



MegaInfo Holdings Limited 萬佳訊控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 8279)



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This report, for which the directors of MegalInfo 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 the Stock 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 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 for the Nine-Month Period amounted to approximately HK\$47.9 million (2005: HK\$9.2 million), representing approximately 4.2 times increase over corresponding period during 2005.
- Loss attributable to shareholders recorded at approximately HK\$2.5 million for the Nine-Month Period.
- Secured a handful of contracts from the Government of Macao, hotel operators in Macao and various mobile bureaus in PRC. Total orders on hand as at 31 March 2006 amounted to HK\$33 million.
- The Board does not recommend payment of an interim dividend for the Nine-Month Period.

THIRD QUARTERLY 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 31 March 2006 ("Three-Month Period") and the nine months ended 31 March 2006 ("Nine-Month Period") together with the comparative unaudited figures of the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the three and nine months ended 31 March 2006

		Three months ended 31 March		Nine months ended 31 March	
	Note	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Turnover	2	6,477,178	1,479,264	47,935,229	9,236,341
Cost of sales		(5,359,724)	(1,390,967)	(39,843,711)	(7,051,797)
Gross profit		1,117,454	88,297	8,091,518	2,184,544
Bank interest income		57,787	11,329	106,337	26,348
Selling and administrative expenses		(3,680,241)	(3,176,123)	(10,693,179)	(10,267,594)
Loss from operation		(2,505,000)	(3,076,497)	(2,495,324)	(8,056,702)
Impairment of goodwill		-	(9,900,000)	-	(9,900,000)
Loss attributable to shareholders		(2,505,000)	(12,976,497)	(2,495,324)	(17,956,702)
Basic loss per share	5	0.468 cents	2.426 cents	0.466 cents	3.356 cents

Notes:

(1) Basis of preparation of the accounts

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 ("HKICPA") 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 HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standard ("HKFRS") and Hong Kong Accounting Standards ("HKAS") herein collectively referred to as HKFRSs which are generally effective for the accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRS has no material effect on the Group's financial statements.

(2) Turnover

Turnover represents the net amounts received and receivable from sales of computer software products and provision of digital image processing management solutions and maintenance services by the Group in the Macao Special Administrative Region of PRC ("Macao") and the People's Republic of China, other than the region of Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macao and Taiwan ("PRC").

(3) Taxation

No provision for profits tax has been made in the financial statements as the Group has no estimated assessable profit in the jurisdictions in which the Group operates for both periods ended 31 March 2005 and 2006.

(4) Dividend

The Board does not recommend the payment of an interim dividend for the Nine-Month Period (2005: Nil).

(5) Basic loss per share

The calculation of loss per share for the Three-Month Period and the Nine-Month Period is based on the unaudited net loss of HK\$2,505,000 and HK\$2,495,324 respectively (three months and nine months ended 31 March 2005: net loss of HK\$12,976,497 and HK\$17,956,702 respectively) and 535,000,000 ordinary shares in issue (2005: 535,000,000) during the periods.

(6) Share capital and reserves

	Share capital HK\$	Share premium HK\$	Exchange reserve HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
At 1 July 2005 (audited)	5,350,000	20,576,560	(73,454)	11,108,399	(29,210,533)	7,760,972
Exchange differences on translation of the financial statements of foreign subsidiaries not recognized in the profit and loss account	-	-	50,566	-	-	50,566
Loss for the period	-	-	-	-	(2,495,324)	(2,495,324)
At 31 March 2006	<u>5,350,000</u>	<u>20,576,560</u>	<u>(22,888)</u>	<u>11,108,399</u>	<u>(31,705,857)</u>	<u>5,306,214</u>
At 1 July 2004 (audited)	5,350,000	20,576,560	(42,978)	11,108,399	(6,588,899)	30,403,082
Exchange differences on translation of the financial statements of foreign subsidiaries not recognized in the profit and loss account	-	-	(23,382)	-	-	(23,382)
Loss for the period	-	-	-	-	(17,956,702)	(17,956,702)
At 31 March 2005	<u>5,350,000</u>	<u>20,576,560</u>	<u>(66,360)</u>	<u>11,108,399</u>	<u>(24,545,601)</u>	<u>12,422,998</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Subsequent to a strong second quarter attributable to the completion of various projects to support the East Asian Games, during the Three-Month Period, the Group focused on working on the contracts to provide various extra-low voltage systems for a number of hotels, amenities and casinos previously secured, not to mention working on the enhancement to the automatic queuing system of the one-stop e-government system for the Government of Macao.

During the period, we have also secured a number of variation orders from the existing gaming and hotel operators, making our orders on hand as at 31 March 2006 to reach HK\$33 million.

