



MegaInfo Holdings Limited
萬佳訊控股有限公司*
(incorporated in Bermuda with limited liability)

INTERIM REPORT
2004

* *For identification purpose only*

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This document, for which the directors (the “Directors”) of MegalInfo Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (“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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

BUSINESS AND FINANCIAL HIGHLIGHTS FOR THE THREE-MONTH PERIOD ENDED 31ST DECEMBER 2003

- Turnover for the Three Month ended 31st December 2003 amounted to approximately HK\$2.7 million, representing an increase of approximately 86% over the corresponding period last year with gross profit of approximately HK\$0.66 million
- The Board does not recommend the payment of an interim dividend for the Six-Month Period
- Contracts awarded by two departments of Macau Government and Polytechnic Institute of Macau
- Orders on hand as at 31st December 2003 amounted to over HK\$15 million

INTERIM RESULTS

On behalf of the board of Directors (the "Board") of the Company, I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ("Three-Month Period") and six months ("Six-Month Period") ended 31st December 2003. The interim report for the Six Month Period has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and the six months ended 31st December 2003

	Notes	Unaudited			
		Three months ended 31st December		Six months ended 31st December	
		2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Turnover	3	2,733,247	1,467,423	4,730,044	2,456,920
Cost of sales		<u>(2,069,016)</u>	<u>(824,597)</u>	<u>(3,659,411)</u>	<u>(1,650,397)</u>
Gross profit		664,231	642,826	1,070,633	806,523
Other revenue	3	426	—	426	—
Selling and administrative expenses		<u>(1,670,070)</u>	<u>(158,266)</u>	<u>(2,623,444)</u>	<u>(372,172)</u>
(Loss)/profit from operations	4	<u>(1,005,413)</u>	<u>484,560</u>	<u>(1,552,385)</u>	<u>434,351</u>
Finance costs		<u>(35)</u>	<u>—</u>	<u>(35)</u>	<u>—</u>
(Loss)/profit before taxation		<u>(1,005,448)</u>	<u>484,560</u>	<u>(1,552,420)</u>	<u>434,351</u>
Taxation	5	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
(Loss)/profit attributable to the shareholders		<u><u>(1,005,448)</u></u>	<u><u>484,560</u></u>	<u><u>(1,552,420)</u></u>	<u><u>434,351</u></u>
(Loss)/earnings per share (HK cents)	7				
Basic		<u><u>(0.242)</u></u>	<u><u>0.117</u></u>	<u><u>(0.374)</u></u>	<u><u>0.105</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET*As at 31st December 2003*

		Unaudited 31st December 2003 HK\$	Audited 30th June 2003 HK\$
	<i>Notes</i>		
Non-current assets			
Fixed assets		368,967	22,844
Perpetual exclusive licence of a software		11,000,000	—
Goodwill		570,455	—
		<u>11,939,422</u>	<u>22,844</u>
Current assets			
Inventories		446,471	—
Trade receivables	8	3,303,851	2,199,840
Prepayments, deposits and other receivables		295,246	—
Bank balances and cash		122,739	—
		<u>4,168,307</u>	<u>2,199,840</u>
Current liabilities			
Trade payables	9	2,217,349	26,451
Deferred revenue		224,050	224,050
Amount due to the immediate holding company	10	4,884,216	1,833,784
Other payables and accrued charges		14,623	—
Bank borrowing	11	200,000	—
		<u>7,540,238</u>	<u>2,084,285</u>
Net current (liabilities)/assets		<u>(3,371,931)</u>	<u>115,555</u>
Total assets less current liabilities		<u>8,567,491</u>	<u>138,399</u>
Financed by:			
Share capital	12	130,000	106,380
Reserves	12	8,437,491	32,019
		<u>8,567,491</u>	<u>138,399</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31st December 2003*

