



**MegaInfo Holdings Limited**  
**萬佳訊控股有限公司**

*(Incorporated in Bermuda with limited liability)*

First Quarterly Report 2007



stock code : 8279

**Building up**  
**OUR Future**

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

## HIGHLIGHTS

- Turnover for the Three-Month Period amounted to approximately HK\$5.8 million, representing an increase of approximately 13.1% over the corresponding period in 2005.
- Loss attributable to shareholders amounted to approximately HK\$7.7 million.
- The Board does not recommend the payment of a dividend for the Three-Month Period.

## FIRST QUARTERLY RESULTS

The board of directors (the “Board”) of MegaInfo Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 September 2006 (the “Three-Month Period”) together with the comparative unaudited figures of the corresponding period in 2005 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2006</b>	2005
	<i>Notes</i>	<b>HK\$</b>	<i>HK\$</i>
Turnover	1	<b>5,846,208</b>	5,170,115
Cost of sales		<b>(4,337,226)</b>	(4,279,727)
Gross profit		<b>1,508,982</b>	890,388
Other revenue		<b>87,146</b>	34,557
Selling and administrative expenses		<b>(9,252,015)</b>	(3,236,920)
Finance cost		<b>(17,062)</b>	–
Loss attributable to shareholders		<b><u>(7,672,949)</u></b>	<u>(2,311,975)</u>
Basic loss per share	3	<b><u>1.4 cents</u></b>	<u>0.432 cent</u>

Notes:

### (1) Turnover

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

### (2) Taxation

No provision for profits tax has been made in the accounts as the Group has no estimated assessable profits in the jurisdictions in which the Group operates for both periods ended 30 September 2005 and 2006.

### (3) Basic Loss Per Share

The calculation of basic loss per share for the Three-Month Period is based on the unaudited net loss of HK\$7,672,949 (2005: HK\$2,311,975) and 545,456,630 (2005: 535,000,000) weighted average shares in issue during the period.

### (4) Dividends

The Board does not recommend the payment of a dividend for the Three-Month Period (2005: Nil).

### (5) Share Capital and Reserves

	Share capital HK\$	Share premium HK\$	Share option reserve HK\$	Statutory reserve HK\$	Exchange reserve HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
At 1 July 2006	5,350,000	20,576,560	-	292,038	(22,887)	11,108,399	(32,304,734)	4,999,376
Recognition of share-based payment	-	-	6,417,975	-	-	-	-	6,417,975
Issue of share capital upon exercise of share option	219,350	11,844,900	(5,922,450)	-	-	-	-	6,141,800
Loss for the period	-	-	-	-	-	-	(7,672,949)	(7,672,949)
<b>At 30 September 2006</b>	<b><u>5,569,350</u></b>	<b><u>32,421,460</u></b>	<b><u>495,525</u></b>	<b><u>292,038</u></b>	<b><u>(22,887)</u></b>	<b><u>11,108,399</u></b>	<b><u>(39,977,683)</u></b>	<b><u>9,886,202</u></b>
At 1 July 2005	5,350,000	20,576,560	-	-	(73,454)	11,108,399	(29,210,533)	7,750,972
Exchange differences on translation of the financial statements of foreign subsidiaries not recognized in the profit and loss account	-	-	-	-	77,099	-	-	77,099
Loss for the period	-	-	-	-	-	-	(2,311,975)	(2,311,975)
<b>At 30 September 2005</b>	<b><u>5,350,000</u></b>	<b><u>20,576,560</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,645</u></b>	<b><u>11,108,399</u></b>	<b><u>(31,522,508)</u></b>	<b><u>5,516,096</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the Three-Month Period, the Group focused primarily on the implementation and completion of the various projects awarded during the preceding financial year. Major projects working in progress in Macao included the installation of a structured cabling solution for one of the gaming operators in Macao, the implementation of an e-government application to enhance the automatic queuing system of the one-stop e-government system, as well as the installation and implementation of the surveillance system for the Judiciary Police of Macao. Completion of these projects is expected during the second quarter of the current financial year. Project implementation and system installation continued to be the major sources of revenue for the Group during the Three-Month Period.

