MegaInfo Holdings Limited
萬佳訊控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30TH JUNE 2004

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast further profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

* *For identification purpose only*

HIGHLIGHTS

- Successful listing of the shares of the Company on GEM on 19th January 2004.
- Consolidated turnover of the Group for the year ended 30th June 2004 was HK$10.5 million.
- The Group recorded loss attributable to shareholders of HK$6.6 million for the year ended 30th June 2004.
- Secured and completed various contracts for the Government of Macao.
- Established Macao's first scanning center and successfully obtained ISO9001 quality certification.
- Distribution network spans the northern, southern and eastern regions of the PRC.
- The Board does not recommend payment of dividend for the year ended 30th June 2004.

RESULTS

The Board of Directors (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30th June 2004, together with the comparative audited figures for the period from 10th December 2002 to 30th June 2003 as follows:

	Note	**Year ended 30th June 2004** *HK$*	For the period from 10th December 2002 to 30th June 2003 *HK$*
Turnover	2	**10,465,492**	–
Cost of sales		**(7,559,171)**	–
Gross profit		**2,906,321**	–
Other revenue	2	**3,130**	–
Selling expenses		**(97,971)**	–
Administrative expenses		**(9,398,765)**	–
Operating loss	3	**(6,587,285)**	–
Finance cost	4	**(1,614)**	–
Loss attributable to shareholders	6	**(6,588,899)**	–
Basic loss per share	7	**1.41 cents**	–

MOVEMENT IN RESERVES OF THE GROUP DURING THE YEAR WERE AS FOLLOWS:

	Share premium *HK$*	Share issuance costs *HK$*	Exchange reserve *HK$*	Contributed surplus *HK$*	Accumulated losses *HK$*	Total *HK$*
Issue of shares	5,400,000	–	–	–	–	5,400,000
Contributed surplus arising from the Reorganisation	–	–	–	(5,523,620)	–	(5,523,620)
At 30th June 2003	5,400,000	–	–	(5,523,620)	–	(123,620)
Issue of shares in a subsidiary for purchase of a software licence	–	–	–	11,000,000	–	11,000,000
Issue of shares in a subsidiary for acquisition of the Business	–	–	–	132,019	–	132,019
Issue of shares	28,890,000	–	–	–	–	28,890,000
Capitalisation issue	(4,016,250)	–	–	–	–	(4,016,250)
Share issuance costs	–	(9,697,190)	–	–	–	(9,697,190)
Transfer	(9,697,190)	9,697,190	–	–	–	–
Exchange differences on translation of accounts of foreign subsidiaries	–	–	(42,978)	–	–	(42,978)
Waiver of amount due to the immediate holding company	–	–	–	5,500,000	–	5,500,000
Loss attributable to shareholders	–	–	–	–	(6,588,899)	(6,588,899)
At 30th June 2004	20,576,560	–	(42,978)	11,108,399	(6,588,899)	25,053,082

SEGMENT REPORTING

Primary reporting format – geographical segment

The Group is principally engaged in the provision of digital image processing management solutions in the People's Republic of China (the "PRC"[1]) and Macao Special Administrative Region of the People's Republic of China ("Macao").

There are no sales between the geographical segments.

	2004		
	Macao *HK$*	**The PRC** *HK$*	**Group** *HK$*
Turnover	**10,359,949**	**105,543**	**10,465,492**
Segment results	**(2,693,702)**	**(1,975,087)**	**(4,668,789)**
Unallocated income			**1,530**
Unallocated expenses			**(1,920,026)**
Operating loss			**(6,587,285)**
Finance costs			**(1,614)**
Loss attributable to shareholders			**(6,588,899)**
Segment assets	**17,616,939**	**3,554,088**	**21,171,027**
Unallocated assets			**17,162,432**
Total assets			**38,333,459**
Segment liabilities	**6,866,738**	**367,716**	**7,234,454**
Unallocated liabilities			**695,923**
Total liabilities			**7,930,377**
Capital expenditures			
– allocated	**1,774,062**	**29,433**	**1,803,495**
– unallocated			**11,467,290**
Depreciation charge	**371,075**	**11,555**	**382,630**
Amortisation charge			
– allocated	**–**	**43,881**	**43,881**
– unallocated			**705,763**

Primary reporting format – geographical segment (Continued)