		Unaudited	
		Six months ended	
		31st December	
		2003	2002
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Total equity at the beginning of the period		5,506,380	(2,245,500)
(Loss)/profit for the period	12	(1,552,420)	434,351
Issue of shares	12	23,620	—
Merger reserve arising on group re-organisation	12	5,608,399	—
Share issuance costs	12	(1,018,488)	(1,024,590)
Total equity at the end of the period		<u>8,567,491</u>	<u>(2,835,739)</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31st December 2003*

		Unaudited	
		Six months ended	
		31st December	
		2003	2002
		<i>HK\$</i>	<i>HK\$</i>
Net cash from/(used in) operating activities		<u>911,853</u>	<u>(747,521)</u>
Net cash used in investing activities		<u>(1,012,734)</u>	<u>(33,521)</u>
Net cash from financing activities		<u>223,620</u>	<u>781,042</u>
Net increase in cash and cash equivalents		122,739	—
Cash and cash equivalents at 1st July		<u>—</u>	<u>—</u>
Cash and cash equivalents at 31st December		<u>122,739</u>	<u>—</u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		<u>122,739</u>	<u>—</u>

NOTES TO CONDENSED ACCOUNTS

1. Group reorganisation

The Company was incorporated in Bermuda on 22nd January 2003 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 23rd December 2003, to rationalise the structure of the Group in preparation for the listing of the ordinary shares of the Company (the "Shares") on GEM, the Company became the holding company of the companies comprising the Group. The Shares were listed on GEM on 19th January 2004.

2. Basis of preparation of the unaudited condensed accounts

These unaudited condensed consolidated accounts have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

These condensed accounts should be read in conjunction with the accountants' report set out in the prospectus of the Company dated 31st December 2003 (the "Prospectus").

The comparative figures of the accounts have been prepared on a combined basis as if the current group structure had been in existence throughout the periods under review.

The accounting policies and methods of computation used in the preparation of these unaudited condensed accounts are consistent with those used in the financial information as included in the accountants' report set out in the Prospectus.

3. Turnover, revenue and segment information

The Group is principally engaged in the provision of enterprise solutions with an initial focus on self-developed digital image processing management applications in the PRC and Macau. Turnover recognised during the periods is as follows:

	Unaudited			
	Three months ended 31st December		Six months ended 31st December	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Turnover				
Provision of digital image processing management solution	2,733,247	1,467,423	4,730,044	2,456,920
Other revenue				
Interest income	426	—	426	—
Total revenue	<u>2,733,673</u>	<u>1,467,423</u>	<u>4,730,470</u>	<u>2,456,920</u>

Segment information

(i) Primary reporting format — geographical segment

The Group is principally engaged in the provision of enterprise solutions with an initial focus on self-developed digital image processing management applications in the PRC and Macau. There are no sales between the geographical segments.

	Unaudited	
	Six months ended	
	31st December	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Turnover		
The PRC	—	2,456,920
Macau	4,730,044	—
	<u>4,730,044</u>	<u>2,456,920</u>
Segment results		
The PRC	(1,079,128)	437,689
Macau	(444,233)	—
	<u>(1,523,361)</u>	<u>437,689</u>
Unallocated costs	<u>(29,024)</u>	<u>(3,338)</u>
Operating (loss)/profit	<u>(1,552,385)</u>	<u>434,351</u>
Segment assets		
The PRC	171,493	2,481,454
Macau	15,909,391	—
Unallocated assets	26,845	30,183
Total assets	<u>16,107,729</u>	<u>2,511,637</u>
Segment liabilities		
The PRC	766,106	224,050
Macau	1,689,916	—
Unallocated liabilities	5,084,216	5,123,326
Total liabilities	<u>7,540,238</u>	<u>5,347,376</u>
Capital expenditure		
— unallocated	30,183	33,521
Depreciation		
— unallocated	3,338	3,338
Other non-cash expenses		
The PRC	—	—
Unallocated	—	—
	<u>—</u>	<u>—</u>

(ii) Secondary reporting format — business segment

No business segment analysis is presented as the Group has been operating in a single business segment, which is the provision of enterprise solutions with an initial focus on self-developed digital image processing management applications in the PRC and Macau.