In the PRC, marketing efforts have been geared primarily to existing customers, with the aim to secure expansion contracts for the upgraded version of *Megalmage*. The software development teams in Zhuhai and Guangzhou continued to assist in the provision of maintenance and support services for the e-government project in Macao.

### Business Outlook

While project implementation and system installation have been the major sources of revenue for the Group, the Group will gear its marketing efforts towards securing maintenance service contracts for completed projects, as income from the provision of maintenance services represents a stable and recurring revenue stream for the Group.

In addition, as announced by the Company on 10 October 2006 and 2 November 2006 respectively, the Group is considering certain investment and business opportunities. Such investment and business opportunities include the possible acquisition of the entire issued share capital of SYSTEK LTD and the possible opportunity to form a joint venture company with an independent third party to primarily jointly develop software products and systems. SYSTEK LTD and its subsidiary are principally engaged in the provision of information technology solutions to customers in the PRC including the provision of software and implementation and after-sales services.

The aforesaid investment and business opportunities are still under consideration and negotiations as of the date hereof. Should the Group proceed with such opportunities eventually, it is expected that the Group will be able to diversify its business and expand its range of products and services, thereby broadening its income source.

## Financial Performance Review

During the Three-Month Period, the turnover of the Group amounted to approximately HK\$5.8 million, representing an increase of approximately 13.1% over the corresponding period in 2005. As a result of the fact that the Group managed to secure projects with higher margins during the Three-Month Period, the gross profit percentage stood at approximately 25.8%, an improvement over the gross profit percentage of the corresponding period in 2005 of approximately 17.2%.

The net loss of the Group during the Three-Month Period amounted to approximately HK\$7.7 million, whereas the net loss of the Group for the corresponding period in 2005 amounted to approximately HK\$2.3 million. The increase in the net loss of the Group during the Three-Month Period was primarily attributable to the increase of approximately HK\$6.4 million in administrative expenses as a result of the adoption of Hong Kong Financial Reporting Standard (“HKFRS”) 2 “Share-based Payment” for share options of the Company granted to Directors and employees of the Group during the Three-Month Period. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair values of Directors’ and employees’ share options of the Company, determined at the date of grant of the share options, over the vesting period.

## Change of Capital Structure

With effect from 24 October 2006, each of the issued and unissued shares of HK\$0.01 each in the share capital of the Company has been subdivided into five shares of HK\$0.002 each. The authorised share capital of the Company amounts to HK\$10,000,000, divided into 5,000,000,000 shares of HK\$0.002 each.

## Fund Raising

On 17 October 2006, the Company announced a placing on a best effort basis of a maximum of 210,520,000 new shares of HK\$0.002 each through an independent placing agent to independent placees for up to an aggregate cash consideration of HK\$54,735,200, equivalent to a placing price of HK\$0.26 per share. It is expected that the completion of the aforesaid placing will take place on 14 November 2006 and a total of 210,520,000 new shares of HK\$0.002 each will be allotted and issued to the placees. Net proceeds from the placing will amount to approximately HK\$54.1 million, of which HK\$10.0 million will be used as general working capital of the Group and the remaining balance will be used for investments to be made by the Group should suitable opportunities arise (including, but not limited to, the aforesaid proposed investment in SYSTEK LTD should the Group proceed with such investment).

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

(Note: All references to the "Shares" hereinafter refer to the shares of HK\$0.01 each in the capital of the Company before the share subdivision of the Company taking effect from 24 October 2006.)

