



**Chinainfo Holdings Limited**  
**神州資訊控股有限公司\***

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



**2006**  
Interim Report

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

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*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.*

## HIGHLIGHTS

- Turnover of the Group for the six months ended 30 September 2006 was approximately HK\$10,411,000.
- Net loss attributable to shareholders was approximately HK\$5,928,000 for the six months ended 30 September 2006.
- Loss per share for the six months ended 30 September 2006 was approximately HK0.99 cent.
- The board of the Directors (the "Board") does not recommend any payment of dividend for the six months ended 30 September 2006.

The Directors hereby present the unaudited interim results of the Company together with its subsidiaries (collectively the "Group") for the six months ended 30 September 2006.

## FINANCIAL PERFORMANCE

The Group recorded total turnover of approximately HK\$10,411,000 for the six months ended 30 September 2006, representing an increase of approximately 709% as compared to approximately HK\$1,287,000 for the six months ended 30 September 2005. Approximately 92.4% and 7.4% of the turnover for the six months ended 30 September 2006 were attributable to the licensing income for license of the licensed rights and provision of real-time financial information services respectively.

The Group incurred a net loss attributable to shareholders of approximately HK\$5,928,000 for the six months ended 30 September 2006 as compared to approximately HK\$2,757,000 for the corresponding period in 2005. The increase of net loss was mainly attributable to the increase of administrative expenses and other operating expenses.

## **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 enables the Group to capture such development opportunity.

### **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 six months ended 30 September 2006, the revenue derived from the license of the Licensed Rights was approximately HK\$9,615,000. No revenue was derived from the license of the Licensed Rights for the corresponding period in 2005.

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

For the six months ended 30 September 2006, the revenue derived from the provision of real-time financial information services was approximately HK\$767,000 as compared to approximately HK\$726,000 for the corresponding period in 2005. The revenue derived from this source is relatively stable.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVENUE AND PROFITABILITY**

The Group recorded a turnover of approximately HK\$10,411,000 for the six months ended 30 September 2006 (for the six months ended 30 September 2005: approximately HK\$1,287,000), representing an increase of approximately 709% as compared to the corresponding period in 2005. Approximately 92.4% and 7.4% (for the six months ended 30 September 2005: approximately 0% and 56.4%) of turnover for the six months ended 30 September 2006 were attributable to licensing income for the license of the Licensed Rights and provision of real-time financial information services respectively.

The Group's gross profit for the six months ended 30 September 2006 amounted to approximately HK\$2,869,000 (for the six months ended 30 September 2005: approximately HK\$1,060,000), representing an increase of approximately 171% as compared to the corresponding period in 2005 whilst the Group's gross profit margin decreased to 27.6% (for the six months ended 30 September 2005: 82.4%), representing a decrease of approximately 54.8% as compared to the corresponding period in 2005. The lower gross profit margin of the Group for the six months ended 30 September 2006 was mainly attributable to the relatively low profit margin from licensing income.

Selling, administrative and other operating expenses for the six months ended 30 September 2006 was approximately HK\$9,135,000 as compared to approximately HK\$3,067,000 for the corresponding period in 2005. 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\$5,928,000 for the six months ended 30 September 2006 as compared to approximately HK\$2,757,000 for the six months ended 30 September 2005. The increase of the net loss was mainly attributable to the increase in administrative and other operating expenses.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group did not have any borrowings outstanding (as at 31 March 2006: the Group had outstanding convertible bonds at a nominal value of HK\$5 million with a discount value of approximately HK\$4.8 million and promissory note at a nominal value of approximately HK\$116 million with a discount value of approximately HK\$69.7 million). The Group did not have any committed borrowing facilities as at 30 September 2006 (as at 31 March 2006: Nil).

### Repayment of promissory note

Pursuant to the CCI Agreement, part of the consideration for the Licensed Rights was satisfied by Pro-Concept issuing a promissory note (the "Promissory Note") in the principal sum of approximately HK\$116.05 million to China Communication Investment Limited ("CCI").

