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

Annual Report 2006

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

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BOARD OF DIRECTORS

Executive Directors

Sun Ho *(Chairman)*
Kot Wai Ming

Independent non-executive Directors

Kwok Wing Leung Andy
Wang Ronghua
Hua Fengmao

AUTHORISED REPRESENTATIVES

Sun Ho
Wong Chit Lung Philip, CPA, CPA (U.S.)

COMPANY SECRETARY

Wong Chit Lung Philip, CPA, CPA (U.S.)

QUALIFIED ACCOUNTANT

Wong Chit Lung Philip, CPA, CPA (U.S.)

COMPLIANCE OFFICER

Sun Ho

AUDIT COMMITTEE

Kwok Wing Leung Andy *(Chairman)*
Wang Ronghua
Hua Fengmao

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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74 Rua da Felicidade
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PLACE OF BUSINESS IN HONG KONG*

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WEBSITE

http://www.megainfo.com.cn

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Banco Comercial de Macau
DBS Bank (Hong Kong) Limited

SHARE REGISTRARS IN BERMUDA

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

SHARE REGISTRARS IN HONG KONG

Abacus Share Registrars Limited
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

STOCK CODE

8279

* With effect from 29 September 2006, the head office and principal place of business in Hong Kong of the Company will be changed to:

Unit 3912, 39/F
Shell Tower, Times Square
Causeway Bay
Hong Kong
Tel: (852) 2506 1668
Fax: (852) 2506 1228

Company Profile

MegaInfo Holdings Limited (the "Company", together with its subsidiaries, the "Group") is a company incorporated in Bermuda, the issued shares of which are listed on GEM and the Group is principally engaged in the provision of enterprise solutions for targeted customers in the Macao Special Administrative Region of the People's Republic of China ("Macao") and the People's Republic of China, other than the region of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), Macao and Taiwan (the "PRC"). The Group specialises in the research and development of innovative and quality value-added applications that aim to increase operating effectiveness and efficiencies of enterprises. The Group offers an array of enterprise solutions including *MegaImage* (document imaging application), *MegaMax* (surveillance solution), *MegaDMS* (document management system) and *MegaERP* (enterprise resource planning application), and a range of services including installation, testing and commissioning, after-sales support and scanning services. Targeted customers of the Group include mobile service bureaus, telecommunications service providers, governmental authorities, gaming and hotel operators and enterprises in Macao and the PRC.

Chairman's Statement

On behalf of the board (the "Board") of directors of the Company (the "Directors"), I am pleased to present the annual report of the Group for the year ended 30 June 2006.

The 2005/2006 financial year marked a year of significant growth as well as transition to the new management for the Group. First of all, we are encouraged by the tremendous improvement in the turnover of the Group which reached a record high of approximately HK$69.4 million (representing a year-on-year increase of approximately 385.7%), and the reduction of the net loss of the Group from approximately HK$22.6 million last year to approximately HK$2.8 million this year. Such improvements in the financial results of the Group underline our continuous focus and efforts in capitalising on business opportunities arising from the booming economy in Macao. Indeed, we are proud that we have successfully completed a wide variety of landmark projects in Macao during the year under review, ranging from projects for the East Asian Games and the provision of various systems and applications to governmental bodies, to the provision of various extra-low voltage systems for a number of gaming and hotel operators as a result of the burgeoning growth of the hotel and gaming sector in Macao.

In addition, on 13 June 2006, the controlling shareholder of the Company was changed to MAXPROFIT GLOBAL INC and new directors were appointed to the Company with effect from 19 July 2006. Under the leadership of new management who have diverse management experiences and business networks, the Group is well-positioned to take on new initiatives and make breakthroughs in the future.

As an information technology business, the success of our Group lies with our ability to continuously introduce new products and expand our valued-added services to our customers. To this end, the new management team of the Company has been conducting a review of the business operations and financial position of the Group for the purpose of formulating business plans and strategies for its future business development. Subject to the conclusion of such review and should suitable investments or business opportunities arise, the Board may consider diversifying the business of the Group with a view to expanding its range of products and services and hence broadening its income source.

Finally, on behalf of the Board, I would like to take this opportunity to express our sincere gratitude to all our customers, suppliers, shareholders and fellow employees for their continued support over the year and to all former Directors for their contributions to the Group in the past.

Sun Ho
Chairman

Hong Kong, 18 September 2006

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the shareholders of the Company.

The Company has adopted the code provisions and certain recommended best practices in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). The Company has applied the principles of the Code in different respects, including but not limited to:

- the frequency and proper conduct of Board meetings;
- the well-balanced composition of the Board, with independent non-executive Directors representing not less than one-third of the total number of Directors at all times;
- the proper procedures for appointment and re-election of Directors;
- the establishment of an audit committee to review the financial reporting and internal controls of the Group;
- the establishment of a remuneration committee to review the remuneration policy and other remuneration-related matters for Directors and senior management of the Group;
- the establishment of a nomination committee to formulate nomination policy and make recommendations to the Board on any proposed appointment of Directors and to assess the independence of the independent non-executive Directors on a regular basis;
- the provision of briefing on the relevant requirements of the GEM Listing Rules and the Securities and Futures Ordinance to all newly appointed Directors;
- the timely supply of sufficient information to Directors for matters seeking their approval or opinions;
- the timely publications of annual, interim and quarterly results and reports to keep the shareholders of the Company posted of the latest business development and financial performance of the Group; and
- the holding of an annual general meeting each year to meet with the shareholders and answer their enquiries.

Corporate Governance Report

Following the appointment of the new Directors to the Board on 19 July 2006, the Board undertook a review of the existing bye-laws of the Company and is proposing certain amendments to the bye-laws to bring them in line with the code provision A.4.2 of the Code and other requirements under the GEM Listing Rules. Details of such proposed amendments are set out in the circular dated 29 September 2006 to the shareholders of the Company.

During the year ended 30 June 2006, the Company complied with the Code, except that:

- Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company were performed by the same individual, Mr. José Manuel dos Santos, during the year under review. The Company considered that the combination of the roles of chairman and chief executive officer could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.

- Under the code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. During the year under review, the chairman of the Board was not subject to retirement by rotation, as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group.

- Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. The chairman of the Board was away on a business trip on the date when the annual general meeting was held during the year under review.

As disclosed in the interim report of the Company for the six months ended 31 December 2005, the Company had not disclosed the terms of reference of the remuneration committee and audit committee on the website of the Company. Such terms of reference have now been posted on the website of the Company at www.megainfo.com.cn.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions during the year under review.

THE BOARD

Being the highest decision-making body of the Company, the Board is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

During the year ended 30 June 2006, the members of the Board comprised:

Executive Directors:	Mr. José Manuel dos Santos *(Chairman)* Mr. Mok Chi Va Mr. Kuok Cheong Ian
Non-executive Directors:	Mr. Yim Hong Mr. Kuan Kin Man
Independent non-executive Directors:	Mr. Chui Sai Cheong Mr. Tsui Wai Kwan Mr. Tam Pak Yip

During the year ended 30 June 2006, the Company had three independent non-executive Directors (representing not less than one-third of the total number of Directors at all times), and at least one of them possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. To the best of the knowledge of the Directors, there were no financial, business, family or other material relationships among the members of the Board for the year ended 30 June 2006, except that Mr. José Manuel dos Santos, Mr. Yim Hong, Mr. Kuan Kin Man and Mr. Chui Sai Cheong are all directors of Vodatel Networks Holdings Limited, the shares of which are listed on GEM.

All the above Directors resigned from the Board with effect from 19 July 2006.

Corporate Governance Report

With effect from 19 July 2006, the members of the Board comprise:

Executive Directors:	Mr. Sun Ho *(Chairman)* Mr. Kot Wai Ming
Independent non-executive Directors:	Mr. Wang Ronghua Mr. Hua Fengmao Mr. Kwok Wing Leung Andy

To the best of the knowledge of the Directors, there are no financial, business, family or other material relationships among the members of the Board except that Mr. Kot Wai Ming is the brother-in-law of Mr. Sun Ho. At present, three out of five Directors are independent non-executive Directors and at least one of them possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

The Board meets at least four times a year to review the financial and operating performance of the Group. The Directors participated in person or through other electronic means of communication. At least 14 days' notice of all regular Board meetings is given to all Directors while reasonable notice is generally given for other Board meetings. All Directors were given an opportunity to include matters in the agenda for discussion. The company secretary assists the chairman in the preparation of the agenda for the meeting, and ensures that all applicable rules and regulations regarding the meetings are observed. The company secretary records the proceedings of each Board meeting in details by keeping detailed minutes. Drafts of board minutes are circulated to all Directors for comments and approval as soon as practicable after the meetings. All minutes are open for inspection at any reasonable time on request by any Director.

Six Board meetings were held during the year ended 30 June 2006. The attendance record of each Director is as follows:

Mr. José Manuel dos Santos	4/6
Mr. Mok Chi Va	6/6
Mr. Kuok Cheong Ian	6/6
Mr. Yim Hong	4/6
Mr. Kuan Kin Man	6/6
Mr. Chui Sai Cheong	4/6
Mr. Tsui Wai Kwan	4/6
Mr. Tam Pak Yip	4/6

The Board has the ultimate responsibility for the preparation of financial statements of the Group. For the year ended 30 June 2006, the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Board continued to adopt the going concern approach in preparing the financial statements for the year ended 30 June 2006, for which the auditors of the Company have reporting responsibilities as stated in the report of the auditors on page 31.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 30 June 2006, the roles of chairman and chief executive officer of the Company were performed by the same individual, Mr. José Manuel dos Santos. The Company considered that the combination of the roles of chairman and chief executive officer could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.