	2003		
	Macao *HK$*	The PRC *HK$*	Group *HK$*
Turnover	–	–	–
Segment results	–	–	–
Unallocated income			–
Unallocated expenses			–
Operating loss			–
Finance costs			–
Loss attributable to shareholders			–
Segment assets	–	–	–
Unallocated assets			6,380
Total assets			6,380
Segment liabilities	–	–	–
Unallocated liabilities			–
Total liabilities			–
Capital expenditures	–	–	–
Depreciation charge	–	–	–
Amortisation charge	–	–	–

Note [1]: The PRC, for the purposes of this report, excludes Hong Kong, Taiwan and Macao.

Secondary reporting format – business segment

No business segment analysis is presented as the group has been operating in a single business segment, which is the provision of digital image processing management solutions.

NOTES TO THE ACCOUNTS

(1) Basis of preparation of the accounts

(i) The Company was incorporated in Bermuda on 22nd January 2003. Its shares have been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM") on 19th January 2004.

MegaInfo Limited, a wholly-owned subsidiary of the Company, was incorporated on 10th December 2002 which was the earliest date of incorporation of the companies now comprising the Group resulting from the reorganisation on 23rd December 2003. Accordingly, the accounting period of the Group is presented since that date.

On 30th December 2002, 820 shares of US$1.00 each in MegaInfo Limited were allotted and issued, credited as fully paid, for cash at par to Vodatel Holdings Limited ("VHL").

In order to transfer assets and the business of provision of digital image processing management solutions (the "Business") to the Group, VHL and Megalnfo Limited entered into a sale and purchase agreement on 23rd December 2003 pursuant to which the Group assumed the Business operated by VHL and its fellow subsidiaries and effected certain inter-group transfers with effect from 1st July 2003. An aggregate of 820 shares of US$1.00 each in MegaInfo Limited were allotted and issued, credited as fully paid to VHL as part of the consideration for VHL to effect the inter-group transfers.

On 23rd December 2003, an aggregate of 360 shares of US$1.00 each in MegaInfo Limited were allotted and issued, credited as fully paid to Gofull Investments Limited ("Gofull"), a wholly-owned subsidiary of eForce Holdings Limited (issued shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited) in consideration of the purchase of a software licence.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the ordinary shares of the Company (the "Shares") on the GEM, the Company became the holding company of the companies now comprising the Group on 23rd December 2003. VHL and Gofull then had 82% and 18% equity interest in the Group respectively and the equity interest in the Group owned by VHL and Gofull remained the same immediately before and after the Reorganisation. The Reorganisation involved companies under common control and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which consolidated accounts have been prepared as if the Company had been the holding company of the companies comprising the Group throughout the accounting year/period presented.

(ii) The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention.

(2) Revenue and Turnover

Revenue from the provision of digital image processing management solutions is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the 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 contract period.

Interest income is recognised on a time proportion basis, taking account of the principal amounts outstanding and the interest rates applicable.

The Group is principally engaged in the provision of digital image processing management solutions. Revenue recognised during the year are as follows:

	Year ended 30th June 2004 *HK$*	For the period from 10th December 2002 to 30th June 2003 *HK$*
Turnover		
Provision of digital image processing management solutions	**10,465,492**	–
Other revenue		
Interest income	**3,130**	–
Total revenue	**10,468,622**	–

(3) Operating Loss

Operating loss is stated after charging the following:

	Year ended 30th June 2004 *HK$*	For the period from 10th December 2002 to 30th June 2003 *HK$*
Auditors' remuneration	**465,000**	–
Cost of inventories	**5,489,487**	–
Depreciation of fixed assets	**382,630**	–
Amortisation of intangible assets		
– goodwill	**43,881**	–
– software licences	**705,763**	–
Net exchange loss	**25,221**	–
Operating leases in respect of		
– land and buildings	**428,990**	–
– equipment	**21,000**	–
Software development fees	**480,000**	–
Staff costs (including directors' remuneration)	**4,920,222**	–

(4) Finance cost

	Year ended 30th June 2004 HK$	For the period from 10th December 2002 to 30th June 2003 HK$
Interest on bank loan and overdrafts	**1,614**	–

(5) Taxation

No provision for profits tax has been made in the accounts as the Group does not have any estimated assessable profits in the jurisdictions in which the Group operates for the year ended 30th June 2004 (period from 10th December 2002 to 30th June 2003: Nil).