On 22 June 2006, the Board and CCI agreed to terminate the Promissory Note with effect upon payment to CCI in cash a sum of HK\$69,911,478. Such amount was paid by the Company on that same date from the net proceeds of the Top-up Placing which was sufficient for the said purpose. Such sum of HK\$69,911,478 was determined with reference to the carrying value of the Promissory Note which is estimated to be about HK\$69.73 million as at 31 March 2006 and calculated by discounting the expected future cash flows at the agreed borrowing rate of 5.1% per annum with CCI.

As at 30 September 2006, the Group had net current assets of approximately HK\$91,483,000 (as at 31 March 2006: approximately HK\$4,983,000). The Group's current assets consisted of cash and cash equivalents of approximately HK\$72,804,000 (as at 31 March 2006: approximately HK\$2,851,000), amount due from a related company of approximately HK\$14,423,000 (as at 31 March 2006: approximately HK\$4,808,000), loan receivables from an associated company of approximately HK\$1,884,000 (as at 31 March 2006: approximately HK\$1,884,000), deposits and prepayments of approximately HK\$2,544,000 (as at 31 March 2006: approximately HK\$412,000) and accounts receivable of approximately HK\$30,000 (as at 31 March 2006: approximately HK\$21,000). The Group's current liabilities consisted of accrued expenses of approximately HK\$160,000 (as at 31 March 2006: approximately HK\$147,000) and receipts in advance and other payables of approximately HK\$41,000 (as at 31 March 2006: approximately HK\$41,000).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 0.086% as at 30 September 2006 as compared to 46.2% as at 31 March 2006.

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

## **CAPITAL STRUCTURE**

During the period, 121,534,761 new ordinary shares were issued and allotted by the Company, among which 97,230,000 new ordinary shares were issued and allotted by a top-up placing in May 2006, 12,400,000 new ordinary shares were issued upon the exercise of share options and 11,904,761 new ordinary shares were issued upon the conversion of convertible bonds in April 2006.

On 15 May 2006, 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, 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. The net proceeds of the Top-up Placing amounts to approximately HK\$142.8 million and was used by the Group to repay the outstanding of the promissory note.

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.

## **CHARGE ON ASSETS**

The Group did not have any charge on its assets as at 30 September 2006 and 31 March 2006.

## **EMPLOYEES**

As at 30 September 2006, the Group had 17 employees (as at 30 September 2005: 19). The staff costs for the six months ended 30 September 2006 was approximately HK\$5,082,000 (for the six months ended 30 September 2005: approximately HK\$1,834,000). 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**

Reference is made to the announcement (the "Announcement") issued by the Company on 26 October 2006. Terms used herein shall have the same meanings as in the Announcement unless otherwise stated.

Success Advantage Investments Limited ("Success Advantage"), a wholly-owned subsidiary of the Company, entered into the SA Agreement with CCI and China Communication Co., Ltd. ("CCC") pursuant to which Success Advantage has conditionally agreed to acquire, at a consideration of HK\$620,000,000, the right to receive the net revenue from CCI for the period between 1 January 2007 and 10 August 2009.

The Board considers that the terms and conditions of the SA Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Details of the Acquisition have been set out in the announcement issued by the Company dated 26 October 2006.

Save as disclosed above, the Group did not have any plan for material investments or capital assets as at 30 September 2006.

## **FOREIGN CURRENCY RISK**

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi and the assets and liabilities of the Group were mainly 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 30 September 2006 and 31 March 2006.



## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and for the six months ended 30 September 2006

	Notes	Three months ended 30 September		Six months ended 30 September	
		2006 (Unaudited) HKD	2005 (Unaudited) HKD	2006 (Unaudited) HKD	2005 (Unaudited) HKD
Turnover	3	5,216,844	704,134	10,411,138	1,286,907
Cost of sales		<u>(3,771,300)</u>	<u>(127,180)</u>	<u>(7,541,790)</u>	<u>(226,500)</u>
Gross profit		1,445,544	576,954	2,869,348	1,060,407
Gain on derecognition of promissory note		-	-	693,818	-
Other revenue	3	558,838	92,470	1,020,855	158,674
Selling expenses		-	(69,801)	-	(154,348)
Administrative expenses		(3,241,488)	(1,160,194)	(5,773,781)	(2,279,851)
Other operating expenses		<u>(2,615,659)</u>	<u>(336,038)</u>	<u>(3,361,540)</u>	<u>(632,855)</u>
Operating loss	4	(3,852,765)	(896,609)	(4,551,300)	(1,847,973)
Finance costs	5	-	(50,000)	(880,261)	(70,968)
Share of loss of associated company		<u>(167,715)</u>	<u>(401,940)</u>	<u>(496,846)</u>	<u>(838,364)</u>
Loss before income tax		(4,020,480)	(1,348,549)	(5,928,407)	(2,757,305)
Income tax	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss attributable to shareholders		<u>(4,020,480)</u>	<u>(1,348,549)</u>	<u>(5,928,407)</u>	<u>(2,757,305)</u>
Loss per share – basic	7	<u>HK0.64 cent</u>	<u>HK0.32 cent</u>	<u>HK0.99 cent</u>	<u>HK0.66 cent</u>
Loss per share – diluted	7	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Notes	30 September 2006 (Unaudited) HKD	31 March 2006 (Audited) HKD
<b>Non-current assets</b>			
Fixed assets	9	277,623	452,388
Deferred tax assets		1,115,135	1,115,135
Intangible assets	10	138,750,000	146,250,000
Investment in an associated company	11(a)	3,529,162	4,026,008
		<hr/>	<hr/>
		143,671,920	151,843,531
<b>Current assets</b>			
Loan receivable from an associated company	11(b)	1,884,615	1,884,615
Accounts receivable	12	29,760	21,360
Amounts due from a related company		14,423,077	4,807,692
Deposits and prepayments		2,543,594	412,164
Cash and bank balances		72,803,677	2,850,589
		<hr/>	<hr/>
		91,684,723	9,976,420
<b>Current liabilities</b>			
Accrued expenses		160,221	147,189
Convertible bonds	13	–	4,805,083
Receipts in advance and other payables		41,497	41,497
		<hr/>	<hr/>
		201,718	4,993,769
<b>Net current assets</b>			
		<hr/>	<hr/>
		91,483,005	4,982,651
<b>Total assets less current liabilities</b>			
		<hr/>	<hr/>
		235,154,925	156,826,182
<b>Promissory note</b>			
	14	–	69,733,626
		<hr/>	<hr/>
<b>Total net assets</b>			
		<hr/>	<hr/>
		235,154,925	87,092,556
<b>Capital and reserves</b>			
Share capital	15	6,350,868	5,135,520
Reserves		228,804,057	81,957,036
		<hr/>	<hr/>
<b>Total equity</b>			
		<hr/>	<hr/>
		235,154,925	87,092,556