NON-EXECUTIVE DIRECTORS

The service contracts for the former non-executive Directors, Mr. Yim Hong and Mr. Kuan Kin Man, and the former independent non-executive Directors, Mr. Chui Sai Cheong, Mr. Tsui Wai Kwan and Mr. Tam Pak Yip, were all entered into for an initial term of two years and shall continue thereafter unless and until terminated by either party giving to the other party not less than three months' notice in writing to terminate the appointment. According to the respective service contracts for these former Directors, the initial two-year terms of all such contracts had expired or ended during the financial year ended 30 June 2006, except for the service contract of Mr. Chui Sai Cheong which was supposed to end after such financial year end on 22 September 2006. In view of the fact that all the aforesaid former Directors tendered their resignations as a result of the change in control of the Company as announced in June 2006, no renewal of their service contracts was considered necessary.

The Company has received, from each of the existing independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of such independent non-executive Directors are independent. Each of such independent non-executive Directors was appointed by way of a director's service agreement dated 19 July 2006 for an initial term of two years which shall continue thereafter subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with its bye-laws or unless and until terminated by either party to such agreement giving the other party not less than one month's written notice to terminate such appointment.

REMUNERATION OF DIRECTORS

The remuneration committee was established on 24 June 2005. During the year ended 30 June 2006, the chairman of the committee was Mr. Chui Sai Cheong, and other members were Mr. Tsui Wai Kwan and Mr. Tam Pak Yip. All members of the committee were independent non-executive Directors.

The remuneration committee is responsible for formulating and recommending to the Board the remuneration policy, determining the remuneration of executive Directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. The committee consults with the chairman/ chief executive officer on its proposal and recommendations, and also has access to professional advice if deemed necessary by the committee. The committee is also provided with other resources enabling it to discharge its duties.

The specific terms of reference of the remuneration committee are posted on the website of the Company and are available to shareholders of the Company upon request.

During the year ended 30 June 2006, no physical meeting was held by the remuneration committee which, nevertheless, by way of written resolutions by Mr. Chui Sai Cheong, Mr. Tsui Wai Kwan and Mr. Tam Pak Yip, approved the adjusted remuneration of Mr. Mok Chi Va and Mr. Kuok Cheong Ian based on their performance. The other service contract terms of Mr. Mok Chi Va and Mr. Kuok Cheong Ian remained unchanged.

All the aforesaid members of the remuneration committee resigned with effect from 19 July 2006. On 19 July 2006, Mr. Kot Wai Ming, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao were appointed as new members of the remuneration committee (the "New Remuneration Committee"). The chairman of the New Remuneration Committee is Mr. Kwok Wing Leung Andy. Except for Mr. Kot Wai Ming, all other members of the New Remuneration Committee are independent non-executive Directors.

Each of the existing independent non-executive Directors, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao, shall be entitled to HK$100,000 per annum as director's fee (without any bonus payment) which has been determined on an arm's length basis between the parties involved with reference to the prevailing market fee range for independent non-executive directors of listed issuers in Hong Kong. As incentives for their future contributions to the Group, each of the existing independent non-executive Directors has also been granted a share option under the share option scheme of the Company adopted on 18 November 2004 entitling him to subscribe for up to 535,000 shares in the Company at the exercise price of HK$0.28 each (subject to adjustment).

Each of the existing executive Directors, Mr. Sun Ho and Mr. Kot Wai Ming, shall receive a director's fee of HK$10,000 per month and shall be entitled to a discretionary year-end bonus payment based on his performance and responsibilities as well as the annual financial performance of the Group. As incentives for their future contributions to the Group, each of Mr. Sun Ho and Mr. Kot Wai Ming has also been granted a share option under the share option scheme of the Company adopted on 18 November 2004 entitling him to subscribe for up to 5,350,000 shares in the Company at the exercise price of HK$0.28 each (subject to adjustment). Both Mr. Sun and Mr. Kot have exercised their options in full. The emoluments of Mr. Sun Ho and Mr. Kot Wai Ming have been determined on an arm's length basis between the parties involved and will be subject to review from time to time by the remuneration committee of the Company with reference to their respective performances and responsibilities as well as the annual financial performance of the Group.

NOMINATION OF DIRECTORS

The nomination committee was established on 24 June 2005. During the year ended 30 June 2006, the chairman of the committee was Mr. José Manuel dos Santos, the former chairman and executive Director of the Company, and other members included Mr. Chui Sai Cheong, Mr. Tsui Wai Kwan and Mr. Tam Pak Yip, the former independent non-executive Directors.

The nomination committee is responsible for formulating nomination policy, and making recommendations to the Board on nomination and appointment of Directors and Board succession. The committee will also develop selection procedures for nomination of candidates, review the size, structure and composition of the Board, as well as assess the independence of independent non-executive Directors. The committee is provided with sufficient resources enabling it to discharge its duties.

Any member of the nomination committee is authorised to identify suitable candidates for the position of Director when there is a vacancy or an additional Director is considered necessary. Once identified, the member of the nomination committee will propose the appointment of such candidates to the nomination committee which will review the qualifications, experiences and background of the relevant candidates for determining the suitability to the Group. The candidates approved by the nomination committee will then be proposed to the entire Board for final approval and, where appropriate, for recommendation to the shareholders for their approval at the general meeting of the Company.

The specific terms of reference of the nomination committee are posted on the website of the Company and are available to shareholders of the Company upon request.

There was no selection and recommendation of candidates for directorship, and no meetings were held during the year under review.

All the aforesaid members of the nomination committee resigned with effect from 19 July 2006. On 19 July 2006, Mr. Sun Ho, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao were appointed as new members of the nomination committee (the "New Nomination Committee"). The chairman of the New Nomination Committee is Mr. Kwok Wing Leung Andy. Except for Mr. Sun Ho, all other members of the New Nomination Committee are independent non-executive Directors.

AUDITORS' REMUNERATION

Remuneration to auditors of the Company, Deloitte Touche Tohmatsu, amounted to HK$550,000 for the year ended 30 June 2006. The Group also paid HK$24,300 to Deloitte Touche Tohmatsu for the tax compliance work of the Company and certain subsidiaries for the year of assessment 2005/2006.

AUDIT COMMITTEE

The Company has established an audit committee with its written terms of reference posted on the website of the Company and available to shareholders of the Company upon request. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group, consider the appointment or re-appointment of auditors and provide advices and comments on the Group's draft annual reports and accounts, interim reports and quarterly reports to the Board. During the year ended 30 June 2006, the audit committee comprised three members, Mr. Chui Sai Cheong, Mr. Tsui Wai Kwan and Mr. Tam Pak Yip, all of them were independent non-executive Directors. The chairman of the audit committee was Mr. Chui Sai Cheong.

Four meetings were held during the year ended 30 June 2006. Record of individual attendance is as follows:

Chui Sai Cheong	3/4
Tsui Wai Kwan	3/4
Tam Pak Yip	3/4

The Group's draft unaudited quarterly and interim results, and annual audited results were reviewed by the audit committee during the year ended 30 June 2006, and the committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made. Apart from approving the appointment of auditors for the year ended 30 June 2006, the audit committee also attended a meeting with the auditors to discuss the audit status and ways to enhance the internal controls of the Company. Both the audit committee and the Board recommended and approved the appointment of Deloitte Touche Tohmatsu as auditors of the Company for the year ended 30 June 2006.

All the aforesaid members of the audit committee resigned with effect from 19 July 2006. On 19 July 2006, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao were appointed as new members of the audit committee (the "New Audit Committee"). The chairman of the New Audit Committee is Mr. Kwok Wing Leung Andy. All members of the New Audit Committee are independent non-executive Directors.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems to safeguard the assets of the Group and shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board has devised a programme to conduct an ongoing review of the effectiveness of the internal control systems of the Group.

The Board has delegated to the management the implementation of the internal control systems and reviewing of all relevant financial, operational, compliance controls and risk management functions.

SHAREHOLDERS RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The Company also updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

Management Discussion and Analysis

REVIEW OF BUSINESS ACTIVITIES

Macao – Focus of attention and city of opportunities

During the financial year, Macao remained the main focus of the Group with organic growth and business activities fuelled from three major forces, namely the East Asian Games held during October 2005, mandate of the Macao Government to improve efficiency and massive investments from gaming and hotel operators.

The East Asian Games, being the first multi-discipline event ever held in Macao and the third most important multi-sports event in Asia, after the Olympics and the Asian Games, had been a showcase for the Macao Government to put Macao on an international stage. Taking the Macao Government nine years to prepare this major event, we are proud to be selected as one of the participants in the infrastructure building and had been involved in a number of projects of the East Asian Games. Of the projects that the Group was awarded and successfully completed, included a landmark project for the supply and installation of a gaming application that supported the event scoring system. In addition, the Group completed various extra-low voltage ("ELV") systems for the shooting range and the football stadium, the locations of which to host gaming events, and the media centre for dissemination of latest news about the East Asian Games. Total revenue attributable to the Group during the financial year from projects for the East Asian Games amounted to approximately HK$25.4 million.