The taxation on the Group's loss for the year differs from theoretical amount that would arise using the taxation rate of 15.75% of the jurisdiction in which the Company operates as follows:

	Year ended 30th June 2004 HK$	For the period from 10th December 2002 to 30th June 2003 HK$
Loss for the period	**(6,588,899)**	–
Calculated at a taxation rate of 15.75%	**(1,037,752)**	–
Effect of different taxation rates in other jurisdictions	**(44,517)**	–
Expenses not deductible for taxation purposes	**10,867**	–
Tax loss not recognised	**1,071,402**	–
Taxation charge	**–**	–

(6) Dividends

No dividend has been paid or declared by the Group during the year ended 30th June 2004 (period from 10th December 2002 to 30th June 2003: Nil).

(7) Loss per share

The calculation of basic loss per share is based on the Group's loss for the year ended 30th June 2004 of HK$6,588,899 (period from 10th December 2002 to 30th June 2003: Nil) and the weighted average of 468,381,507 shares in issue during the year.

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

(8) Operating lease commitments

At 30th June, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings as follows:

	2004	2003
	HK$	*HK$*
Within one year	**268,719**	341,616
In the second to fifth year inclusive	**–**	170,808
	268,719	512,424

MANAGEMENT DISCUSSION AND ANALYSIS

Review of business activities

Enriching Product Offerings

Determined to become the preferred provider of enterprise solutions, we have been expanding our product portfolio. We have been actively investing in the research and self development of value-added innovative products and identifying software applications from other vendors, the latter of which, where applicable, will be integrated with our existing products. The aim of these initiatives is to enable us to provide customers with total and complementary solutions that meet their specific needs.

MegaImage (renamed from *VodaImage*) – We have completed the development of an upgraded version of *MegaImage*, incorporating additional functions such as bar code recognition and Optical Character Recognition ("OCR") on numbering. With these added features, customers will be able to more flexibly capture images that contained not only letters but characters on a document. During the year, we completed the installation of MegaImage for Policia Judicaiaria, the police bureau of the Government of Macao, allowing them to easily capture and store documents and images under a centralized management database and retrieve and process stored information at multiple locations.

In addition, we have completed the research and development of *MegaDMS*, which is a document management system that supports internet browser interface on Linux and Windows operating platforms. To further bolster product differentiation, we have integrated *MegaImage* into *MegaDMS*. This enhanced version of *MegaDMS* allows us to provide customers with a complete solution that supports file management systems on various platforms such as MSSQL, Oracle, MYSQL, DB2, etc. We are pleased to successfully secure and complete a contract to install the document imaging and management systems for the Instituto para os Assuntos Civicos e Municipais ("IACM"), the civil and municipal affairs bureau of the Government of Macao.

MegaMax (renamed from *VodaMax*) – To further enhance the security features of *MegaMax*, we are collaborating with the research and development team of the Zhongshan University on the localization of an image counting feature into the product. In addition, we are in the process of evaluating various facial recognition applications in the market to identify a solution with the best functions to complement *MegaMax*. *MegaMax*, with facial recognition and image counting features built-in, is particular suitable for use by government departments and gaming operators for managing and controlling various security devices, such as cameras, monitors and controllers to capture images in motion, allowing remote intelligent monitoring and surveillance.

MegaERP – Amidst intense market competition, to differentiate ourselves from our competitors, besides adopting a platform with open interface, we have also entered into an alliance with Legend (Beijing) Limited ("Legend Beijing"), a wholly-owned subsidiary of Main Board listed Legend Group, to bundle our *MegaERP* application with Legend's hardware and services to form an "IT1FOR1" solution. This partnership allows us to grow our business by leveraging on Legend's established relationship networks in the PRC's enterprise market while also offering us the opportunity to provide our customers with a complementary and integrated enterprise resource planning solution that contains both hardware equipment and software application.

MegaECM – During the year, we obtained from 北京炎黃新星網絡科技有限公司 the exclusive license to distribute their Effective Communications Management solution (*"ECM"*). While *ECM* is itself a saleable application, allowing users to stay connected and alerted for messages anytime and anywhere, we have integrated *MegaECM* with *MegaERP* so as to provide enterprises with better and more efficient communication channels on a single platform.

