



MegaInfo Holdings Limited

萬佳訊控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30TH SEPTEMBER 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“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 further 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.

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

* For identification purpose only

HIGHLIGHTS

- The Group achieved a turnover of approximately HK\$4.9 million for the Three-Month Period.
- Loss attributable to shareholders was approximately HK\$1.5 million.
- Secured and completed various contracts for the Government of Macao.
- The Board does not recommend payment of an interim dividend for the Three-Month Period.

FIRST QUARTER RESULTS

The board of Directors (“Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30th September 2004 (“Three-Month Period”), together with the comparative unaudited figures of the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Three months ended 30th September 2004	2003
	<i>Note</i>	HK\$	HK\$
Turnover	2	4,909,699	1,996,797
Cost of sales		(3,807,160)	(1,590,395)
Gross profit		1,102,539	406,402
Other revenue		1,704	–
Selling and administrative expenses		(2,578,866)	(953,374)
Loss attributable to shareholders		(1,474,623)	(546,972)
Basic loss per share	5	0.276 cents	0.132 cents

Notes:

(1) Basis of preparation

The unaudited condensed consolidated accounts have been prepared in accordance with the Statement of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

The condensed consolidated accounts have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The accounting policies and methods of computation used in the preparation of the unaudited condensed accounts are consistent with those used in the audited financial statement for the year ended 30th June 2004.

(2) Turnover

The Group is principally engaged in the provision of digital image processing management solutions and products maintenance services in Mainland China and the Macao Special Administration Region of the People's Republic of China ("Macao").

(3) Taxation

No provision for profits tax has been made in the accounts as the Group does not have any estimated assessable profits in the jurisdictions in which the Group operates for the Three-Month Period (2003: Nil).

(4) Dividends

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2003: Nil).

(5) Loss per share

The calculation of basic loss per share is based on the Group's loss for the Three-Month Period of HK\$1,474,623 (2003: HK\$546,972) and the weighted average of 535,000,000 shares (2003: 414,625,000 shares) in issue.

Diluted loss per share has not been disclosed as there were no potential dilutive ordinary shares.

(6) Movement in reserves of the Group during the Three-Month Period

	Share premium HK\$	Exchange reserve HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
At 1st July 2004	20,576,560	(42,978)	11,108,399	(6,588,899)	25,053,082
Exchange differences in transaction of accounts of overseas subsidiaries	–	(11,076)	–	–	(11,076)
Loss attributable to shareholders	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,474,623)</u>	<u>(1,474,623)</u>
At 30th September 2004	<u>20,576,560</u>	<u>(54,054)</u>	<u>11,108,399</u>	<u>(8,063,522)</u>	<u>23,567,383</u>
At 1st July 2003	5,400,000	–	(5,523,620)	–	(123,620)
Loss attributable to shareholders	<u>–</u>	<u>–</u>	<u>–</u>	<u>(546,972)</u>	<u>(546,972)</u>
At 30th September 2003	<u>5,400,000</u>	<u>–</u>	<u>(5,523,620)</u>	<u>(546,972)</u>	<u>(670,592)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Research and Development Activities

In addition to the continued development and enhancement of our range of applications, namely *MegaImage*, *MegaMax*, *MegaDMS*, *MegaERP* and *MegaECM*, during September 2004, we have completed the preliminary acceptance test of the e-government project for the Serviços de Administração e Função Pública, the Public Administration and Civil Service Bureau of the Government of Macao. The e-government project, which is an initiative actively promoted by the Government of Macao to enhance operating efficiencies and improve quality of services to the general public, has translated into new business opportunities as other government departments now demand new applications to complement the e-government services. And in anticipation of the upcoming 2005 East Asian Games and to support the Government of Macao's vision to position Macao as an entertainment, gaming and tourism city, as well as an international city for hosting meetings, incentives, conferences and exhibitions (collectively referred as "MICE"), we have completed development of two new applications, namely an automatic traffic clearance system, which deploys our image counting application, to accommodate patrol of traffic, and a hospitality and logistics management system, which is a database and management system that handles mass volume of registrations, identification confirmations, accommodation, transportation, etc. Both applications best-fit organizers of MICE to handle logistics management arrangements and the security/police force to manage flow of traffic.