Since 2004, the Macao Government pragmatically carried out the administrative reforms with the ultimate goal to improve efficiency and effectiveness, including the streamlining of internal operations, building infrastructure of an e-government, simplifying administrative formalities and improving the transparency of the work of the Macao Government. During the preceding financial year, the Group was awarded and successfully completed the implementation and integration of the one-stop e-government application under the Public Administration and Civil Service Bureau. This application, which incorporates workflow, document imaging and management system, allows Macao citizens to access a variety of governmental services and information via a single governmental portal. With the completion of this infrastructural project for the Macao Government, the Group successfully completed the installation and implementation of two other e-government related applications during the financial year, namely the automatic vehicle clearance system and the automatic passenger clearance system, and was awarded an expansion project to develop an enhancement to the automatic queuing system of the one-stop e-government system – an upgraded feature to better monitor and improve reservations and queuing of different governmental services.

Management Discussion and Analysis

With the gaming and tourism as pillar industries of Macao, Macao is characterised as one of the world's fastest growing gaming markets. Spurred with a solid base and presence in Macao and benefiting from the massive investments made by various gaming and hotel operators, the Group tapped selected gaming and hotel operators and was successfully awarded a number of contracts to supply and install ELV systems at various gaming and hotel premises. Total revenue recognised during the financial year amounted to approximately HK$15.2 million, with orders on hand of approximately HK$12.6 million as at 30 June 2006.

PRC – Laying a solid foundation of a strong support team

During the financial year, the Group reorganised its resources in the PRC by streamlining and realigning its resources primarily to two areas: (1) the fine-tuning and promotion of the *MegaImage* application; and (2) the provision of support in software development and implementation to the team in Macao.

With encouraging results in the Guangdong Province, with various mobile bureaus now deploying the *MegaImage* application, we geared our development effort to fine-tune the various features and functionalities of the application to better cater the needs of the mobile bureaus. We also aimed our marketing efforts to primarily the promotion of the *MegaImage* application to other mobile bureaus in the Guangdong Province. By refocusing our marketing efforts to a single province, we targeted to build a strong reference site by cost effectively utilising the existing resources of the software development teams in Zhuhai and Guangzhou. With such changes, we successfully sold the *MegaImage* application to the mobile bureaus in Dongguan, Yunfu and Zhaoqing and were awarded an expansion contract to install the upgraded version of the application at the mobile bureau in Shenzhen during the financial year.

Faced with human resources challenges in Macao as a result of robust economic activities, the Group further realigned its human resources in the PRC by utilising the software development capabilities of its technical teams in the PRC to complement the team in Macao and to support the various business opportunities secured by the Group in Macao. Today, the software development teams in Zhuhai and Guangzhou involved heavily in the development of the software infrastructure of the one-stop e-government project and its related applications, and in the provision of maintenance and support services for the e-government infrastructure.

Management Discussion and Analysis

REVIEW OF OPERATING RESULTS

Turnover and Profitability

Attributable to the successful award and completion of various projects for the East Asian Games, the Macao Government and various gaming and hotel operators, total turnover of the Group surged considerably to approximately HK$69.4 million, representing about 4.9 times the turnover of the preceding year of approximately HK$14.3 million. In line with ample business opportunities in Macao, the territory brought in approximately 95.7% of total turnover of the Group for the financial year. In view of the nature of a number of projects with a higher software component, gross profit margin improved from approximately 15.1% to approximately 18.7%.

An impressive improvement in total turnover and gross profit margin had been supported by a well-controlled cost structure. Total selling, general and administrative expenses amounted to approximately HK$15.8 million, representing a slight increase of approximately HK$1.3 million, or approximately 9.3%, over the preceding year. Challenged by an environment with rising wages in Macao, resulting in total wages and salaries (including Directors' fees) of the Group to increase by approximately 13.2% to reach approximately HK$8.8 million, the Group incurred an one-off expense item of approximately HK$0.6 million as a result of the change of majority ownership and the general offer from MAXPROFIT GLOBAL INC.

Fuelled from improved revenue streams and in the absence of goodwill impairment, net loss of the Group significantly narrowed from approximately HK$22.6 million to approximately HK$2.8 million for the financial year.

Capital Resources and Liquidity

Net cash and bank balances as at 30 June 2006 were approximately HK$7.0 million, with a debt-free capital structure. As a means to well manage and control its cash position, the Group continued to strive for back-to-back payment terms with its suppliers.

Capital Commitments and Significant Investments

At 30 June 2006, the Group did not have any significant capital commitments and significant investments.

Charges on Group Assets

At 30 June 2006, the Group did not have any charges on assets of the Group.

Management Discussion and Analysis

Foreign Exchange Exposure

At 30 June 2006, the Group held cash and bank deposits denominated in Hong Kong Dollars, Renminbi, and Macao Patacas. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in Renminbi, which is not freely convertible into foreign currencies, and in Macao Patacas, which is considered as a stable currency under the control of the Macao Government, the Group faced minimal exchange rate risk during the financial year.

Contingent Liabilities

At 30 June 2006, there were no material contingent liabilities.

Employees' Information

At 30 June 2006, the Group had 44 (2005: 58) full-time employees in Hong Kong, Macao and the PRC. Total staff costs (excluding Directors' emoluments) amounted to approximately HK$6.7 million. The Group is keen to retain and motivate talent and continues to make adjustments in compensation, where necessary, to recognise employees' contributions and to respond to changes in the employment market. Payroll costs were adjusted to selected employees to recognise outstanding performance. In addition to the salary, the Group also offers to its employees other fringe benefits including stock option scheme, provident fund, social security fund and medical benefits.

Comparison of Business Objectives

BUSINESS OBJECTIVES FOR THE YEAR UNDER REVIEW AS SET OUT IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS FOR THE YEAR UNDER REVIEW
Continue to upgrade *MegaImage* and *MegaMax* with new and enhanced features based on latest market trends and customers' requirements	Focus principally on the fine-tuning of the features and functionalities of the *MegaImage* application to better cater the needs of the mobile bureaus
Continue to upgrade the Group's products with new and enhanced features based on latest market trends and customers' requirements	Various features and functionalities of the *MegaImage* application upgraded and fine-tuned
Continue the promotion and marketing activities in previous periods	To capitalise the ample market opportunities in Macao, marketing efforts were geared primarily to the promotion of the enterprise solutions of the Group to the Macao Government, gaming and hotel operators. In the PRC, marketing efforts were geared towards the promotion of the *MegaImage* application to various mobile bureaus in the Guangdong Province
Continue to identify appropriate distributors and with the appointed distributors, to promote *MegaImage* to mobile service providers in other provinces with strong demand for the Group's products	Discussion with various distributors in the Guangdong Province that complemented the existing marketing team in progress
Continue the promotion of upgraded *MegaImage* to fixed-line telecommunications service providers in the Hunan Province, the PRC	To strengthen the foothold of the Group in the Guangdong Province and to build a strong reference site, promotion was geared principally to various mobile bureaus in the Guangdong Province
Identify appropriate distributors and with the appointed distributors commence to promote *MegaLab* to hospitals and laboratories in the Zhejiang Province, the PRC	Promotion was first geared principally to various mobile bureaus in the Guangdong Province

Comparison of Business Objectives

BUSINESS OBJECTIVES FOR THE YEAR UNDER REVIEW AS SET OUT IN THE PROSPECTUS	ACTUAL BUSINESS PROGRESS FOR THE YEAR UNDER REVIEW
Continue to promote upgraded *MegaImage*, *MegaDMS* and *MegaOffice* to various departments under the Government of Macao and public utilities companies	In progress, with various modules of the *MegaImage*, *MegaDMS* and *MegaOffice* embedded in the core software infrastructure of the one-stop e-government application
Participate in one major information technology ("IT") exhibition in the PRC to promote the Group's enterprise solutions	Participated in the Hi-Tech Expo in Shenzhen during October 2005
Continue to evaluate the need of setting up new representative offices in other provinces (subject to the business requirements of the Group) to handle customers' enquiries and provide after-sales support services	Strategy to expand market coverage under review
With the software development engineers of the Group, commence the research and development ("R&D") of an identified new enterprise solution	The technical teams were involved in the development of the software infrastructure of the one-stop e-government project and its related applications in Macao
Complete the integration of the targeted software company in the PRC to the operations of the Group	Strategy to acquire software company under review

Applications and Comparison of Use of Proceeds

The Group raised approximately HK$20.4 million from the listing of the ordinary shares of the Company on GEM.