Scanning Services – To complement the *MegaImage* application, we have established a scanning centre, the first of its kind in Macao, which provides scanning services to customers for capturing, indexing and storage of massive volume of documents. Targeted customers include government departments, public utility companies, banking and financial institutions and telecommunications service providers. ISO9001 accredited, the center offers services that meet the stringent quality requirements of its customers.

Enhancing Network Penetration

The ability to distribute enterprise solutions is crucial to the success of the Group, thus, considerable investment was made by the Group during the year to create a powerful distribution network that allows efficient promotion and marketing of the array of solutions offered by the Group.

Macau – Leveraging our strong roots in Macao, we continued to actively market our products to the Government of Macao. During the year, capitalizing on the business opportunities from the Government of Macao, we were awarded a HK$11.3 million contract by IACM to deploy a one-stop e-government public service solution.

PRC – Riding on the established network of our parent company, Vodatel Networks Holdings Limited ("Vodatel"), we continued to directly market our products to various local mobile service bureaus and telecommunications service providers. Furthermore, we entered into collaboration arrangements with five resellers for the distribution of *MegaImage* and ten resellers for the promotion and distribution of *MegaERP*. The Group's distribution network now spans the northern, southern and eastern regions of the PRC.

We have also been looking for strong local partners with established distribution network. In addition to the alliance with Legend Beijing, we are discussing with different equipment manufacturers about bundling their products with ours to form complete and complementary integrated solutions as a means to differentiate and strengthen our product offerings.

To support the distribution network of the Group in the PRC, a subsidiary and a centre to provide nationwide products and technical support were set up in Guangzhou, Guangdong Province and Beijing.

Review of Operating Performance and Financial Position

Turnover and Profitability

Attributable to strong business momentum in Macao, the Group's turnover derived from business activities in Macao accounted for 99.0% of the Group's total turnover of HK$10.5 million. However, with a higher sales mix of hardware and related accessories, which carried lower margins than software, the Group reported gross profit margin of 27.8% for the year.

To expand the research and development centre and grow the Group's R&D and sales teams were the business objectives set by the Group when it was listed. Pursuing those objectives has resulted in an increase in headcounts and correspondingly staff costs during the year. Taking into account these investments and administrative expenses incurred from the listing of the Company, the Group's selling and administrative expenses surged to HK$9.5 million, resulting in net loss of HK$6.6 million.

During the year, the Group received deposits on certain secured contracts of approximately HK$3.5 million, which if recognized as revenue during the year, would improve the Group's overall operating results.

Capital Resources and Liquidity

Net cash and bank balances as at 30th June 2004 were HK$13.9 million. As at the date of this annual report, approximately HK$4.1 million of receivables had been received.

Total liabilities were HK$7.9 million, translating to a gearing ratio (total liabilities over shareholders' funds) of approximately 26.1%.

Significant Investments

During the year, the Group established a subsidiary in Guangzhou, Guangdong Province to expand its channel marketing business. Initial investment amounted to HK$1.6 million.

Foreign Exchange Exposure

As at 30th June 2004, the Group held cash and bank deposits denominated in Hong Kong Dollars, Renminbi, and Macau 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 Macau Patacas, which is considered as a stable currency under the control of the Government of Macao, the Group faced minimal exchange rate risk during the year.

Net Assets

As at 30th June 2004, the Group's net assets amounted to HK$30.4 million. There was no charge on the Group's assets as at 30th June 2004.

Contingent Liabilities

As at 30th June 2004, there were no material contingent liabilities.

Employee

As at 30th June 2004, the Group had 49 employees in Hong Kong, Macau and the PRC. Total staff costs (excluding directors' emoluments) amounted to approximately HK$3.8 million.

The Group's remuneration policies are formulated on the basis of performance and experience of individual employee and are in line with local market practices. In addition to the salary, the Group also offers to its employees other fringe benefits including provident fund and medical benefits.