4. **(Loss)/profit from operations**

(Loss)/profit from operations is stated after charging the following:

	Unaudited			
	Three months ended		Six months ended	
	31st December		31st December	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Crediting				
Write-back of provision for inventories	—	165,208	—	165,208
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Charging				
Costs of inventories sold	2,069,016	824,597	3,659,411	1,650,397
Depreciation	21,516	3,338	29,024	3,338
Staff costs (including directors' emoluments)	963,638	196,408	1,577,777	336,088
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. **Taxation**

No provisions for PRC profits tax and Macau complementary profit tax have been made in the accounts as the Group has estimated tax losses brought forward to offset estimated assessable profits for the period ended 31st December 2002 and does not have any estimated assessable profits for the period ended 31st December 2003.

There is no material unprovided deferred taxation for the periods under review.

6. **Dividend**

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December 2003 (2002: Nil).

7. (Loss)/earnings per Share

The calculation of basic loss per Share for the three months and six months ended 31st December 2003 is based on the unaudited net loss of approximately HK\$1,005,000 and HK\$1,552,000 respectively (three months and six months ended 31st December 2002: net profit of HK\$484,560 and HK\$434,351 respectively) and on the assumption that 414,625,000 Shares had been in issue throughout the periods under review, comprising 13,000,000 Shares then in issue and 401,625,000 to be issued by way of capitalisation issue as described in the Prospectus ("Capitalisation Issue").

No diluted earning per Share has been presented for each of the periods under review as no diluting events existed.

8. Trade receivables

The ageing analysis of the trade receivables at the respective balance sheet dates is as follows:

	Unaudited As at 31st December 2003 <i>HK\$</i>	Audited As at 30th June 2003 <i>HK\$</i>
0-30 days	1,615,146	378,843
31-60 days	—	—
61-90 days	—	—
91-120 days	—	381,116
121-365 days	1,124,309	875,485
>365 days	564,396	564,396
	<u>3,303,851</u>	<u>2,199,840</u>

The credit terms granted to customers vary and are generally the result of negotiations between the individual customers and the Group.

9. Trade payables

The ageing analysis of the trade payables at the respective balance sheet dates is as follows:

	Unaudited As at 31st December 2003 <i>HK\$</i>	Audited As at 30th June 2003 <i>HK\$</i>
0-30 days	2,009,940	26,451
31-60 days	22,524	—
61-90 days	45,243	—
91-120 days	47,360	—
121-365 days	92,282	—
Over 365 days	—	—
	<u>2,217,349</u>	<u>26,451</u>

10. Amount due to the immediate holding company

The amount is unsecured, interest-free and repayable on demand. The amount has been fully settled subsequently.

11. Bank borrowing

		Unaudited 31st December 2003 <i>HK\$</i>	Audited 30th June 2003 <i>HK\$</i>
Repayable within one year	(i)	200,000	—
Repayable later than one year		<u>—</u>	<u>—</u>
		<u>200,000</u>	<u>—</u>

Note:

- (i) The loans are unsecured, bear interest at lending rate from time to time plus 3% per annum and have been repaid in full subsequent to 31st December 2003.

12. Share capital and reserves

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Accumulated losses HK\$	Shares issuance costs HK\$	Total HK\$
At 1st July 2002	—	—	—	(2,245,500)	—	(2,245,500)
Issue of shares (Note (i))	106,380	5,400,000	—	—	—	5,506,380
Profit for the year	—	—	—	778,632	—	778,632
Shares issue costs	—	—	—	—	(3,901,113)	(3,901,113)
	<u>106,380</u>	<u>5,400,000</u>	<u>—</u>	<u>(1,466,868)</u>	<u>(3,901,113)</u>	<u>138,399</u>
At 1st July 2003	106,380	5,400,000	—	—	—	5,506,380
Issue of shares	23,620	—	—	—	—	23,620
Loss for the period	—	—	—	(1,552,420)	—	(1,552,420)
Shares issue costs	—	—	—	—	(1,018,488)	(1,018,488)
Merger reserve arising on group re-organisation	—	—	5,608,399	—	—	5,608,399
	<u>130,000</u>	<u>5,400,000</u>	<u>5,608,399</u>	<u>(1,552,420)</u>	<u>(1,018,488)</u>	<u>8,567,491</u>

Notes:

- (i) The share capital as at 30th June 2003 represented the combined share capital of the Company and MegalInfo Limited which was the then holding company of other members of the Group.