Comparison of the use of proceeds at stated in the Prospectus with actual application:

USE OF PROCEEDS AS STATED IN THE PROSPECTUS	APPLICATION OF PROCEEDS FROM THE INITIAL ORDINARY SHARE OFFER ON 19 JANUARY 2004
Approximately HK$0.3 million for product enhancement with new features and functionalities	Approximately HK$0.22 million for fine-tuning of the *MegaImage* application
Approximately HK$0.4 million for R&D of new products under the Group's own brand name	Investment in research and development of new products under review
Approximately HK$0.9 million for business development, expansion of the Group's marketing team and participation in IT exhibitions	Approximately HK$0.2 million had been used for business development and participation in IT exhibitions
Approximately HK$1.2 million for expansion of geographical presence in the PRC	Strategy to expand market coverage under review
Approximately HK$0.2 million for application for quality assurance certifications for the Group's products	The application of quality assurance certifications had been postponed
Approximately HK$2.2 million for working capital	Balance of the proceeds had been deposited with licensed banks in Macao and Hong Kong and were used as working capital

Biographical Details of Directors and Senior Management

Mr. Sun Ho – Executive Director and Chairman

Mr. Sun Ho, aged 37, has extensive experience in the financial management of enterprises. He was appointed as executive director and chairman of the Company as well as authorised representative, compliance officer and member of the nomination committee of the Company on 19 July 2006. Mr. Sun holds a bachelor degree in Economics from the University of Sydney in Australia and a master degree in Corporate Finance from the Hong Kong Polytechnic University. Mr. Sun is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Sun is currently the chief executive officer and deputy chairman of China LotSynergy Holdings Limited, the issued shares of which are listed on GEM. Mr. Sun was previously an executive director of Burwill Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange and had worked for KPMG, an international accounting firm, where he was involved in the auditing and due diligence activities for clients. Mr. Sun is the brother-in-law of Mr. Kot Wai Ming.

Mr. Kot Wai Ming – Executive Director

Mr. Kot Wai Ming, aged 42, is currently an executive director of China Gate International Limited, which is principally engaged in the trading of agricultural commodities. He was appointed as executive director as well as member of the remuneration committee of the Company on 19 July 2006. Mr. Kot holds a bachelor degree in Economics from the Shanghai Institute of Foreign Trade. Prior to working for China Gate International Limited, Mr. Kot held various positions as trader and trading manager with XCAN Asia Limited and its parent company, XCAN Grain Pool Ltd., in Canada. Mr. Kot did not hold any directorship in any listed companies during the past three years. Mr. Kot is the brother-in-law of Mr. Sun Ho.

Mr. Kwok Wing Leung Andy – Independent Non-executive Director

Mr. Kwok Wing Leung Andy, aged 32, has over 10 years of local and overseas financial and general management experience and has experience in the trading business in the PRC. He was appointed as independent non-executive director as well as member of each of the audit, remuneration and nomination committees of the Company on 19 July 2006. Mr. Kwok holds a master degree in Business Administration from Tsinghua University, the PRC and a bachelor degree in Economics from the University of Sydney in Australia. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Kwok is the chairman of Nubrands Group Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

Mr. Wang Ronghua – Independent Non-executive Director

Mr. Wang Ronghua, aged 61, is a representative in Shanghai of Treasury Holdings China Limited. He was appointed as independent non-executive director as well as member of each of the audit, remuneration and nomination committees of the Company on 19 July 2006. Mr. Wang graduated from the Beijing Institute of Foreign Trade. Prior to the appointment as independent non-executive Director, Mr. Wang held various positions in the PRC Government. Mr. Wang was the General Manager of Beijing Personnel Service Corporation for Diplomatic Missions, the General Manager of China Jiaoyuan Corporation for International Economic and Technical Cooperation, the First Deputy Director General of Beijing Service Bureau for Diplomatic Missions and an Ambassador of the PRC to the Republic of Iceland. Thereafter, Mr. Wang joined Shanghai Institute of International Finance as Vice President and was Chief Operating Officer of Shanghai Sinoman Industrial (Group) Ltd. Mr. Wang did not hold any directorship in any listed companies during the past three years.

Mr. Hua Fengmao – Independent Non-executive Director

Mr. Hua Fengmao, aged 38, is the founding partner and managing director of China Finance Strategies Limited. He was appointed as independent non-executive director as well as member of each of the audit, remuneration and nomination committees of the Company on 19 July 2006. Mr. Hua obtained a bachelor degree and a master degree in English Language & Literature from the Shanghai International Studies University, Shanghai, the PRC. Mr. Hua obtained a Master of Business Administration degree from the Intentional University of Japan, Niigata, Japan. Prior to founding China Finance Strategies Limited, Mr. Hua held various positions in various investment banks. Mr. Hua was the Managing Director of Investment Banking of CLSA Equity Capital Markets Limited, the General Manager of Cazenove Asia Limited, Manager of ICEA Capital Limited and Associate Investment Banking Officer of Bank of America NT&SA. Mr. Hua did not hold any directorship in any listed companies during the past three years.

SENIOR MANAGEMENT

Mr. Mok Chi Va – Sales & Marketing Director

Mr. Mok Chi Va, aged 41, is the director in charge of the business development of the subsidiary of the Group in Macao. He graduated from the University of Macao and Macau Management Association with a Diploma in Business Administration and from West Coast Institute of Management and Technology in Australia with a Master Degree in Business Administration – International Business. Prior to joining the Group, Mr. Mok was the business development manager of Vodatel Holdings Limited, the operation manager of Charter Kingdom Limited and the project manager of Tung Tat E&M Engineering Co. Limited.

Biographical Details of Directors and Senior Management

Mr. Kuok Cheong Ian – Research & Development Director

Mr. Kuok Cheong Ian, aged 58, is the director in charge of the software research and development of the subsidiaries of the Group in Macao and the PRC. He holds a Master Degree in Business Administration from Barrington University in United States of America. Before joining the Group, Mr. Kuok worked for a number of companies including Heng Va Company Limited and Talent Rank Limited as the technical director and general manager respectively.

Mr. Wong Chit Lung Philip – Financial Controller & Company Secretary

Mr. Wong Chit Lung Philip, aged 34, is the financial controller and company secretary of the Group. Mr. Wong is responsible for overseeing the accounting and financial management and company secretarial functions of the Group. He is a qualified accountant and a member of American Institute of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Wong holds a Master of Professional Accounting degree from the University of Southern Queensland, Australia, and a Bachelor of Arts degree in Economics from the University of Western Ontario, Canada. Prior to joining the Group in June 2004, Mr. Wong worked in an international accounting firm and multi-national telecommunications enterprises.

Report of the Directors

The Directors present their annual report and the audited financial statements for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries and an associate are set out in notes 30 and 16 respectively to the financial statements.

RESULTS

The results of the Group for the year ended 30 June 2006 are set out in the consolidated income statement on page 32.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the financial statements.

RESERVES

Details of movements in the reserves of the Group for the year are set out in the consolidated statement of changes in equity.

The Company has no reserves available for distribution to shareholders at both balance sheet dates.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINANCIAL SUMMARY

A summary of the results of the Group and of the assets and liabilities of the Group for the past 4 financial period/years from 10 December 2002 (date of incorporation) is set out on page 66.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Sun Ho	(appointed on 19 July 2006)
Mr. Kot Wai Ming	(appointed on 19 July 2006)
Mr. José Manuel dos Santos	(resigned on 19 July 2006)
Mr. Mok Chi Va	(resigned on 19 July 2006)
Mr. Kuok Cheong Ian	(resigned on 19 July 2006)

Non-executive Directors

Mr. Yim Hong	(resigned on 19 July 2006)
Mr. Kuan Kin Man	(resigned on 19 July 2006)

Independent non-executive Directors

Mr. Wang Ronghua	(appointed on 19 July 2006)
Mr. Hua Fengmao	(appointed on 19 July 2006)
Mr. Kwok Wing Leung Andy	(appointed on 19 July 2006)
Mr. Tsui Wai Kwan	(resigned on 19 July 2006)
Mr. Tam Pak Yip	(resigned on 19 July 2006)
Mr. Chui Sai Cheong	(resigned on 19 July 2006)

In accordance with Bye-law 86 of the Company, all Directors will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Sun Ho and Mr. Kot Wai Ming have entered into service agreements with the Company with no fixed terms commencing from 19 July 2006. The service agreements shall continue thereafter until terminated by either party giving to the other at least one month's notice in writing.

Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao have entered into service agreements with the Company for a term of twenty-four months commencing from 19 July 2006. The service agreements shall continue thereafter until terminated by either party giving to the other at least one month's notice in writing.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under "Connected Transactions", no contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF HK$0.01 EACH IN THE CAPITAL OF THE COMPANY ("SHARES"), UNDERLYING SHARES AND DEBENTURES

At 30 June 2006, the interests and short positions of the Directors and the chief executives and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 5.67 of the GEM Listing Rules, were as follows:

Long position in ordinary Shares and underlying Shares (in respect of equity derivatives):

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr. Sun Ho	Held by controlled corporation (Note)	326,617,500	61.05%

Note: 326,617,500 Shares were beneficially owned by MAXPROFIT GLOBAL INC ("MGI"). Mr. Sun Ho owned the entire issued share capital in MGI. Mr. Sun Ho was deemed to be interested in 326,617,500 Shares held by MGI.