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HKD	HKD
Net cash used in operating activities	(6,850,721)	(12,969,240)
Net cash generated from investing activities	1,020,827	814,297
Net cash generated from financing activities	75,782,982	15,076,118
Increase in cash and cash equivalents	69,953,088	2,921,175
Cash and cash equivalents at beginning of the period	2,850,589	4,683,667
Cash and cash equivalents at end of the period	<u>72,803,677</u>	<u>7,604,842</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>72,803,677</u>	<u>7,604,842</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Share capital (Unaudited) HKD	Share premium (Unaudited) HKD	Merger reserve (Unaudited) HKD	Capital surplus (Unaudited) HKD	Asset revaluation reserve (Unaudited) HKD	Exchange revaluation reserve (Unaudited) HKD	Convertible bond reserve (Unaudited) HKD	Share-based compensation reserve (Unaudited) HKD	Accumulated losses (Unaudited) HKD	Total (Unaudited) HKD
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 period	-	-	-	-	-	-	-	-	(2,757,305)	(2,757,305)
Issue of shares	263,000	10,257,000	-	-	-	-	-	-	-	10,520,000
Employees share option scheme - proceeds from share issue	17,000	62,900	-	-	-	-	-	-	-	79,900
Convertible bond issuing expenses	-	-	-	-	-	-	(100,000)	-	-	(100,000)
Share issue expenses	-	(329,582)	-	-	-	-	-	-	-	(329,582)
Repurchase of shares	(2,900)	(91,300)	-	-	-	-	-	-	-	(94,200)
Equity component of convertible bonds issued during the period	-	-	-	-	-	-	448,441	-	-	448,441
<b>Balance as at 30 September 2005</b>	<b>4,277,100</b>	<b>25,094,505</b>	<b>8,320,333</b>	<b>1,498,659</b>	<b>-</b>	<b>-</b>	<b>348,441</b>	<b>-</b>	<b>(19,682,244)</b>	<b>19,856,794</b>
Balance as at										
1 April 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
Loss for the period	-	-	-	-	-	-	-	-	(5,928,407)	(5,928,407)
Conversion of convertible bonds (Note 13)	119,048	4,963,509	-	-	-	-	(348,441)	-	-	4,734,116
Issue of shares	972,300	144,872,700	-	-	-	-	-	-	-	145,845,000
Share issue expenses	-	(3,077,340)	-	-	-	-	-	-	-	(3,077,340)
Share option scheme - recognition of share-based payment	-	-	-	-	-	-	-	3,562,200	-	3,562,200
- proceeds from share issue	124,000	4,071,763	-	-	-	-	-	(1,268,963)	-	2,926,800
<b>Balance as at 30 September 2006</b>	<b>6,350,868</b>	<b>199,032,577</b>	<b>8,320,333</b>	<b>1,498,659</b>	<b>46,314,614</b>	<b>141,282</b>	<b>-</b>	<b>2,610,478</b>	<b>(29,113,886)</b>	<b>235,154,925</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT

### 1. GENERAL

Chinainfo Holdings Limited (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 activity of the Company is investment holding. The Group was principally engaged in the licensing of licensed rights, the operation of a 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. BASIS OF PRESENTATION

The unaudited condensed financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Hong Kong Stock Exchange.

This condensed consolidated financial information should be read in conjunction with the 2006 annual financial statements. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2006. This condensed consolidated financial information has been prepared under the historical cost convention. The condensed consolidated financial information are unaudited but have been reviewed by the Company's audit committee.

During the period, the Group adopted the following new Hong Kong Financial Reporting Standards (the "New HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretation ("HK (SIC)-Ints") (collectively the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods commencing on or after 1 December 2005/1 January 2006/1 March 2006:

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

The adoption of these New HKFRSs did not result in substantial changes to the accounting policies and the methods of computation used in the condensed consolidated financial information. As there is no material effect on the results for the current or prior accounting periods, no prior period adjustment is required.

As at the date of this report, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	<i>Note a</i>	Capital disclosures
HKFRS 7	<i>Note a</i>	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	<i>Note b</i>	Scope of HKFRS 2
HK(IFRIC)-Int 9	<i>Note c</i>	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	<i>Note c</i>	Interim Financial Reporting and Impairment

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

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

*Note c:* effective for annual periods beginning on or after 1 November 2006

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

The condensed consolidated financial information is presented in Hong Kong dollars ("HKD") unless otherwise stated.

### 3. SEGMENT INFORMATION

The Group is principally engaged in licensing the licensed rights and providing real-time financial news and up-to-date financial market commentaries and recommendations through multimedia.