As at 30 September 2006, the interests and short positions of the Directors, chief executives of the Company and their respective 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 ("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 unlisted physically settled equity derivatives):

### a. Shares

Directors	Number of Shares of the Company			Percentage held
	Personal Interest	Corporate Interest	Total	
Mr. SUN Ho	5,350,000 (Note 2)	401,250,000 (Note 1)	406,600,000	73.01%
Mr. KOT Wai Ming	5,350,000 (Note 2)	—	5,350,000	0.96%
Mr. WANG Ronghua	535,000 (Note 2)	—	535,000	0.10%



*Notes:*

1. These 401,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC (“MGI”). As MGI is beneficially and wholly-owned by Mr. SUN Ho, an executive director and chairman of the Company, Mr. SUN Ho was deemed to be interested in such Shares.
2. Each of the two executive Directors, Mr. SUN Ho and Mr. KOT Wai Ming, holds 5,350,000 Shares and Mr. WANG Ronghua, an independent non-executive Director, holds 535,000 Shares following their exercise in full of the respective share options granted to them on 14 August 2006 by the Company pursuant to the share option scheme of the Company adopted on 18 November 2004.

**b. Share Options**

Name of Directors	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of underlying Shares (in respect of share options held)		
				Granted during the period	Exercised during the period	As at 30 September 2006
Mr. SUN Ho	14 August 2006	0.28	14 August 2006 – 13 August 2009	5,350,000	5,350,000	0
Mr. KOT Wai Ming	14 August 2006	0.28	14 August 2006 – 13 August 2009	5,350,000	5,350,000	0
Mr. WANG Ronghua	14 August 2006	0.28	14 August 2006 – 13 August 2009	535,000	535,000	0
Mr. KWOK Wing Leung Andy	14 August 2006	0.28	14 August 2006 – 13 August 2009	535,000	0	535,000
Mr. HUA Fengmao	14 August 2006	0.28	14 August 2006 – 13 August 2009	535,000	0	535,000

Save as disclosed above, none of the Directors, chief executives of the Company nor their respective associates had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) or debentures of the Company or any of its associated corporations as at 30 September 2006.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders (not being Directors, chief executives of the Company or their respective associates) had, or were deemed to have, interests and short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 or held any option in respect of such capital:

Long positions in the Shares and underlying Shares (in respect of equity derivatives):

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued share capital of the Company</b>
MGI	Beneficial owner ( <i>Note</i> )	401,250,000	72.05%

*Note:* As disclosed above, Mr. SUN Ho was deemed to be interested in those 401,250,000 Shares by virtue of his interest in MGI.

Save as disclosed above, as at 30 September 2006, the Directors were not aware of any other substantial shareholder (not being a Director, chief executive of the Company or their respective associates) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was, directly or indirectly, 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 or held any option in respect of such capital.

## **INTERESTS OF OTHER PERSONS**

As at 30 September 2006, other than the interests in Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executives and substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register required to be kept under section 336 of the SFO.

## **MANAGEMENT SHAREHOLDERS**

So far as the Directors are aware, other than Mr. SUN Ho as disclosed above, there was no other person during the Three-Month Period who was directly or indirectly interested in 5% or more of the Shares then in issue and who was able, as a practical matter, to direct or influence the management of the Company.

## **INTERESTS IN COMPETING BUSINESS**

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

## **AUDIT COMMITTEE**

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. KWOK Wing Leung Andy, Mr. WANG Ronghua and Mr. HUA Fengmao. The unaudited consolidated first quarterly results of the Group for the three months ended 30 September 2006 have been reviewed and commented on by the audit committee.

## **CORPORATE GOVERNANCE**

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.

During the period under review, 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 GEM Listing Rules, 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. SUN Ho, during the period 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 there was no imminent need to change the arrangement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the three months ended 30 September 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

By order of the Board  
**MegalInfo Holdings Limited**  
**SUN Ho**  
*Chairman*

Hong Kong, 13 November 2006

As at the date of this report, the Board comprises Mr. SUN Ho, Mr. KOT Wai Ming as executive Directors, and Mr. KWOK Wing Leung Andy, Mr. WANG Ronghua and Mr. HUA Fengmao as independent non-executive Directors.