Review of Sales and Promotional Activities

In view of strong economic growth and robust business activities in Macao, our home territory, as anticipated, continued to be the main contributor for the Group. During the Three-Month Period, we have successfully secured a contract from the Polícia Judiciária, the Judicial Police of the Government of Macao, to install an IP-based PABX service system. The IP-based system will serve as a platform for the Polícia Judiciária to roll out other *Mega* branded applications, e.g. *MegaMax*. Polícia Judiciária is already deploying our document management system.

During the Three-Month Period, the Group was actively involved in a number of major conventions and seminars in Macao and Mainland China to promote the Group's products. During July 2004, the Group participated the First Pan-Pearl River Delta Economic Corporation Conference in Guangzhou, Guangdong Province, to promote the Group's products and services to potential resellers and targeted customers in the Mainland China. We continued to focus our marketing efforts on the customer groups with higher purchasing power, namely telecommunications service providers, government authorities

and major enterprises. In Macao, the Group has also participated in the Mega Tech Forum, held in September and jointly hosted by Mega DataTech Limited, a fellow subsidiary, to promote the products and services to potential customers in Macao. Similar to Mainland China, the Group initial targets are government authorities, gaming operators, hotels and major enterprises.

Review of Operating Results for the Three-Month Period

During the Three-Month Period, the Group reported consolidated turnover of approximately HK\$4.9 million, representing an increase of 145% over the corresponding period for the three months ended 30th September 2003 of approximately HK\$2 million. The increment in the Group's consolidated turnover reflected the success of the Group in capitalizing on the business opportunities from the Government of Macao.

The Group recorded consolidated net loss of approximately HK\$1.5 million for the Three-Month Period as compared to consolidated net loss of approximately HK\$0.5 million for the same period ended 30th September, 2003. The increment was mainly attributable to amortization charges of the software license fee and software development cost under the *Mega* branded solutions. As the Group is still at its development stage, therefore, management believes that the operating position of the Group will improve as the *Mega* branded solutions evolved to become marketable applications. The Group is also making effort to expand its product offerings with enhanced version of existing applications and newly developed solutions to capitalize robust opportunities in Macao and Mainland China.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30th September 2004, the interests and short positions of the Directors and chief executives in the shares of HK\$0.10 each in the share capital of the Company ("Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies are as follows:

(i) aggregate long and short positions in Shares and (in respect of equity derivatives) underlying Shares

Name of Director	Long position/ short position	Nature of interest	No. of Shares	Approximate % of the issued share capital of the Company
Mr. José Manuel dos Santos	Long position	Corporate interest (note)	326,617,500	61.05%

Note: 326,617,500 Shares were beneficially owned by Vodatel Holdings Limited ("VHL"). VHL was a wholly-owned subsidiary of Vodatel Networks Holdings Limited ("VNHL"). Eve Resources Limited ("ERL") owned more than one-third of the issued share capital of VNHL and the entire issued share capital in ERL was in turn held by a company wholly owned by Mr. José Manuel dos Santos, as trustee of a discretionary family trust. Mr. José Manuel dos Santos was deemed to be interested in 326,617,500 Shares held by VHL.

(ii) **aggregate long and short positions in shares of VNHL Shares and (in respect of equity derivatives) underlying VNHL Shares**

Name of Director	Long position/ short position	Nature of interest	No. of VNHL Shares	No. of underlying VNHL Shares (in respect of share option and convertible bond) held	Approximate % of the issued share capital of VNHL
Mr. José Manuel dos Santos	Long position	Corporate interest (note 1)	293,388,000	–	47.80%
	Long position	Personal interest (note 2)	–	600,000	0.10%
	Short position	Corporate interest (note 1)	–	15,188,000	2.47%
Mr. Kuan Kin Man	Long position	Personal interest (note 3)	12,262,500	900,000	2.14%
Mr. Yim Hong	Long position	Personal interest (note 4)	7,357,500	900,000	1.35%
Mr. Mok Chi Va	Long position	Family/Personal interest (note 5)	20,000	230,000	0.04%