#### (a) Primary reporting format – business segments

The following tables present revenue and operating results for the Group's business segments for the six months period ended 30 September 2006 and 30 September 2005:

	Licensing income		Financial information		Financial seminars and courses		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD
Turnover	9,615,385	-	766,581	725,947	-	560,960	29,172	-	10,411,138	1,286,907
Segment results	2,115,385	-	724,791	631,747	-	428,660	29,172	-	2,869,348	1,060,407
Gain on decognition of promissory note									693,818	-
Other revenue									1,020,855	158,674
Unallocated costs									(9,135,321)	(3,067,054)
Operating loss									(4,551,300)	(1,847,973)
Finance costs									(880,261)	(70,968)
Share of loss of associated company									(496,846)	(838,364)
Loss before income tax									(5,928,407)	(2,757,305)
Income tax									-	-
Loss attributable to shareholders									(5,928,407)	(2,757,305)

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

(b) **Secondary reporting format – geographical segments**

The following tables present revenue and operating results for the Group's geographical segments for the six months period ended 30 September 2006 and 30 September 2005:

	Hong Kong		PRC		Total	
	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKD	HKD	HKD	HKD	HKD	HKD
Turnover	<u>795,753</u>	<u>1,286,907</u>	<u>9,615,385</u>	<u>–</u>	<u>10,411,138</u>	<u>1,286,907</u>
Segment results	<u>753,963</u>	<u>1,060,407</u>	<u>2,115,385</u>	<u>–</u>	<u>2,869,348</u>	<u>1,060,407</u>
Gain on derecognition of promissory note					693,818	–
Other revenue					1,020,855	158,674
Unallocated costs					(9,135,321)	(3,067,054)
Operating loss					(4,551,300)	(1,847,973)
Finance costs					(880,261)	(70,968)
Share of loss of associated company					(496,846)	(838,364)
Loss before income tax					(5,928,407)	(2,757,305)
Income tax					–	–
Loss attributable to shareholders					<u>(5,928,407)</u>	<u>(2,757,305)</u>



#### 4. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Three months ended 30 September		Six months ended 30 September	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKD	HKD	HKD	HKD
Crediting:				
Interest income	558,810	25,971	1,020,827	34,174
Gain on derecognition of promissory note	–	–	693,818	–
Management fees	–	66,500	–	124,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Charging:				
Amortisation of intangible assets	3,750,000	–	7,500,000	–
Auditors' remuneration	30,000	22,500	60,000	45,000
Depreciation of fixed assets	86,027	17,161	174,765	34,055
Directors' remuneration	2,137,203	535,000	4,168,002	972,000
Operating leases in buildings	196,728	142,560	373,770	285,120
Staff costs	336,102	382,679	913,655	824,812
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### 5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKD	HKD	HKD	HKD
Fair value changes on promissory note	–	–	871,671	–
Interest expense for convertible bonds wholly repayable within five years	–	50,000	8,590	70,968
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	–	50,000	880,261	70,968
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 6. INCOME TAX

The Group business operations are in Hong Kong and subject to Hong Kong profits tax at the rate of 17.5%. No provision for Hong Kong profits tax has been made, as the Group had an estimated loss for the three months (2005: Nil) and six months (2005: Nil) ended 30 September 2006.

There is no significant unprovided deferred taxation for the three months (2005: Nil) and six months (2005: Nil) ended 30 September 2006.

## 7. LOSS PER SHARE

The calculation of the basic loss per share for the three months and six months ended 30 September 2006 is based on the unaudited consolidated net loss attributable to shareholders of HK\$4,020,480 (2005: HK\$1,348,549) and HK\$5,928,407 (2005: HK\$2,757,305) respectively and on the weighted average number of 629,865,022 (2005: 427,885,109) and 597,073,417 (2005: 420,148,798) issued ordinary shares for the three months and six months ended 30 September 2006 respectively.

No diluted loss per share for the three months (2005: Nil) and six months (2005: Nil) ended 30 September 2006 has been presented as any exercise of the Company's share options would have had an anti-dilutive effect on the loss per share during the three months and six months ended 30 September 2006.

## 8. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months (2005: Nil) and six months (2005: Nil) ended 30 September 2006.