Other than as disclosed above, none of the Directors, chief executives 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 at 30 June 2006.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 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 executives or their associates, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital or underlying Shares 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 the Shares and underlying Shares (in respect of equity derivatives):

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
MGI	Beneficial owner (Note 1)	326,617,500	61.05%
Mr. Sun Ho	Held by controlled corporation (Note 1)	326,617,500	61.05%
Gofull Investment Limited ("Gofull")	Beneficial owner (Note 2)	74,632,500	13.95%
eForce Holdings Limited ("eForce")	Held by controlled corporation (Note 2)	74,632,500	13.95%
Tees Corporation ("Tees")	Held by controlled corporation (Note 2)	74,632,500	13.95%
Mr. Leung Chung Shan	Held by controlled corporation (Note 2)	74,632,500	13.95%

Notes:

(1) Mr. Sun Ho was deemed to be interested in 326,617,500 Shares by virtue of his interest in MGI. Mr. Sun Ho owned the entire issued share capital of MGI. 326,617,500 Shares were beneficially owned by Mr. Sun Ho.

(2) 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.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 June 2006.

SHARE OPTIONS

Particulars of the share option scheme of the Company are set out in note 27 to the financial statements.

Up to 30 June 2006, no share option has been granted under the above scheme since the adoption of the scheme.

On 14 August 2006, 23,005,000 share options of the Company were granted to Directors and certain employees of the Group.

MANAGEMENT CONTRACT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	27%
– five largest suppliers combined	45%
Sales	
– the largest customer	29%
– five largest customers combined	68%

At no time during the year did the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the share capital of the Company) have an interest in any of the five largest suppliers or customers of the Group.

CONNECTED TRANSACTIONS

Particulars of the related party transactions of the Group are set out in note 29 to the consolidated financial statements, which constitute connected transactions under Chapter 20 of the GEM Listing Rules. The connected transactions are as follows:

(1) On 11 January 2006, the Company entered into a tenancy agreement with Mr. José Manuel dos Santos, for the leasing of the premises at Room 713B, 7/F., Block B, Seaview Estate, 2-8 Watson Road, North Point, Hong Kong as its place of business in Hong Kong. Mr. José Manuel dos Santos, the former Director and substantial shareholder of the Company, is the landlord of such premises. Further details of such continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules were disclosed in the announcement of the Company dated 12 January 2006.

    The rental expenses for the year ended 30 June 2006 amounted to HK$360,000 (or HK$30,000 per month), exclusive of rates, management fees and electricity charges.

CONNECTED TRANSACTIONS (continued)

(2) On 6 February 2006, the Company entered into a master purchase agreement (the "Master Purchase Agreement") with Vodatel Holdings Limited ("VHL"), which was the then controlling shareholder of the Company. Pursuant to the Master Purchase Agreement, the Group can acquire certain computer servers, internet services equipment and other computer equipment and hardware and related maintenance services (the "Equipment") from VHL and its subsidiaries, from time to time. Further details of such continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules were disclosed in the announcement of the Company dated 8 February 2006.

The purchase of the Equipment for the year ended 30 June 2006 amounted to HK$3,334,222, which was below the annual cap amount of HK$3,500,000 stipulated for the aggregate annual value of the transactions contemplated under the Master Purchase Agreement for such financial year.

The independent non-executive Directors have reviewed and confirmed that the above transactions have been entered into by the Company: (i) in the ordinary course of its business; (ii) on normal commercial terms; and (iii) in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The external auditors of the Company have also confirmed that (i) the continuing connected transactions disclosed above (the "Transactions") had been approved by the Board; (ii) the Transactions disclosed above had been entered into in accordance with the terms of relevant agreements governing such transactions; and (iii) the Transactions had not exceeded the relevant cap amount for the financial year ended 30 June 2006.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 28 to the financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the existing independent non-executive Directors has confirmed his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of such independent non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company on the basis of their merits, qualifications and competence.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the individual performance and responsibilities and the annual financial performance of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2006.

AUDITORS

Except for the periods from 10 December 2002 (date of incorporation) to 30 June 2004, in which Messrs. PricewaterhouseCoopers acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past financial years. A resolution will be submitted to the annual general meeting to re-appoint them as auditors.

On behalf of the Board

Sun Ho
Chairman

18 September 2006

Deloitte.
德勤

TO THE MEMBERS OF MEGAINFO HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of MegaInfo Holdings Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") from pages 32 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2006 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 September 2006

Consolidated Income Statement

For the year ended 30 June 2006

	Notes	2006 HK$	2005 HK$
Revenue	5	**69,404,045**	14,289,721
Cost of sales		**(56,407,186)**	(12,125,708)
Gross profit		**12,996,859**	2,164,013
Bank interest income		**120,816**	35,523
Impairment loss recognised in respect of software licences		**–**	(9,900,000)
Impairment loss recognised in respect of goodwill		**–**	(482,693)
Selling expenses		**(148,153)**	(186,543)
Administrative expenses		**(15,619,685)**	(14,245,763)
Finance costs	7	**–**	(6,171)
Loss before taxation	8	**(2,650,163)**	(22,621,634)
Taxation	9	**(152,000)**	–
Loss for the year		**(2,802,163)**	(22,621,634)
Basic loss per share	12	**0.52 cent**	4.23 cents

Consolidated Balance Sheet

At 30 June 2006

	Notes	2006 HK$	2005 HK$
Non-current assets			
Property, plant and equipment	13	**1,040,534**	1,604,617
Software licences	14	**–**	–
Goodwill	15	**–**	–
Investment in an associate	16	**–**	14,272
		1,040,534	1,618,889
Current assets			
Inventories	17	**1,466,967**	3,917,964
Trade receivables	18	**1,709,969**	3,559,012
Amounts due from customers for contract work	19	**5,513,552**	754,694
Other receivables, deposits and prepayments	20	**1,940,370**	10,873,397
Bank balances and cash	21	**7,037,538**	11,329,719
		17,668,396	30,434,786
Current liabilities			
Trade payables	22	**8,176,498**	659,279
Other payables, accruals and deposits received	23	**4,703,008**	23,419,374
Amount due to a customer for contract work	19	**659,373**	–
Deferred revenue		**18,675**	224,050
Tax payable		**152,000**	–
		13,709,554	24,302,703
Net current assets		**3,958,842**	6,132,083
		4,999,376	7,750,972
Capital and reserves			
Share capital	24	**5,350,000**	5,350,000
Reserves		**(350,624)**	2,400,972
Equity attributable to equity holders of the Company		**4,999,376**	7,750,972

The financial statements on pages 32 to 65 were approved and authorised for issue by the Board of Directors on 18 September 2006 and are signed on its behalf by:

Sun Ho
Director

Kot Wai Ming
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2006

	Share capital HK$	Share premium HK$	Statutory reserves HK$ (Note a)	Exchange reserve HK$	Contributed surplus HK$ (Note b)	Accumulated losses HK$	Total HK$
At 1 July 2004	5,350,000	20,576,560	–	(42,978)	11,108,399	(6,588,899)	30,403,082
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	(30,476)	–	–	(30,476)
Loss for the year	–	–	–	–	–	(22,621,634)	(22,621,634)
Total recognised expense for the year	–	–	–	(30,476)	–	(22,621,634)	(22,652,110)
At 30 June 2005	5,350,000	20,576,560	–	(73,454)	11,108,399	(29,210,533)	7,750,972
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	50,567	–	–	50,567
Loss for the year	–	–	–	–	–	(2,802,163)	(2,802,163)
Total recognised expense for the year	–	–	–	50,567	–	(2,802,163)	(2,751,596)
Transfer	–	–	292,038	–	–	(292,038)	–
At 30 June 2006	**5,350,000**	**20,576,560**	**292,038**	**(22,887)**	**11,108,399**	**(32,304,734)**	**4,999,376**

Notes:

(a) In accordance with statutory requirements in the People's Republic of China, other than the region of Hong Kong, Macao and Taiwan (the "PRC"), a subsidiary of the Company registered in the PRC is required to transfer a certain percentage of its annual net income from retained profits to statutory reserves. The statutory reserves are not distributable.

(b) The contributed surplus of the Group represents (1) the difference between (a) the nominal value of the share capital and the existing balances on the share premium account of a subsidiary acquired pursuant to the Group reorganisation prior to the listing of the Company's shares; and (b) the nominal value of the shares issued by the Company and the release and waiver of the amount owed by the then holding company of the subsidiary to the Company in exchange thereof; and (2) the release and waiver of the amount owed by the Company to its former immediate holding company.