The Company was incorporated in Bermuda on 22nd January 2003, with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and fully paid.

MegalInfo Limited was incorporated in the British Virgin Islands on 10th December 2002 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, and 820 shares of US\$1 each were allotted and issued, credited as fully paid for cash at par amounting to HK\$6,380 to its then immediate holding company.

- (ii) By written resolutions of the then sole shareholder of the Company dated 23rd December 2003:
- every issued and unissued share of HK\$0.10 in the share capital of the Company was subdivided into 10 Shares; and
 - the authorised share capital of the Company was increased from HK\$100,000 to HK\$10,000,000 by the creation of an additional 990,000,000 Shares. All Shares ranked *pari passu* in all respects with Shares then in issue.

13. Commitments under operating leases

At 31st December 2003, the Group had future aggregate minimum lease payments under non- cancellable operating leases in respect of buildings as follows:

	Unaudited 31st December 2003 <i>HK\$</i>	Audited 30th June 2003 <i>HK\$</i>
Not later than one year	247,250	603,329
Later than one year and not later than five years	7,167	388,905
	<u>254,417</u>	<u>992,234</u>

14. Related party transactions

Significant related parties transactions are as follows:

	Unaudited Six months ended 31st December 2003 <i>HK\$</i>	2002 <i>HK\$</i>
Sale of goods to Guangzhou Vodatel Development Limited ("GVDL") (<i>Note (i)</i>)	—	2,456,920
Rental expenses payable to Vodatel Services and Consultant Limited ("VSCL") (<i>Note (ii)</i>) for lease of office premises	65,429	—
	<u>65,429</u>	<u>—</u>

Notes:

- (i) Mr. José Manuel dos Santos ("Mr. Santos"), the major shareholder of Vodatel Networks Holdings Limited ("Vodatel"), and Vodatel held 46% and 54% beneficial interests respectively in GVDL. On 2nd June 2003, Mr. Santos disposed of his 46% interests in GVDL to an independent third party.
- (ii) Mr. Santos has a 90% beneficial interest in VSCL.

The Directors are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

15. Ultimate holding company

The Directors regard Vodatel, a company incorporated in Bermuda, as the ultimate holding company of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Market

During the period under review, the Group has been actively involved in bidding various projects in Macau and the PRC. In order to capture the growing business potential in both Macau and the PRC markets, the Group had expanded its marketing team and research and development team by adding in 8 sales representatives and 7 software developers/engineers respectively.

Market in Macau

The Group recorded an increase in sales generated from the Macau market. During the Three-Month Period, the Group has successfully secured three projects from the Macau Government, and Polytechnic Institute. In November 2003, the Group was successfully awarded a contract by Instituto para os Assuntos Cívicos e Municipais to provide Vodalmage, server and other accessories and a contract by Polytechnic Institute of Macau to provide smart card application. In December, the Group secured a contract from Polic Judicia bureau to provide Vodalmage, server and other accessories. It is envisaged that opportunities from the provision of our digital imaging solutions in Macau are promising, which will be beneficial to the Group.