Notes:

- (1) These VNHL Shares were held in the name of ERL and the entire issued share capital in ERL was in turn held by a company wholly owned by Mr. José Manuel dos Santos, as trustee of a discretionary family trust. VNHL was under an obligation to issue a total of 15,312,000 VNHL Shares in respect of the outstanding share options and the convertible bond. Mr. José Manuel dos Santos was deemed to be interested in such short position by virtue of his interest in ERL.
- (2) Mr. José Manuel dos Santos was the beneficial owner of such interest in VNHL Shares.
- (3) Mr. Kuan Kin Man was the beneficial owner of such interest in VNHL Shares.
- (4) Mr. Yim Hong was the beneficial owner of such interest in VNHL Shares.
- (5) The 20,000 VNHL Shares was held by the spouse of Mr. Mok Chi Va and Mr. Mok Chi Va was deemed to be interested in such VNHL Shares. Mr. Mok Chi Va was the beneficial owner of the remaining interest in VNHL Shares.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

So far as was known to any Directors or chief executive of the Company as at 30th September 2004, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5 per cent, 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 were as follows:

(i) Aggregate long and short positions in Shares and (in respect of equity derivatives) underlying Shares

Name	Notes	Long position/ short position	Nature of interest	No. of Shares held	No. of underlying Shares held	Approximate % of the issued share capital of the Company
Lois Resources Limited	(1)	Long position	Corporate interest	326,617,500	–	61.05%
ERL	(1)	Long position	Corporate interest	326,617,500	–	61.05%
VNHL	(1)	Long position	Corporate interest	326,617,500	–	61.05%
VHL	(1)	Long position	Corporate interest	326,617,500	–	61.05%
Ms. Lei Hon Kin	(2)	Long position	Family interest	326,617,500	–	61.05%
Gofull Investment Limited	(3)	Long position	Corporate interest	74,632,500	–	13.95%
eForce Holdings Limited	(3)	Long position	Corporate interest	74,632,500	–	13.95%

Notes:

- Lois Resources Limited was deemed to be interested in 326,617,500 Shares by virtue of its interest in ERL. ERL owned more than one third of the issued share capital of VNHL which in turn owned the entire issued share capital of VHL. 326,617,500 Shares were beneficially owned by VHL.
- Ms. Lei Hon Kin, the spouse of Mr. José Manuel dos Santos, was deemed to be interested in 326,617,500 Shares which were deemed to be interested by Mr. José Manuel dos Santos.
- eForce Holdings Limited was deemed to be interested in 74,632,500 Shares by virtue of its interest in Gofull Investment Limited. 74,632,500 Shares were beneficially owned by Gofull Investment Limited.

SPONSORS' INTEREST

Pursuant to the agreement dated 30th December 2003 entered into between the Company and CSC Asia Limited ("Sponsor"), the Sponsor has received and will receive a fee for acting as the Company's Sponsor for the period from 19th January 2004 to 30th June 2006.

None of the Company's Sponsor, their directors, employees or associates had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30th September 2004.

COMPETING INTERESTS

None of the Directors or any person who is (or group of persons who together are) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who is (or are) able, as a practical matter, to direct or influence the management of the Company had an interest in a business, which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company has established an audit committee (“Committee”) with written term of reference in compliance with GEM Listing Rules. The Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors, namely Mr. Chui Sai Cheong, Mr. Tsui Wai Kwan and Mr. Tam Pak Yip.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Three-Month Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

BOARD PRACTICES AND PROCEDURES

During the Three-Month Period, the Company was in compliance with the Board Practices and Procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules.

By Order of the Board
MegaInfo Holdings Limited
José Manuel dos Santos
Chairman

The Hong Kong Special Administrative Region of
the People’s Republic of China, 11th November 2004

Executive Directors
José Manuel dos Santos
Mok Chi Va
Kuok Cheong Ian

Non-executive Directors
Yim Hong
Kuan Kin Man

Independent non-executive Directors
Chui Sai Cheong
Tsui Wai Kwan
Tam Pak Yip

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