Consolidated Cash Flow Statement

For the year ended 30 June 2006

	2006 HK$	2005 HK$
OPERATING ACTIVITIES		
Loss before taxation	**(2,650,163)**	(22,621,634)
Adjustments for:		
Impairment loss recognised in respect of software licences	–	9,900,000
Impairment loss recognised in respect of goodwill	–	482,693
Impairment loss recognised in respect of investment in an associate	**14,272**	–
Depreciation of property, plant and equipment	**664,116**	503,113
Amortisation of software licences	–	861,527
Amortisation of goodwill	–	58,508
Allowance for bad and doubtful debts	**138,495**	–
Allowance for slow moving inventories	**108,920**	–
Loss on write off of property, plant and equipment	**9,770**	–
Interest income	**(120,816)**	(35,523)
Finance costs	–	6,171
Operating cash flows before movements in working capital	**(1,835,406)**	(10,845,145)
Decrease in inventories	**2,342,077**	75,550
Decrease in trade receivables	**1,849,043**	541,068
Increase in amounts due from customers for contract work	**(4,758,858)**	(754,694)
Decrease (increase) in other receivables, deposits and prepayments	**8,794,532**	(9,450,896)
Increase (decrease) in trade payables	**7,517,219**	(429,408)
(Decrease) increase in other payables, accruals and deposits received	**(18,716,366)**	18,945,573
Increase in amount due to a customer for contract work	**659,373**	–
Decrease in deferred revenue	**(205,375)**	–
Cash used in operations	**(4,353,761)**	(1,917,952)
Interest received	**120,816**	35,523
Interest paid	–	(6,171)
NET CASH USED IN OPERATING ACTIVITIES	**(4,232,945)**	(1,888,600)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(104,700)**	(608,350)
Investment in an associate	–	(14,272)
NET CASH USED IN INVESTING ACTIVITIES	**(104,700)**	(622,622)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(4,337,645)**	(2,511,222)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**11,329,719**	13,871,417
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**45,464**	(30,476)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**7,037,538**	11,329,719
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**7,037,538**	11,329,719

Notes to Financial Statements

For the year ended 30 June 2006

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Directors regard MAXPROFIT GLOBAL INC, a private limited company incorporated in the British Virgin Islands, as the ultimate holding company of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, and the functional currency of the Company is in Macao Patacas. As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in provision of information technology management solutions and sales of computer software products and maintenance services. The details of principal activities of its subsidiaries are set out in note 30.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas.

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 "Business Combinations". With respect to goodwill previously capitalised in the balance sheet, the Group on 1 July 2005 eliminated the carrying amount of the related amortisation and impairment of HK$585,082 with a corresponding decrease in the cost of goodwill (see note 15 for details). Goodwill arising on acquisitions after 1 July 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. The application of HKFRS 3 has had no material impact on how financial statements of the Group are presented for current and prior accounting periods.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS – INT 4	Determining whether an arrangement contains a lease[2]
HKFRS – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

[1] Effective for accounting periods beginning on or after 1 January 2007.
[2] Effective for accounting periods beginning on or after 1 January 2006.
[3] Effective for accounting periods beginning on or after 1 December 2005.
[4] Effective for accounting periods beginning on or after 1 March 2006.
[5] Effective for accounting periods beginning on or after 1 May 2006.
[6] Effective for accounting periods beginning on or after 1 June 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on acquisitions prior to 1 July 2005

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 July 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition. From 1 July 2005, such goodwill is carried at cost less any accumulated impairment losses.

Goodwill arising on acquisitions on or after 1 July 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 July 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill arising on acquisitions on or after 1 July 2005 (continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent years.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment in an associate

The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Revenue from projects in respect of provision of information technology management solutions is recognised when the outcome of the contract can be estimated reliably. The details of the revenue recognition are set out in the sub-section of "construction contracts" as below.

Revenue from services rendered is recognised when the services are rendered, the revenue can be reliably estimated and it is probable that the revenue will be received.

Revenue from projects for the sales of computer software products is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to the customers and title has passed.

Revenue from separately priced product maintenance contracts, which is received or receivable from customers, is deferred and amortised on a straight-line basis over the contracted period.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the installation activity at the balance sheet date, as measured by the surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution retirement plans/Mandatory Provident Fund schemes and state-managed retirement benefit schemes are charged as expenses as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Notes to Financial Statements

For the year ended 30 June 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Software licences

The expenditure for acquisition of software licences is measured initially at cost and amortised on a straight-line basis over their estimated useful lives or licensing period, whichever is shorter.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories, including any materials for the construction contracts, are stated at the lower of cost and net realisable value. Inventories specifically acquired for construction contracts are measured by using the specific identification of their individual costs. Cost of other inventories is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policy adopted is set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, amounts due from customers for contract work, other receivables and deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Financial liabilities including trade payables, other payables and deposits received and amount due to a customer for contract work are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables and deposits, amounts due from customers for contract work, bank balances and cash, trade payables, other payables and deposits received and amount due to a customer for contract work. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 30 June 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

The Directors consider the Group's exposure to interest rate risk is not significant as interest bearing bank balances have short maturity periods.

Currency risk

Several subsidiaries of the Company have foreign currency transactions in United States dollars and Renminbi, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

5. REVENUE

Revenue represents the amounts received and receivable from provision of information technology management solutions and sales of computer software products and maintenance services by the Group to outside customers for the year, and is analysed as follows:

	2006 **HK$**	2005 HK$
Revenue in respect of provision of information technology management solutions under construction contracts	**64,671,443**	8,787,212
Sales of computer software products and maintenance services	**4,732,602**	5,502,509
	69,404,045	14,289,721

Notes to Financial Statements

For the year ended 30 June 2006

6. SEGMENT INFORMATION

The Group is principally engaged in the provision of information technology management solutions in Macao and the PRC.

The Directors present the geographical segment as the Group's primary segment information.

There are no inter-segment sales between the geographical segments.

Geographical segment – Primary reporting segment

The following table provides an analysis of the Group's sales by geographical markets:

Income statement

	Macao		The PRC		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Revenue	**66,432,236**	11,322,670	**2,971,809**	2,967,051	**69,404,045**	14,289,721
Segment results	**2,972,470**	(7,071,489)	**(1,746,623)**	(12,296,042)	**1,225,847**	(19,367,531)
Unallocated corporate expenses					**(3,876,010)**	(3,247,932)
Finance costs					**–**	(6,171)
Loss before taxation					**(2,650,163)**	(22,621,634)
Taxation					**(152,000)**	–
Loss for the year					**(2,802,163)**	(22,621,634)

Balance sheet

	Macao		The PRC		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
Segment assets	**16,343,935**	28,021,492	**1,752,069**	3,397,172	**18,096,004**	31,418,664
Investment in an associate					**–**	14,272
Unallocated corporate assets					**612,926**	620,739
Consolidated total assets					**18,708,930**	32,053,675
Segment liabilities	**12,059,877**	23,648,795	**250,511**	168,568	**12,310,388**	23,817,363
Unallocated corporate liabilities					**1,399,166**	485,340
Consolidated total liabilities					**13,709,554**	24,302,703

6. SEGMENT INFORMATION (continued)

Geographical segment – Primary reporting segment (continued)

	Macao		The PRC		Unallocated		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Other information								
Additions of property, plant and equipment	**104,700**	478,369	**–**	129,981	**–**	–	**104,700**	608,350
Depreciation	**622,942**	476,502	**41,174**	26,611	**–**	–	**664,116**	503,113
Amortisation charge	**–**	–	**–**	58,508	**–**	861,527	**–**	920,035
Allowance for bad and doubtful debts	**138,495**	–	**–**	–	**–**	–	**138,495**	–
Allowance for slow moving inventories	**108,920**	–	**–**	–	**–**	–	**108,920**	–
Impairment loss recognised in respect of software licences	**–**	–	**–**	–	**–**	9,900,000	**–**	9,900,000
Impairment loss recognised in respect of goodwill	**–**	–	**–**	482,693	**–**	–	**–**	482,693
Impairment loss recognised in respect of investment in an associate	**–**	–	**–**	–	**14,272**	–	**14,272**	–

Business segment – Secondary reporting segment

No business segment analysis is presented as the Group has been operating mainly in the provision of information technology management solutions for both years.

7. FINANCE COSTS

The amount represents interest on bank overdrafts wholly repayable within five years.

Notes to Financial Statements

For the year ended 30 June 2006

8. LOSS BEFORE TAXATION

	2006 HK$	2005 HK$
Loss before taxation has been arrived at after charging:		
Amortisation charge (included in administrative expenses)		
– software licences	–	861,527
– goodwill	–	58,508
	–	920,035
Auditor's remuneration	550,000	480,000
Allowance for bad and doubtful debts (included in administrative expenses)	138,495	–
Allowance for slow moving inventories (included in cost of sales)	108,920	–
Cost of inventories recognised as an expense	53,701,155	11,475,638
Depreciation of property, plant and equipment	664,116	503,113
Impairment loss recognised in respect of investment in an associate (included in administrative expenses)	14,272	–
Loss on write off of property, plant and equipment	9,770	–
Net foreign exchange loss	23,956	26,772
Operating lease rentals in respect of rented premises	709,398	511,626
Staff costs, including Directors' emoluments (Note 10)		
Fees, salaries, discretionary bonus and other benefits	8,545,273	7,490,305
Social security costs	233,077	250,466
Retirement benefits scheme contributions	12,000	21,352
	8,790,350	7,762,123

The staff costs included staff costs incurred on research and development which amounted to HK$2,339,099 (2005: HK$1,749,456).

9. TAXATION

Taxation represents Macao Complementary Tax calculated at 12% (2005: 15.75%) of the estimated assessable profits for the year.

No provision for Profits Tax has been made in the financial statements for prior year as the Group has no assessable profits in the jurisdictions in which the Group operated for that year.