Market in PRC

The outbreak of SARS has adversely affected the marketing momentum of the Group as many potential customers temporarily delayed their capital expenditures on new projects. With the impact of SARS gradually settled, the Group has commenced the marketing and promotion of the upgraded version of Vodalmage to various local mobile bureaus of a telecommunications service provider in Zhuhai and Zhongshan in the Guangdong Province, the PRC. The Group has also resumed its marketing and promotion activities to various telecommunications service providers in Shanghai, Zhejiang Province and Nanjiang in the PRC. During the Three-Month Period, the Group entered into two distributor agreements and three memoranda of understanding on a non-exclusive basis with five independent distributors to more timely and efficiently extend the reach of the Group's products to potential customers in different selected vertical markets and geographical locations. Such move is to pave path for the capitalisation of the continued growth and development of the IT industry in the PRC.

Research and development

Throughout the period under review, the Group has continued to invest in product enhancement of its existing products with new features and functionalities and to develop new enterprise solutions. The Group has commenced the sourcing of a facial recognition module for VodaMax, which when integrated with VodaMax, will enable VodaMax to equip with the capability to capture specific facial features and cross match against pre-defined face-prints in the database. Concurrently, the Group has commenced the research of an image counting module for VodaMax, which enables the identification of a target person, records and stores movements of such person within a defined premise. The Group also commenced the development of a document management system and a web-based software application and conducted research on the integration of the Group's image processing management solutions with the "TianXin" ERP/ CRM software ("TianXin Software"). Pursuant to the relevant agreement entered into between the Group and eForce Holdings Limited ("eForce"), the Group acquired from eForce a perpetual licence to use TianXin Software commencing on 1st January 2003 together with an option to acquire TianXin Software and the associated intellectual property rights.

Financial Review

Turnover of the Group for the Six-Month Period was approximately HK\$4.7 million which, when compared with turnover of approximately HK\$2.5 million for the six months ended 31st December 2002, represented a sharp increase of about 92.5% and was attributable to revenue generated from a total of three large projects in Macau. The Group made a gross profit of approximately HK\$1.1 million for the Six-Month Period. Although turnover increased, cost of sales increased to approximately HK\$3.7 million. This was attributable to the Group deriving approximately 95% of its turnover for the Six-Month Period from selling of hardware and related accessories (2002: 67%). The software portion of the projects will be delivered and recorded as turnover in next two quarters. With less margin earned from selling hardware and related accessories than from selling enterprises solutions, the profit margin of the Group was decreased from approximately 32.8% for the six months ended 31st December 2002 to approximately 22.6% for the Six-Month Period. Orders on hand as at 31st December 2003 amounted to over HK\$15 million.

Selling and administrative expenses for the Six-Month Period totalled approximately HK\$2.6 million (2002: HK\$0.4 million). The increase was attributable to, inter alia, the increase in staff costs reflecting the rise in the Group's sales & marketing and managerial headcount, promotion expenses and the business trip expenses called upon as a result of increase in business activities. The Directors are keeping a close eye on such expenses to ensure that they are kept under strict control.

Overall, the Group incurred an unaudited net loss of approximately HK\$1.55 million for the Six-Month Period.

Capital structure

As at 1st October 2003, the Company's issued share capital consisted of 13,000,000 ordinary shares of HK\$0.01 each. The 10,660,000 and 2,340,000 Shares were held by two initial shareholders, namely Vodatel Holdings Limited ("VHL") (a wholly-owned subsidiary of Vodatel) and Gofull Investment Limited ("Gofull") (a wholly-owned subsidiary of eForce), representing 82% and 18% respectively of the then issued share capital of the Company (the "Initial Shareholders"). In preparation for its listing on the GEM, the Company underwent the Capitalisation Issue and additionally issued 120,375,000 new Shares by way of placing as described in the Prospectus (the "Placing"), representing approximately 22.5% of the enlarged share capital of the Company. With a 2.5% distribution in specie by Vodatel to Vodatel's existing shareholders, the Company has attained a public float of 25%. Upon its successful listing on 19th January 2004, the capital base of the Company comprised 535,000,000 ordinary shares of HK\$0.01 each, with the shareholding of the ultimate shareholders of the Initial Shareholders, Vodatel and eForce, diluted to 61.05% and 13.95% respectively.