## 9. FIXED ASSETS

	<b>30 September 2006</b> <b>(Unaudited)</b> <i>HKD</i>	<b>31 March 2006</b> <b>(Audited)</b> <i>HKD</i>
Net book amount, beginning of the period/year	452,388	103,621
Additions	–	465,588
Depreciation charge	(174,765)	(116,821)
	<hr/>	<hr/>
Net book amount, end of the period/year	<u>277,623</u>	<u>452,388</u>

## 10. INTANGIBLE ASSETS

	30 September 2006 (Unaudited) HKD	31 March 2006 (Audited) HKD
Net book amount, beginning of the period/year	146,250,000	–
Additions	–	150,000,000
Amortisation	(7,500,000)	(3,750,000)
	<hr/>	<hr/>
Net book amount, end of the period/year	138,750,000	146,250,000

## 11. INVESTMENT IN AN ASSOCIATED COMPANY

### (a) Interest in an associated company

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

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

### (b) Loan receivable from an associated company

The loan receivable is unsecured and bears interest at the rate of 5% per annum. On 4 November 2006, a supplemental agreement was signed pursuant to which the repayment date of the loan, and the interest accrued thereon, has been extended to 4 May 2007.

## 12. ACCOUNTS RECEIVABLE

The balances at 30 September 2006 are all aged less than 30 days (31 March 2006: less than 30 days).

The Group generally grants credit periods to customers range from 7 to 30 days (31 March 2006: 7 days to 30 days).

### 13. CONVERTIBLE BONDS

In May 2005, the Company issued convertible bonds with a value of HK\$5,000,000 bearing interest at a rate of 4.0% per annum, and which mature in May 2007.

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 movement of the liabilities component of the convertible bond for the period/year is set out below:

	<b>30 September 2006</b> <b>(Unaudited)</b> <i>HKD</i>	<b>31 March 2006</b> <b>(Audited)</b> <i>HKD</i>
At the beginning of the period/year	4,805,083	–
New convertible bonds issued	–	4,551,559
Interest	–	353,524
Interest repaid	(70,967)	(100,000)
Conversion	(4,734,116)	–
	<hr/>	<hr/>
At the end of the period/year	<u>–</u>	<u>4,805,083</u>

On 13 April 2006, the convertible bonds, with a principal amount of HK\$5,000,000, were converted into 11,904,761 shares at the conversion price of HK\$0.42 per share.

### 14. PROMISSORY NOTE

	<b>30 September 2006</b> <b>(Unaudited)</b> <i>HKD</i>	<b>31 March 2006</b> <b>(Audited)</b> <i>HKD</i>
At the beginning of the period/year	69,733,626	–
New promissory note issued, nominal amount	–	116,048,240
Changes in fair value	871,671	(46,314,614)
Repayments	(69,911,479)	–
Gain on derecognition	(693,818)	–
	<hr/>	<hr/>
At the end of the period/year	<u>–</u>	<u>69,733,626</u>

The promissory note was interest free, unsecured and matured on 30 June 2016. 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.

On 22 June 2006, a wholly owned subsidiary of the Company entered into an agreement with China Communication Investment Limited ("CCI") to terminate the promissory note with a cash repayment amounting to HK\$69,911,479. The repayment amount was determined by discounting the expected future cash flows at the agreed borrowing rate with CCI.

## 15. SHARE CAPITAL

	30 September 2006 (Unaudited)		31 March 2006 (Audited)	
	Number of Shares	Nominal value HKD	Number of Shares	Nominal value HKD
Authorised:				
Ordinary shares of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>635,086,761</u>	<u>6,350,868</u>	<u>513,552,000</u>	<u>5,135,520</u>

## 16. RELATED PARTY TRANSACTIONS

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

	Three months ended 30 September		Six months ended 30 September	
	2006 (Unaudited) HKD	2005 (Unaudited) HKD	2006 (Unaudited) HKD	2005 (Unaudited) HKD
License income received from a related company	<u>4,807,692</u>	<u>–</u>	<u>9,615,385</u>	<u>–</u>

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.

