apart from the above, the Group did not recognize deferred income tax assets of HK$2,713,000 (2005: HK$2,696,000) in respect of losses of the Company and other subsidiaries amounting to HK$15,505,000 (2005: HK$15,409,000) that can be carried forward against future taxable income.

15. INTANGIBLE ASSETS

	Licences HK$
At 1 April 2005	
Revalued amount	–
Accumulated amortization and impairment	–
Net book amount	–
Year ended 31 March 2006	
Opening net book amount	–
Additions	150,000,000
Amortization expense (Note 6)	(3,750,000)
Closing net book amount	146,250,000
At 31 March 2006	
Revalued amount	150,000,000
Accumulated amortization and impairment	(3,750,000)
Net book amount	146,250,000

Amortization expense of HK$3,750,000 (2005: Nil) has been expensed in the cost of sales.

The licenses has been revalued by the independent valuer, Grant Sherman Appraisal Limited, as at 31 December 2005.

Details on the licensed right has been included in the circular of the Company dated 15 March 2006.

16. INVESTMENTS IN ASSOCIATED COMPANY

(a) **Interests in associated company**

	Group	
	2006 **HK$**	2005 HK$
At 1 April	**5,569,353**	4,622,641
Share of capital surplus	**–**	1,498,659
Share of associate's results		
– loss before taxation	**(1,650,448)**	(551,947)
Exchange difference	**107,103**	–
At 31 March	**4,026,008**	5,569,353

16. INVESTMENTS IN AN ASSOCIATED COMPANY (CONTINUED)

(a) **Interests in an associated company** (Continued)

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 associated company**

The balance is unsecured, bearing interest at the rate of 5% per annum. During the year, a supplemental agreement was signed on 4 November 2005 pursuant to which the repayment date of the loan and the interests incurred therein has been extended to 4 November 2006.

17. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2006	2005
	HK$	HK$
Unlisted shares, at cost	**3,293,008**	3,293,008
Amounts due from subsidiary companies	**45,019,015**	8,157,816
Amounts due to subsidiary companies	**(177,794)**	(865,030)
	48,134,229	10,585,794

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

17. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the Company's subsidiary companies at 31 March 2006 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*

18. 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.

19. 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.

20. ACCOUNTS PAYABLE

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

21. CONVERTIBLE BONDS

In May 2005, the Company issued convertible bonds with a nominal value of HK$5 million bearing an 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 the 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 convertible 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	2005
	HK$	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 7)	**353,524**	–
Interest repaid	**(100,000)**	
Liability component, at fair value, at the end of the year	**4,805,083**	–

22. SHARE CAPITAL

(a) Share capital

	Company	
	2006	2005
	HK$	HK$
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	**10,000,000**	10,000,000
Issued and fully paid:		
513,552,000 ordinary shares of HK$0.01 each	**5,135,520**	4,000,000

22. SHARE CAPITAL (CONTINUED)

(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.

23. PROMISSORY NOTES

	Group	
	2006	2005
	HK$	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.

24. RELATED PARTY TRANSACTIONS

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

	2006	2005
	HK$	HK$
Amounts due from a related company	**4,807,692**	–
Loan receivable from associated company (Note 16 (b))	**1,884,615**	1,850,436
Promissory note payable to a shareholder (Note 23)	**69,733,626**	–
Licensing income from a related company (Note 5)	**4,807,692**	–

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.

25. CASH GENERATED FROM OPERATIONS

	2006 HK$	2005 HK$
Loss before taxation	**(7,375,675)**	(3,270,173)
Adjustments for:		
Depreciation (Note 13)	**116,821**	191,729
Amortization (Note 15)	**3,750,000**	–
Fair value for share options granted	**317,241**	–
Interest income (Note 6)	**(76,116)**	(1,630)
Interest expense (Note 7)	**353,524**	–
Share of loss from associates (Note 16(a))	**1,650,448**	551,947
	(1,263,757)	(2,528,127)
Changes in working capital:		
Accounts receivable	**8,720**	(11,640)
Amount due from a related company	**(4,807,692)**	–
Deposits and prepayments	**(190,219)**	524,649
Accounts payable	**(5,370)**	(1,496)
Accrued expenses	**(92,098)**	95,100
Receipts in advance and other payables	**(83,408)**	(988,644)
	(6,433,824)	(2,910,158)

26. 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	
	2006 HK$	2005 HK$
Within one year	**806,598**	551,845
In the second to fifth year inclusive	**288,552**	–
	1,095,150	551,845

27. CAPITAL COMMITMENTS

As at 31 March 2006, the Group has a capital commitment to contribute remaining amount of HK$800,000 for the capital of its wholly owned subsidiary, 神州資訊(深圳)有限公司.

28. POST BALANCE SHEET EVENTS

(a) 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 the shares of the Company at the conversion price of HK$0.42 per share. 11,904,761 shares of the Company were therefore issued and allotted to the holder of the convertible bonds.

(b) On 15 May 2006, China Communication Investment Limited ("CCI") and Superhero Limited ("Superhero") entered into a placing and subscription agreement with VC Brokerage Limited (the "Placing Agent") pursuant to which the Placing Agent agreed with CCI and Superhero to place up to a total of 100,000,000 existing shares, out of which 85,540,000 existing shares beneficially owned by CCI to be placed to the exclusion and before 14,460,000 existing shares beneficially owned by Superhero, at the placing price of HK$1.50 per existing share to not less than six placees who will be third parties independent of the Group and its connected persons on a best effort basis (the "Placing and Subscription Agreement").

Under the Placing and Subscription Agreement, CCI and Superhero agreed to subscribe for the subscription shares, which are equal to the number of the placing shares that they placed respectively under the placing.

The Placing Agent has successfully placed a total of 97,230,000 existing shares on behalf of CCI and Superhero to sixteen placees, comprising institutional and individual investors who are independent of and not connected with any of the Directors, chief executives, substantial shareholders or management shareholders of the Company or an associate of any of them, at the placing price of HK$1.50 per existing share. Completion of the placing took place on 19 May 2006.

The Company has obtained approval from the GEM Listing Committee for the listing of, and permission to deal in, the 97,230,000 subscription shares.

The subscription was completed on 26 May 2006.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 16 June 2006.