Liquidity and financial resources

As at 31st December 2003, the Group has cash and bank balances of approximately HK\$ 123,000. The Group's current assets are approximately 0.55 times (2002: 1.1 times) over its current liabilities. For the period under review, the Group was financed by bank borrowings of HK\$200,000 and its working capital with shareholders' loan from Vodatel. Subsequent to 31st December 2003, the Group made full repayment of the bank loan.

Upon the Group's successful listing on 19th January 2004, the Group current assets ratio has been improved from approximately 0.55 times as at 31st December 2003 to approximately 4.2 times over its current liabilities. The Directors are of the opinion that subsequent to the listing the Group has a healthy financial position and will be capable of meeting its liabilities.

Charge on assets

As at 31st December 2003, the Group did not have any charges on its assets.

Material acquisition, disposals and significant investment

During the Six-Month Period, the Group acquired two subsidiaries, namely PE Research and Development Limited and Zhuhai MegaSoft Software Development Co., Ltd. They were acquired on 22nd September 2003 as part of the Reorganisation in preparation for the listing of the shares of the Company on the GEM. At present, the Group has no plan for material investments and acquisition of capital assets. In any event, for achieving the business objectives of the Company, the Directors may from time to time pursue opportunities to develop the Group's businesses through acquisitions, strategic alliances, joint ventures and/or co-operative arrangements.

Gearing ratio

As at 31st December 2003, the Group had total debts of approximately HK\$200,000 and shareholder's funds of approximately HK\$8,567,000. Gearing ratio (ratio of total debts to equity) increased slightly from Nil as at 30th June 2003 to approximately 2.3% as at 31st December 2003.

Foreign exchange exposure

Historically, all of the Group's sales were settled in Hong Kong dollars and US dollars and MOP while all of the Group's costs and expenses have been settled in Hong Kong dollars, US dollars, MOP and RMB. The Group has not experienced any material operating difficulties or effects on liquidity as a result of fluctuations in currency exchange rates in the past. The Group has not used or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations in the past.

Staff

As at 31st December 2003, the Group employed 22 full time staff (2002: 5), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan and retirement benefit schemes under the Mandatory Provident Fund. Staff costs for the Six-Month Period were HK\$1,577,777 (2002: HK\$336,088).

The Group did not experience any significant labour disputes or substantial change in the number of its employees that led to the disruption of its business operations. The Directors consider that the Group has good working relationship with its employees. The Group recognises the importance of training for its staff. Apart from on-the-job training, the Group also regularly provides internal and external training for its staff to enhance their technical knowledge.

Contingent liabilities

The Group had no material contingent liabilities as at 31st December 2003 (30th June 2003: Nil).

Business direction

As set out above, the Company has, during the Six-Month Period, undertaken various initiatives to enhance sales, marketing, training and production and streamline research and development.

Although some of these initiatives have only been recently implemented, we are confident that encouraging results will flow from them in the near future.

DISCLOSURE OF INTERESTS

a. Interests of the Directors and chief executive in Shares

As at 31st December, 2003, the Company had not maintained any register required to be kept under section 352 of the securities and Futures Ordinance (the "SFO") and had no notice of any interest required to be recorded in such register as the Company was not listed in the GEM of the Exchange on that date.

As at 19th January 2004, the date of listing, the interests and short positions of the Directors and chief executive in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which are required (a) to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.40 of the GEM Listing Rules, were 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. Santos	Long position	Corporate interest (Note)	326,617,500	61.05%

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

- (ii) aggregate long and short positions in shares of Vodatel (“Vodatel Shares”) and (in respect of equity derivatives) underlying Vodatel Shares