## 17. POST BALANCE SHEET EVENTS

On 26 October 2006, Success Advantage Investments Limited ("Success Advantage"), a wholly-owned subsidiary of the Company, entered into the SA Agreement with CCI and China Communication Co., Ltd ("CCC") pursuant to which Success Advantage has conditionally agreed to acquire, at a consideration of HK\$620,000,000, the right to receive the net revenue from CCI for the period between 1 January 2007 and 10 August 2009.

## OTHER INFORMATION

### Interests and Short Positions of Directors and Chief Executives in Shares and Underlying Shares and Debentures

As at 30 September 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:

Name of Director	Number of shares held				Total interests in shares	Number of underlying shares		Approximate Percentage of the issued capital share of the Company
	Personal interests	Corporate interests	Family interests	Other interests		Share Option Scheme	Aggregate interests	
Chan Tan Lui, Danielle (resigned on 27 June 2006)	240,000	-	-	-	240,000	4,000,000	4,240,000	0.67%
Xiao Haiping	-	-	-	-	-	2,000,000	2,000,000	0.31%
Zhang Jialin	-	-	-	-	-	2,000,000	2,000,000	0.31%
Yip Tai Him	-	-	-	-	-	400,000	400,000	0.06%

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 30 September 2006.

## Interests and Short Positions of Shareholders in Shares and Underlying Shares

As at 30 September 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:

Name of Shareholder	Capacity	Number of shares held	Number of underlying shares	Aggregate interests	Approximate percentage of the issued share capital of the Company
		Interests in shares	Share Option Scheme		
China Communication Co. Ltd (Note 1)	Interest of a controlled corporation	85,542,000	–	85,542,000	13.47%
China Communication Investment Ltd.	Beneficial owner	85,542,000	–	85,542,000	13.47%
He Jianren (Note 2)	Beneficial owner & Interest of a controlled corporation	85,661,144	–	85,661,144	13.49%
Supreme System Investments Limited	Beneficial owner	84,001,144	–	84,001,144	13.23%
Mi Hui Ying (Note 3)	Interest of a controlled corporation	74,979,195	–	74,979,195	11.81%
Superhero Limited	Beneficial owner	74,979,195	–	74,979,195	11.81%
Chan Wong Kam Fung, Cecilia	Beneficial owner	68,905,798	–	68,905,798	10.85%

*Notes:*

- (1) China Communication Co. Ltd. is deemed to be a Substantial Shareholder as China Communication Investment Ltd. is a wholly-owned subsidiary of China Communication Co. Ltd.
- (2) Supreme System Investments Limited is a company wholly and beneficially owned by Mr. He Jianren. By virtue of the SFO, Mr. He Jianren is deemed to have interest of 84,001,144 shares held by Supreme System Investments Limited in addition to 1,660,000 shares held by himself.
- (3) Ms. Mi Hui Ying is deemed to be a Substantial Shareholder by virtue of her 100% beneficial interest in Superhero Limited.

Save as disclosed above, as at 30 September 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.

### **Share Option Schemes**

Share options were granted to certain directors, employees and consultants of the Company under the share option scheme (the "Share Option Scheme") conditionally adopted on 28 October 2002. The Share Option Scheme became unconditional upon the listing of the Company's shares on GEM on 15 November 2002. The Share Option Scheme was amended by an ordinary resolution duly passed at an annual general meeting by the Company's shareholders on 28 July 2006. Details of the Share Option Scheme have been set out in the annual report of the Company dated 16 June 2006.