During the period, the Group also successfully completed the installation of the microfilm version of the *Megalmage* scanning solution for the Police and Judiciary Department. The completion of this project, together with the one for the Civil Engineering Laboratory Bureau, not only allowed the Group to expand the application of its *Megalmage* solution from document to microfilm, but further expanded the market penetration in Macao. Marketing of the Group's scanning solution to various enterprises continued.

Financial Review

As most of the projects on hand were still at their implementation stage, therefore, turnover for the Three-Month Period amounted to HK\$6.5 million. Despite so, turnover for the period represented an increase of over three times of the same corresponding period ended 31 March 2005. Attributable to a strong second quarter, turnover for the Nine-Month Period reached HK\$47.9 million, representing an increase of over four times of the same corresponding nine months ended 31 March 2005.

Although there was an improvement to gross profit margin, as only HK\$6.5 million were registered, effectuating gross profit of HK\$1.1 million, therefore, during the Three-Month Period, the Group reported net loss of HK\$2.5 million.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 31 March 2006, the interests and short positions of the Directors and the chief executive and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules, were as follows:

- (i) Long position in ordinary shares of the Company and (in respect of equity derivatives) underlying shares:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. José Manuel dos Santos	Held by controlled corporation (<i>Note</i>)	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 positions in shares of the associated corporation, VNHL and (in respect of equity derivatives) underlying VNHL shares:

Name of Director	Capacity	Number of issued ordinary shares held by VNHL	Number of underlying VNHL Shares (in respect of share option and convertible bond) held	Percentage of the issued share capital of VNHL
Mr. José Manuel dos Santos	Held by trust (Note 1)	293,388,000	–	47.80%
	Beneficial owner (Note 2)	–	600,000	0.10%
Mr. Kuan Kin Man	Beneficial owner (Note 3)	12,262,500	900,000	2.14%
Mr. Yim Hong	Beneficial owner (Note 4)	7,357,500	900,000	1.35%
Mr. Mok Chi Va	Held by spouse/ Beneficial owner (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.
- (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.

Other than as disclosed above, none of the Directors, chief executive nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2006.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors and chief executive or their associates, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital or underlying shares of the Company who 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% 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:

Long positions in ordinary shares of the Company and (in respect of equity derivatives) underlying shares:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Lois Resources Limited	Held by controlled corporation (Note 1)	326,617,500	61.05%
ERL	Held by controlled corporation (Note 1)	326,617,500	61.05%
VNHL	Held by controlled corporation (Note 1)	326,617,500	61.05%
VHL	Beneficial owner (Note 1)	326,617,500	61.05%
Ms. Lei Hon Kin	Held by spouse (Note 2)	326,617,500	61.05%
Gofull Investment Limited ("Gofull")	Beneficial owner (Note 3)	74,632,500	13.95%
eForce Holdings Limited ("eForce")	Held by controlled corporation (Note 3)	74,632,500	13.95%
Tees Corporation ("Tees")	Held by controlled corporation (Note 3)	74,632,500	13.95%
Mr. Leung Chung Shan	Held by controlled corporation (Note 3)	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 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.
- (2) 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.
- (3) eForce was deemed to be interested in 74,632,500 shares by virtue of its interest in Gofull. Tees owned more than one third of the issued share capital of eForce. Mr. Leung Chung Shan owned the entire issued share capital of Tees. 74,632,500 shares were beneficially owned by Gofull.

INTERESTS IN COMPETING BUSINESS

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the Nine-Month Period. Having made specific enquiry of all Directors, they have complied with such code of conduct and the required standard of dealings throughout the Nine-Month Period.

AUDIT COMMITTEE

The Company has established an audit committee ("Committee") with written term of reference in compliance with Rules 5.28 to 5.33 of the 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 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. Mr. Chui Sai Cheong is the chairman of the Committee.

The Group's financial statements for the Nine-Month Period have been reviewed by the Committee who was of the opinion that such financial statements complied with applicable accounting standards, the GEM Listing Rules, and that adequate disclosures had been made.

SPONSOR'S INTEREST

Pursuant to the agreement dated 30 December 2003 entered into between the Company and the joint sponsors, namely REXCAPITAL (Hong Kong) Limited ("RexCapital") and CSC Asia Limited ("CSC Asia"), the joint sponsors have received and will receive a fee for acting as the Company's retained sponsors for the period from 19 January 2004 to 30 June 2006.

On 28 July 2004, due to the major personnel changes at RexCapital, the Company and RexCapital have mutually agreed to terminate the engagement of RexCapital as one of the continuing sponsors to the Company with effect from 1 August 2004.

CSC Asia will continue to act as the continuing sponsor to the Company pursuant to Chapter 6 of GEM Listing Rules for the period up to 30 June 2006.

None of CSC Asia and 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 31 March 2006.

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

Hong Kong, 15 May 2006