COMPARISON OF BUSINESS PROGRESS AND USE OF PROCEEDS

Business objectives for the year under review as set out in the Prospectus	**Actual business progress for the year under review**
Research on a multimedia document module and a system mobile accessibility module for *Vodalmage* to enhance its features and functionalities	Completed the features of bar code recognition and OCR on numbering, in which the version is upgraded
Finalise a licensing arrangement with an overseas supplier to represent its facial recognition module	In process of evaluating various facial recognition applications in the market to identify an optimal solution whose functionalities will best complement *MegaMax* when integrated with *MegaMax*
Complete the integration of the facial recognition module with *VodaMax*	Please refer to the above
Commence the R&D of the integration of the imaging management module with *Mega-ERP/CRM* applications and upgrades	In view of market acceptance, first commenced and completed the integration of *MegaERP* and *MegaECM*
Complete the development of *MegaDMS*, a document management system	Completed the contract secured for the installation of *MegaDMS* at the Instituto para os Assuntos Civicos e Municipais of the Government of Macao
Continue the marketing and promotion of *VodaImage* to the Group's installed customer base in the Guangdong Province, the PRC	In process, with the enhanced version of *MegaImage* being promoted to the Group's existing installed customer base
Promote *VodaImage* to mobile service providers in Shanghai and Zhejiang Province, the PRC	In addition to direct marketing of *MegaImage* to mobile service bureaus in Shanghai and the Zhejiang Province, the Group entered into two distributor agreements and three memoranda of understanding on a non-exclusive basis with five independent distributors as a means to expand the distribution network of *MegaImage* in the PRC. In addition, the Group is in the process of exploring collaboration arrangement with a scanning manufacturer to bundle and resell *MegaImage* together with their scanning equipment
Promote the existing "*TianXin*" *ERP/CRM* applications to enterprises in the Guangdong Province and Shanghai, the PRC	Via resellers, the Group entered into distributor agreements with ten resellers with presence in China South, China East and China North in the PRC for the distribution of *MegaERP* (previously known as "*TianXin*" *ERP/CRM*). In addition, entered into an alliance arrangement with Legend Beijing to bundle *MegaERP* with Legend's equipment for sale to customers in the Shandong Province and Shenzhen

COMPARISON OF BUSINESS PROGRESS AND USE OF PROCEEDS (continued)

Promote *VodaImage* and *VodaMax* to gaming operators and various departments under the Government of Macau	In progress, with *MegaImage* being installed at the Government of Macao, namely the Instituto para os Assuntos Civicos e Municipais and the Policia Judicaiaria
Participate in one major IT exhibition in the PRC to promote the Group's enterprise solutions	Participated in Kodak's 2004 channel conference in Hainan and Kodak's new product roadshow in Guangzhou (2004年柯達商業影像部產品巡展(廣州站)) and document imaging product seminar in Kunming (柯達文檔影像新品發佈及產品推介會(昆明)) to promote *MegaImage*
Expand the sales and marketing team by recruiting 6 sales representatives	Recruited 1 and 5 sales representatives to the sales and marketing team in Macau and the PRC respectively
Complete the setting up of the operating entity/ service center in Guangzhou in the Guangdong Province, the PRC	Completed. A subsidiary was incorporated in Guangzhou in June 2004 to provide products and technical support to the customers in the PRC
Explore collaboration arrangements with R&D institutes of various universities or software companies in the PRC that will strengthen the Group's R&D capability and integrated range of enterprise solutions	Entered into a collaboration arrangement with the R&D team of the Zhongshan University and commenced the localization of an image counting application for use by government authorities, gaming operators and enterprises
Conduct feasibility study on acquisition opportunities that will strengthen the Group R&D capability, geographical coverage and complement the Group's integrated range of enterprise solutions	Under review, which will be in conjunction with the Group's strategic directions to enhance product offerings and R&D capability and expand geographical coverage

APPLICATIONS AND COMPARISON OF USE OF PROCEEDS

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

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

Use of proceeds as stated in the Prospectus	**Application of proceeds from the initial share offer on 19th January 2004**
Approximately HK$0.2 million for product enhancement with new features and functionalities	Approximately HK$0.2 million for product enhancement of the Group's existing solutions
Approximately HK$0.6 million for R&D of new products under the Group's own brand name	Approximately HK$0.6 million for the recruitment of additional software engineers to engage in R&D of new products
Approximately HK$1.2 million for business development, expansion of the Group's marketing team and participation in IT exhibitions	Approximately HK$0.9 million for expansion of the Group's marketing team with new sales representatives and participation in various IT exhibitions organized by hardware vendors to promote the Group's products
Approximately HK$0.8 million for expansion of geographical presence in the PRC	Approximately HK$0.6 million for the relocation of the R&D centre from Macao to Zhuhai and the set up of a subsidiary in Guangzhou and a centre in Beijing to provide nationwide products and technical support
Approximately HK$0.2 million for application for quality assurance certifications for the Group's products	Approximately HK$0.1 million for the application of ISO9001 for the scanning services in Macao
Working capital	Approximately HK$2.0 million has been used for general working capital with the balance of net proceeds deposited in licensed banks in Hong Kong