Name of Director	Long position/ short position	Nature of interest	No. of Vodatel Shares	No. of underlying Vodatel Shares		Approximate % of the issued share capital of Vodatel
				(in respect of share option and convertible bond) held		
Mr. Santos	Long position	Corporate interest/ founder of a discretionary trust (Note 1)	293,388,000	—		47.80%
	Long position	Personal (Note 2)	—	600,000		0.10%
	Short position	Corporate interest (Note 1)	—	22,000,500		3.58%
Mr. Kuan Kin Man ("Mr. Kuan")	Long position	Personal (Note 3)	12,262,500	900,000		2.14%
Mr. Yim Hong ("Mr. Yim")	Long position	Personal (Note 4)	7,357,500	900,000		1.35%
Mr. Mok Chi Va ("Mr. Mok")	Long position	Family/Personal (Note 5)	20,000	230,000		0.04%

Notes:

- These Vodatel Shares were held in the name of Eve Resources and the entire issued share capital in Eve Resources was in turn held by a company wholly owned by Mr. Santos, as trustee of a discretionary family trust. Vodatel was under an obligation to issue a total of 22,000,500 Vodatel Shares in respect of the outstanding share options and the convertible bond. Mr. Santos was deemed to be interested in such short position by virtue of his interest in Eve Resources.
- Mr. Santos was the beneficial owner of such interest in Vodatel Shares.
- Mr. Kuan was the beneficial owner of such interest in Vodatel Shares.
- Mr. Yim was the beneficial owner of such interest in Vodatel Shares.
- The 20,000 Vodatel Shares was held by the spouse of Mr. Mok and Mr. Mok was deemed to be interested in such Vodatel Shares. Mr. Mok was the beneficial owner of the remaining interest in Vodatel Shares.

b. Interests of the substantial shareholders of the Company

As at 31st December, 2003, the Company had not maintained any register required to be kept under section 336 of the SFO and had no notice of any interest required to be recorded in such register as the Company was not listed on the GEM of the Exchange of that date.

So far as was known to any directors or chief executive of the Company as at 19th January 2004, the date of listing, 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 10 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%
Eve Resources	(1)	Long position	Corporate interest	326,617,500	—	61.05%
Vodatel	(1)	Long position	Corporate interest	326,617,500	—	61.05%
VHL	(1)	Long position	Personal interest	326,617,500	—	61.05%
Lei Hon Kin	(2)	Long position	Family interest	326,617,500	—	61.05%
Gofull	(3)	Long position	Personal interest	74,632,500	—	13.95%
eForce	(3)	Long position	Corporate interest	74,632,500	—	13.95%

Notes:

1. Lois Resources Limited was deemed to be interested in 326,617,500 Shares by virtue of its interest in Eve Resources. Eve Resources owned more than one third of the issued share capital of Vodatel which in turn owned the entire issued share capital of VHL. 326,617,500 Shares were beneficially owned by VHL.
2. Madam Lei Hon Kin, the spouse of Mr. Santos, was deemed to be interested in 326,617,500 Shares which were deemed to be interested by Mr. Santos.
3. eForce was deemed to be interested in 74,632,500 Shares by virtue of its interest in Gofull. 74,632,500 Shares were beneficially owned by Gofull.

COMPETING INTERESTS

As at 31st December 2003, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTEREST

Pursuant to the agreement entered into between the Company and the joint sponsors, namely REXCAPITAL (Hong Kong) Limited and CSC Asia Limited, the joint sponsors have received and will receive a fee for acting as the Company's retained sponsors for the remainder of the financial year ending 30th June 2004 and the two years ending 30th June 2006.

None of the Company's joint sponsors, 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 31st December 2003.

BOARD PRACTICE AND PROCEDURES

Since the listing of the Company, the Company has complied with board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Shares during the six months ended 31st December 2003.

AUDIT COMMITTEE

The Company established an audit committee on 16th December 2003 with written terms of reference in compliance with the requirements as set out in Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review the Group's annual report and accounts, half-year report and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors, namely Mr. Tsui Wai Kwan and Mr. Tam Pak Yip.

The unaudited condensed interim financial statements for the six months ended 31st December 2003 have been reviewed by the audit committee.

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

Hong Kong, 13th February 2004