Particulars of the outstanding options which have been granted under the Share Option Scheme as at 30 September 2006 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	As at 1 April 2006	Number of share options				As at 30 September 2006
					Options granted during the period	Options exercised during the period <sup>(2)</sup>	Options lapsed during the period <sup>(1)</sup>	Options cancelled during the period	
<i>Directors</i>									
Chan Tan Lui, Danielle (resigned on 27 June 2006)	17 March 2004	17 September 2004 to 16 March 2014	0.047	4,000,000	-	-	-	-	4,000,000
Xiao Haiping	3 April 2006	3 October 2006 to 2 April 2009	0.990	-	2,000,000	-	-	-	2,000,000
Zhang Jialin	3 April 2006	3 October 2006 to 2 April 2009	0.990	-	2,000,000	-	-	-	2,000,000
Choo Kwok How (resigned on 7 October 2006)	17 March 2004	17 March 2005 to 16 March 2014	0.047	2,000,000	-	(2,000,000)	-	-	-
Guo Qi (resigned on 31 July 2006)	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
<i>Other employees</i>									
In aggregate	17 March 2004	17 March 2005 to 16 March 2014	0.047	8,000,000	-	(2,000,000)	-	-	6,000,000
In aggregate	3 April 2006	3 October 2006 to 2 April 2009	0.990	-	2,000,000	-	(2,000,000)	-	-

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	As at 1 April 2006	Number of share options				As at 30 September 2006
					Options granted during the period	Options exercised during the period <sup>(2)</sup>	Options lapsed during the period <sup>(1)</sup>	Options cancelled during the period	
<i>Other Eligible Participants</i>									
In aggregate	17 March 2004	17 March 2005 to 16 March 2014	0.047	300,000	-	-	-	-	300,000
In aggregate	14 February 2006	14 August 2006 to 13 February 2009	0.340	10,000,000	-	(8,000,000)	-	(2,000,000)	-
In aggregate	28 June 2006	28 December 2006 to 27 June 2009	1.700	-	1,300,000	-	-	-	1,300,000
In aggregate	13 July 2006	13 January 2007 to 12 July 2008	1.920	-	500,000	-	-	-	500,000
In aggregate	17 August 2006	16 August 2007 to 16 August 2008	1.920	-	1,000,000	-	-	-	1,000,000
				<u>25,100,000</u>	<u>8,800,000</u>	<u>(12,400,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>17,500,000</u>

*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 period, 2,000,000 share options were lapsed upon the resignation of employee.

- (2) The weighted average share price at the date of exercise is HK\$1.84 per share.

## Competing Interests

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group.

## Advances and financial assistance to an associated company

As at 30 September 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 period, a supplemental agreement was signed on 4 November 2006 pursuant to which the repayment date of the loan and the interests incurred therein has been extended to 4 May 2007.

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 30 September 2006 is set out as follows:

	<i>HK\$'000</i>
Non-current assets	5,996
Current assets	5,086
Current liabilities	(3,880)
	<hr/>
Net assets	7,202
	<hr/>
The group's share of net assets	3,529

## Purchase, Sales or Redemption of shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on GEM during the six months ended 30 September 2006.

### **Audit Committee**

The Company has established an audit committee on 28 October 2002 with written terms of reference based on the guidelines set out in "A Guide for the Formation of an Audit Committee" of the Hong Kong Institute of Certified Public Accountants. It comprises three independent non-executive directors, namely Mr. Yip Tai Him, Mr. Chiu Kwok Ching and Ms. Guo Qi. Ms. Guo Qi resigned as Independent Non-Executive Director, Member of Audit Committee and Member of Remuneration Committee with effect from 31 July 2006. Dr. Lam Lee G. was appointed as Independent Non-Executive Director, Member of Audit Committee and Member of Remuneration Committee with effect from 31 October 2006. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advices and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group's internal control system.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30 September 2006.

### **Code on Corporate Governance Practices**

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("Code on CG Practices") contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 September 2006.

### **Code of Conduct Regarding Securities Transactions by Directors**

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the six months ended 30 September 2006.

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

As at the date of this report, the Board comprises of:

Mr. He Chenguang (*Executive director and Chairman*)  
Mr. Xiao Haiping (*Executive director*)  
Mr. Zhang Peng (*Executive director and Managing director*)  
Ms. Zhang Jialin (*Executive director*)  
Mr. Yip Tai Him (*Independent non-executive director*)  
Mr. Chiu Kwok Ching (*Independent non-executive director*)  
Dr. Lam Lee G. (*Independent non-executive director*)

Hong Kong, 10 November 2006