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

As at 30th June 2004, the interests are short positions of the Directors and chief executive in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required (a) to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Exchange, were as follows:

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

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

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

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

Name of Director	Long position/ short position	Nature of interest	No. of Vodatel Shares	No. of underlying Vodatel Shares (in respect of share option and convertible bond) held	Approximate % of the issued share capital of Vodatel
Mr. Santos	Long position	Corporate interest *(Note 1)*	293,388,000	–	47.80%
	Long position	Personal interest *(Note 2)*	–	600,000	0.10%
	Short position	Corporate interest *(Note 1)*	–	15,932,000	2.60%
Mr. Kuan Kin Man ("Mr. Kuan")	Long position	Personal interest *(Note 3)*	12,262,500	900,000	2.14%
Mr. Yim Hong ("Mr. Yim")	Long position	Personal interest *(Note 4)*	7,357,500	900,000	1.35%
Mr. Mok Chi Va ("Mr. Mok")	Long position	Family/Personal interest *(Note 5)*	20,000	230,000	0.04%

Notes:

(1) These Vodatel Shares were held in the name of Eve Resources and the entire issued share capital in Eve Resources was in turn held by a company wholly-owned by Mr. Santos, as trustee of a discretionary family trust. Vodatel was under an obligation to issue a total of 15,932,000 Vodatel Shares in respect of the outstanding share options and the convertible bond. Mr. Santos was deemed to be interested in such short position by virtue of his interest in Eve Resources.

(2) Mr. Santos was the beneficial owner of such interest in Vodatel Shares.

(3) Mr. Kuan was the beneficial owner of such interest in Vodatel Shares.

(4) Mr. Yim was the beneficial owner of such interest in Vodatel Shares.

(5) The 20,000 Vodatel Shares was held by the spouse of Mr. Mok and Mr. Mok was deemed to be interested in such Vodatel Shares. Mr. Mok was the beneficial owner of the remaining interest in Vodatel Shares.

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

So far as was known to any directors or chief executive of the Company as at 30th June 2004, the persons or companies (not being a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5 per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

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

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

Notes:

1. Lois Resources Limited was deemed to be interested in 326,617,500 Shares by virtue of its interest in Eve Resources. Eve Resources owned more than one third of the issued share capital of Vodatel which in turn owned the entire issued share capital of VHL. 326,617,500 Shares were beneficially owned by VHL.

2. Madam Lei Hon Kin, the spouse of Mr. Santos, was deemed to be interested in 326,617,500 Shares which were deemed to be interested by Mr. Santos.

3. eForce was deemed to be interested in 74,632,500 Shares by virtue of its interest in Gofull. 74,632,500 Shares were beneficially owned by Gofull.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed in the preceding paragraphs headed "Interests of the Directors and chief executive in the Shares" and "Interests of the substantial shareholders of the Company", so far as is known to the Directors, there is not other person or company who has an interest or short position in the shares, underlying shares or debentures of the Company that is discloseable under the SFO as at 30th June 2004.

COMPETING INTERESTS

As at 30th June 2004, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSORS' INTEREST

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

On 28th July 2004, due to the major personnel changes at RexCapital, the Company and RexCapital have mutually agreed to terminate the engagement of RexCapital as one of the continuing sponsors to the Company under the Joint Sponsors' Agreement dated 30th December 2003 for a period from the date of listing of the shares of the Company first commenced on the GEM of the Exchange to 30th June, 2006 with effect from 1st August 2004.

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

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30th June 2004.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors, namely Mr. Tsui Wai Kwan, Mr. Tam Pak Yip and Mr. Chui Sai Cheong. One meeting was held during the current financial year.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM.

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

Hong Kong, 23rd September 2004

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the date of its posting and on the website of the Company at www.megainfo.com.cn.