9. TAXATION (continued)

The taxation for the year can be reconciled to the loss before taxation as per the consolidated income statement as follows:

	2006	2005
	HK$	HK$
Loss before taxation	**(2,650,163)**	(22,621,634)
Tax at the Macao Complementary Tax rate of 12% (2005: 15.75%)	**(318,020)**	(3,562,907)
Tax effect of income not taxable for tax purpose	**(16,759)**	(164,463)
Tax effect of expenses not deductible for tax purpose	**64,576**	346,521
Utilisation of tax losses previously not recognised	**(188,000)**	–
Effect of tax exemptions granted	**–**	(141,536)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(444,602)**	36,829
Tax effect of estimated tax losses not recognised	**1,054,805**	3,485,556
Taxation for the year	**152,000**	–

During the year, the Macao Complementary Tax rate was decreased from 15.75% to 12% and the change of the tax rate was effective for the year ended 30 June 2006.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax either for two years or two years starting from their first profit-making year, followed by a 50% reduction for the next three years. No provision for PRC income tax has been made in the financial statements as all of the PRC subsidiaries were exempted from PRC income tax during the year.

At the balance sheet date, the Group has estimated tax losses of approximately HK$31,872,000 (2005: HK$28,310,000), out of which the estimated unused tax losses of HK$12,723,000 (2005: HK$7,594,000) are available for offset against future profits. The remaining tax losses of approximately HK$19,149,000 (2005: HK$20,716,000) cannot be carried forward to offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses, which are available for offset against future profits, due to unpredictability of future profit streams. Included in unrecognised estimated unused tax losses are losses of HK$4,244,000 (2005: HK$2,925,000) that will expire within 5 years. Other estimated unused tax losses of HK$8,479,000 (2005: HK$4,669,000) may be carried forward indefinitely.

Notes to Financial Statements

For the year ended 30 June 2006

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of 8 (2005: 8) directors were as follows:

For the year ended 30 June 2006

	Executive Directors			Non-executive Directors		Independent non-executive Directors			
	Mr. José Manuel dos Santos	Mr. Mok Chi Va	Mr. Kuok Cheong Ian	Mr. Yim Hong	Mr. Kuan Kin Man	Mr. Chui Sai Cheong	Mr. Tsui Wai Kwan	Mr. Tam Pak Yip	Total 2006
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fees	130,000	130,000	130,000	60,000	60,000	120,000	120,000	120,000	870,000
Other emoluments									
Salaries and other benefits	520,000	355,000	355,000	–	–	–	–	–	1,230,000
Social security costs	–	525	525	–	–	–	–	–	1,050
Total emoluments	650,000	485,525	485,525	60,000	60,000	120,000	120,000	120,000	2,101,050

For the year ended 30 June 2005

	Executive Directors			Non-executive Directors		Independent non-executive Directors			
	Mr. José Manuel dos Santos	Mr. Mok Chi Va	Mr. Kuok Cheong Ian	Mr. Yim Hong	Mr. Kuan Kin Man	Mr. Chui Sai Cheong	Mr. Tsui Wai Kwan	Mr. Tam Pak Yip	Total 2005
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Fees	130,000	130,000	130,000	60,000	60,000	92,667	120,000	120,000	842,667
Other emoluments									
Salaries and other benefits	520,000	325,000	325,000	–	–	–	–	–	1,170,000
Social security costs	–	393	393	–	–	–	–	–	786
Total emoluments	650,000	455,393	455,393	60,000	60,000	92,667	120,000	120,000	2,013,453

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the year.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2005: three) were Directors of the Company whose emoluments are included in note 10 above. The emoluments of the remaining two (2005: two) highest paid individuals were as follows:

	2006 HK$	2005 HK$
Salaries and other benefits	**884,757**	778,817
Discretionary bonus	**18,000**	47,328
Social security costs	**–**	393
Retirement benefits scheme contributions	**12,000**	12,000
	914,757	838,538

The aggregate emoluments of each of their emoluments for both years were within the emoluments band ranging from nil to HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss for the year of HK$2,802,163 (2005: HK$22,621,634) and 535,000,000 (2005: 535,000,000) shares in issue during the year.

Notes to Financial Statements

For the year ended 30 June 2006

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Computer equipment HK$	Demonstration equipment HK$	Furniture, fixtures and equipment HK$	Total HK$
COST					
At 1 July 2004	1,447,087	193,056	209,600	37,144	1,886,887
Additions	102,563	494,234	–	11,553	608,350
At 1 July 2005	1,549,650	687,290	209,600	48,697	2,495,237
Exchange adjustments	–	6,345	–	–	6,345
Additions	–	99,457	–	5,243	104,700
Write off	–	(10,194)	–	–	(10,194)
At 30 June 2006	**1,549,650**	**782,898**	**209,600**	**53,940**	**2,596,088**
DEPRECIATION					
At 1 July 2004	285,117	46,767	38,370	17,253	387,507
Provided for the year	292,337	129,465	69,860	11,451	503,113
At 1 July 2005	577,454	176,232	108,230	28,704	890,620
Exchange adjustments	–	1,242	–	–	1,242
Provided for the year	309,930	278,458	69,859	5,869	664,116
Eliminated on write off	–	(424)	–	–	(424)
At 30 June 2006	**887,384**	**455,508**	**178,089**	**34,573**	**1,555,554**
CARRYING VALUES					
At 30 June 2006	**662,266**	**327,390**	**31,511**	**19,367**	**1,040,534**
At 30 June 2005	972,196	511,058	101,370	19,993	1,604,617

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20%
Computer equipment	50%
Demonstration equipment	$33^1/_3$%
Furniture, fixtures and equipment	20%

14. SOFTWARE LICENCES

	HK$
COST	
At 1 July 2004, 1 July 2005 and 30 June 2006	11,467,290
AMORTISATION AND IMPAIRMENT	
At 1 July 2004	705,763
Amortisation for the year	861,527
Impairment loss recognised for the year	9,900,000
At 1 July 2005 and 30 June 2006	11,467,290
CARRYING VALUES	
At 30 June 2006	**–**
At 30 June 2005	–

The amount represents the expenditure for acquiring the software licences which are amortised on a straight-line basis over the estimated useful life of 10 years, or the licensing period of 1 year, whichever is shorter.

During the year ended 30 June 2005, an impairment loss of HK$9,900,000 in respect of the software licences had been recognised with reference to the recoverable amount since the Directors were of the opinion that the future economic benefits attributable to the software licenses were uncertain.

Notes to Financial Statements

For the year ended 30 June 2006

15. GOODWILL

	HK$
COST	
At 1 July 2004 and at 1 July 2005	585,082
Elimination of accumulated amortisation upon application of HKFRS 3 (Note 2)	(585,082)
At 30 June 2006	–
AMORTISATION AND IMPAIRMENT	
At 1 July 2004	43,881
Charge for the year	58,508
Impairment loss recognised for the year	482,693
At 1 July 2005	585,082
Elimination of accumulated amortisation upon application of HKFRS 3 (Note 2)	(585,082)
At 30 June 2006	–
CARRYING VALUES	
At 30 June 2006	**–**
At 30 June 2005	–

Until 30 June 2005, goodwill had been amortised on a straight-line basis over the estimated useful life of 10 years.

During the year ended 30 June 2005, an impairment loss of HK$482,693 in respect of the goodwill arising from acquisition of a subsidiary in prior years had been recognised since the subsidiary continued to incur significant losses.

16. INVESTMENT IN AN ASSOCIATE

	2006 HK$	2005 HK$
Cost of investment in an associate	**14,272**	14,272
Impairment loss recognised	**(14,272)**	–
	–	14,272

At 30 June 2006, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation/ operation	Class of share held	Proportion of nominal value issued share capital held by the Group %	Nature of business
CTM-Mega Technology Limited	Incorporated	Macao	Ordinary	49	Not yet commenced business

The Directors reassessed the recoverability of the investment in an associate at 30 June 2006. Having taken into account of the uncertain future prospects and revenue to be generated from the associate, the Directors recognised an impairment loss of HK$14,272 (2005: Nil) for the year.

17. INVENTORIES

	2006 HK$	2005 HK$
Networking and image processing equipment	**1,466,967**	3,917,964

Notes to Financial Statements

For the year ended 30 June 2006

18. TRADE RECEIVABLES

The aged analysis of the Group's trade receivables is as follows:

	2006	2005
	HK$	HK$
Less than 30 days	**1,471,057**	72,905
31 to 60 days	**171,646**	146
61 to 90 days	**4,591**	–
91 to 120 days	**–**	1,020,346
121 to 365 days	**26,170**	1,054,547
Over 365 days	**36,505**	1,411,068
	1,709,969	3,559,012

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

At 30 June 2005, among the outstanding trade receivables balances, there was HK$166,350 due from a former fellow subsidiary of the Group.

The Directors consider that the carrying amount of the trade receivables approximates its fair value.

19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2006	2005
	HK$	HK$
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	**20,874,829**	11,047,350
Less: progress billings	**(16,020,650)**	(10,292,656)
	4,854,179	754,694
Represented by:		
Due from customers included in current assets	**5,513,552**	754,694
Due to a customer included in current liabilities	**(659,373)**	–
	4,854,179	754,694

19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK (continued)

At the balance sheet date, retentions held by customers for contract work amounted to HK$163,017 (2005: Nil). Advances received from customers for contract work amounted to HK$1,491,406 (2005: HK$21,792,592).

The Directors consider that the carrying amount of amounts due from (to) customers for contract work approximates its fair value.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2006	2005
	HK$	HK$
Deposits paid to vendors for contracts	**1,098,882**	9,980,037
Retentions held by customers for contract work	**163,017**	–
Prepayments	**339,255**	692,173
Utility and guarantee deposits	**294,076**	166,148
Other receivables	**45,140**	35,039
	1,940,370	10,873,397

The Directors consider that the carrying amount of the other receivables and deposits approximates its fair value.

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits carrying effective interest at 1.2% (2005: 0.3%) with an original maturity of three months or less. At the balance sheet date, the bank balances and cash of approximately HK$1,143,000 (2005: HK$2,056,000) was denominated in Renminbi which is not freely convertible into other currencies and approximately HK$1,385,000 (2005: HK$814,000) was denominated in Hong Kong dollars which is not the functional currency of the Company.

The Directors consider that the carrying amount of the bank balances and cash approximates its fair value.

Notes to Financial Statements

For the year ended 30 June 2006

22. TRADE PAYABLES

The aged analysis of the Group's trade payables is as follows:

	2006 HK$	2005 HK$
Less than 30 days	**586,557**	252,128
31 to 60 days	**3,162,735**	–
61 to 90 days	**1,953,821**	–
91 to 120 days	**1,625,915**	–
121 to 365 days	**847,470**	407,151
	8,176,498	659,279

At the balance sheet date, among the outstanding trade payables, there was HK$2,706,938 (2005: Nil) due to related companies in which Mr. José Manuel dos Santos* has a beneficial interest.

* Mr. José Manuel dos Santos resigned as director of the Company on 19 July 2006.

The Directors consider that the carrying amount of the trade payables approximates its fair value.

23. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2006 HK$	2005 HK$
Deposits received from customers for contracts	**1,491,406**	21,792,592
Accrued charges	**3,003,420**	854,408
Other payables	**208,182**	772,374
	4,703,008	23,419,374

The Directors consider that the carrying amount of the other payables approximates its fair value.

24. SHARE CAPITAL

	Number of shares	HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 July 2004, 30 June 2005 and 30 June 2006	1,000,000,000	10,000,000
Issued and fully paid:		
At 1 July 2004, 30 June 2005 and 30 June 2006	535,000,000	5,350,000

There was no movement in the share capital of the Company for both years.

25. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 **HK$**	2005 HK$
Within one year	**277,242**	106,024
Within second year	**15,655**	24,182
	292,897	130,206

Operating lease payments represent rentals payable by the Group for certain office properties. Leases are negotiated for an average term of two years and rentals are fixed over the lease period.

Notes to Financial Statements

For the year ended 30 June 2006

26. RETIREMENT BENEFITS SCHEMES

The Group participates in employee social security plans as required by the regulations in the PRC and Macao. The Group also participates in Mandatory Provident Fund schemes which are available to all qualified employees of the Group in Hong Kong. The assets of the retirement benefits schemes are held separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the PRC are members of social insurance schemes operated by the relevant local government authorities. The pensions plans are funded by payments from employees and by the relevant group companies. The amounts charged to the income statement represent contributions payable by the Group at the rates specified according to respective rules of the plans.

The only obligation of the Group in respect to the retirement benefits schemes is to make the specified contribution.

27. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 18 November 2004 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the Scheme), and will be expired 10 years commencing on the adoption of the Scheme.

Under the Scheme, the Board of Directors of the Company may at their discretion grant options to eligible employees, including directors of the Company and its subsidiaries, and certain consultants, suppliers or customers of the Group, to subscribe for shares in the Company from time to time. The maximum number of shares, which may be granted under the Scheme, shall not exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted under the Scheme to any individual in any one year is not permitted to exceed 1% of shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to a director, the chief executive or substantial shareholder of the Company or any of their associates (as defined in the GEM Listing Rules) requires the approval of independent non-executive Directors (excluding an independent non-executive Director who is the prospective grantee in question). Options granted to substantial shareholders or independent non-executive Directors or their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board of Directors of the Company to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant.

27. SHARE OPTION SCHEME (continued)

The subscription price of the share option is determined by the Board of Directors of the Company and the amount will not be less than the higher of (a) the closing price of the Company's shares on the Stock Exchange on the date of grant; (b) the average closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

No option has been granted under the share option scheme since its adoption and as at the balance sheet date.

28. POST BALANCE SHEET EVENT

On 14 August 2006, options to subscribe for 23,005,000 shares at HK$0.28 per share were granted under the share option scheme as set out in note 27 to Directors and certain employees of the Group. The management is still in the process of assessing the financial impact of the share options granted under the scheme.

29. RELATED PARTY TRANSACTIONS

Apart from the amounts due from (to) related parties as disclosed on notes 18 and 22, during the year, the Group entered into the following transactions with related parties:

	2006	2005
	HK$	HK$
Former fellow subsidiaries		
Sales to Mega Datatech Limited ("MDL") (Note a)	**–**	284,363
Purchases and provision of maintenance services from MDL (Note a)	**2,482,835**	–
Purchases from Vodatel Holdings Limited ("VHL") (Note b)	**851,387**	20,026
Other related party transactions		
Purchases from Zetronic Communications (Macau) Limited (Note c)	**22,304**	150,273
Rental expenses payable to Mr. José Manuel dos Santos (Note d)	**360,000**	180,000

Notes to Financial Statements

For the year ended 30 June 2006

29. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) During the prior year, the Group sold goods to and purchased goods from MDL, a wholly-owned subsidiary of Vodatel Networks Holdings Limited ("VNHL") in which Mr. José Manuel dos Santos* has a beneficial interest. VNHL ceased to be the ultimate holding company of the Company from 13 June 2006. MDL also rendered maintenance services to the Group in respect of the purchases mentioned above.

(b) During the year, the Group purchased goods from VHL, a wholly-owned subsidiary of VNHL in which Mr. José Manuel dos Santos* has a beneficial interest.

(c) During the year, there were sales transactions conducted between a subsidiary of the Company and Zetronic Communications (Macau) Limited, a company incorporated in Macao, the interest of which was held as to 99% by Mr. José Manuel dos Santos* and 1% by his spouse.

(d) During the year, the Company leased office premises in Hong Kong from Mr. José Manuel dos Santos* for a monthly rental of HK$30,000.

* Mr. José Manuel dos Santos resigned as director of the Company on 19 July 2006.

Notes to Financial Statements

For the year ended 30 June 2006

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries of the Company at 30 June 2006 are set out as follows:

Name of subsidiary	Class of shares held	Form of business structure	Place of incorporation or registration	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
MegaInfo Limited	Ordinary	Incorporated	British Virgin Islands	Macao	2,001 shares of US$1 each	100	–	Investment holding and provision of information technology management solutions
MegaInfo China Holdings Limited	Ordinary	Incorporated	British Virgin Islands	The PRC	1,000 shares of US$1 each	–	100	Investment holding
MegaInfo Software Limited	Ordinary	Incorporated	British Virgin Islands	Macao	1,000 shares of US$1 each	–	100	Owner of intellectual property rights
MegaInfo Solutions Holdings Limited	Ordinary	Incorporated	British Virgin Islands	The PRC	1,000 shares of US$1 each	–	100	Owner of intellectual property rights
MegaInfo (Hong Kong) Limited	Ordinary	Incorporated	Hong Kong	Hong Kong	1,000 ordinary shares of HK$0.10 each	–	100	Investment holding
MegaInfo Technology Limited	Ordinary	Incorporated	Hong Kong	Hong Kong	1,000 ordinary shares of HK$1 each	–	100	Investment holding
PE Research and Development Limited	Ordinary	Incorporated	Macao	The PRC	2 quotas of MOP12,500 each	–	100	Investment holding
Zhuhai MegaSoft Software Development Co., Ltd. 珠海萬佳達軟件開發有限公司	Capital contribution	Wholly-foreign owned enterprise	The PRC	The PRC	Registered capital of HK$3.2 million	–	100	Provision of computer software products, computer network system engineering, research and development and selling and providing related services and maintenance
MegaInfo (Guangzhou) Technology Limited 廣州市萬珈訊科技有限公司	Capital contribution	Wholly-foreign owned enterprise	The PRC	The PRC	Registered capital of HK$1.6 million	–	100	Provision of computer software products, computer network system engineering, research and development and selling and providing related services and maintenance

None of the subsidiaries had issued any debt securities during the year and at the balance sheet date.

Financial Summary

RESULTS

	1 July 2005 to 30 June 2006 HK$	1 July 2004 to 30 June 2005 HK$	1 July 2003 to 30 June 2004 HK$	10 December 2002 to 30 June 2003 HK$
Revenue	**69,404,045**	14,289,721	10,465,492	–
Loss for the year/period	**(2,802,163)**	(22,621,634)	(6,588,899)	–

ASSETS AND LIABILITIES

	30 June 2006 HK$	30 June 2005 HK$	30 June 2004 HK$	30 June 2003 HK$
Total assets	**18,708,930**	32,053,675	38,333,459	–
Total liabilities	**(13,709,554)**	(24,302,703)	(7,930,377)	(6,380)
Shareholders' equity	**4,999,376**	7,750,972	30,403,082	(6,380)