

2014

Interim Report

MEGALOGIC TECHNOLOGY HOLDINGS LIMITED 宏創高科集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8242

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This report, for which the directors (the "Directors") of Megalogic Technology 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 GEM of the Stock Exchange (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, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Interim Results

The board of Directors (the “Board”) of Megalogic Technology Holdings Limited hereby announces the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2014 together with comparable figures for the corresponding period in 2013.

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	5	15,917	8,614	26,245	16,731
Cost of sales		(11,984)	(6,684)	(19,401)	(12,503)
Gross profit		3,933	1,930	6,844	4,228
Other income	6	89	298	196	342
Staff costs		(2,457)	(1,553)	(4,372)	(2,967)
Depreciation		(495)	(318)	(942)	(613)
Operating lease rental					
— land and buildings		(284)	(105)	(435)	(211)
Other operating expenses		(2,215)	(2,274)	(4,974)	(3,734)
Loss before income tax		(1,429)	(2,022)	(3,683)	(2,955)
Income tax credit/(expense)	7	—	—	—	—
Loss for the period	8	(1,429)	(2,022)	(3,683)	(2,955)
Loss attributable to owners of the Company		(1,429)	(2,022)	(3,683)	(2,955)
Total comprehensive expense for period attributable to owners of the Company		(1,429)	(2,022)	(3,683)	(2,955)
Loss per share	10				
Basic and diluted (cents)		HK(0.60) cents	HK(1.01) cents	HK(1.54) cents	HK(1.48) cents

Unaudited Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	4,166	3,694
Current assets			
Inventories	12	9,237	7,790
Trade receivables	13	4,657	7,013
Deposits and prepayments		3,450	2,155
Bank balances and cash		44,868	48,878
Total current assets		62,212	65,836
Current liabilities			
Trade and other payables	14	5,748	5,217
Total current liabilities		5,748	5,217
Net current assets		56,464	60,619
Total assets less current liabilities		60,630	64,313
Non-current liabilities			
Deferred taxation		—	—
Net assets		60,630	64,313
Capital and reserves			
Share capital	15	24,000	24,000
Share premium		20,437	20,437
Reserves		16,193	19,876
Total equity		60,630	64,313

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Assets revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2013	20,000	14,702	17,941	173	7,606	60,422
Disposal of property, plant and equipment	—	—	—	(1)	1	—
Loss and total comprehensive expense for the period	—	—	—	—	(2,955)	(2,955)
Balance at 30 June 2013	20,000	14,702	17,941	172	4,652	57,467

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Assets revaluation reserve (Unaudited) HK\$'000	Retained profits/ (accumulated losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 January 2014	24,000	20,437	17,941	174	1,761	64,313
Loss and total comprehensive expense for the period	—	—	—	—	(3,683)	(3,683)
Balance at 30 June 2014	24,000	20,437	17,941	174	(1,922)	60,630

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash used in operating activities	(2,732)	(2,528)
Net cash used in investing activities	(1,278)	(866)
Net cash from financing activities	—	—
Net decrease in cash and cash equivalents	(4,010)	(3,394)
Cash and cash equivalents at beginning of the period	48,878	43,901
Cash and cash equivalents at end of the period	44,868	40,507
Analysis of cash and cash equivalents at end of the period		
Bank balances and cash	44,868	40,507

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. General Information

The Company was incorporated in the Cayman Islands on 31 March 2011, as an exempted company with limited liability under the Companies Law Cap. 22 of the Cayman Islands. The address of its registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business was located at Unit 508–509, 5th Floor, IC Development Centre, No. 6 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, Shatin, New Territories, Hong Kong and is changed to Suite 2101, 21/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong from 18 February 2014.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company referred to as the “Group”) are (i) the provision of integrated circuit (“IC”) solutions and the design, development and sales of ICs, and (ii) money lending business.

The condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the same as the functional currency of the Company and all value are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated interim financial information has not been audited.

2. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The measurement basis used in the preparation of the unaudited condensed consolidated interim financial statements is the historical cost basis, except for property, plant and equipment which is measured at revalued amounts and financial instruments that are measured at fair values at the end of each reporting period.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning from 1 January 2014, the accounting policies adopted are consistent with those applied in the Group’s annual financial statements for the year ended 31 December 2013. The application of these new and revised HKFRSs has not had material impact on the condensed consolidated interim financial information of the Group.

2. Basis of Preparation and Accounting Policies (Continued)

The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations.

3. Key Sources of Estimation Uncertainty

In preparing these condensed consolidated interim financial information, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2013.

4. Segment Information

The Group had only one single reporting segment, being the design, development and sales of integrated circuits, during the six months ended 30 June 2013. With the completion of acquisition of a money lending business on 31 May 2014, the Group was engaged in two business segments, namely Integrated Circuits, being the design, development and sales of integrated circuits, and Money Lending, during the six months ended 30 June 2014. The chief operating decision maker regularly reviews the nature of their operations and the products and services. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

4. Segment Information (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Six months ended 30 June					
	Integrated Circuits		Money Lending		Consolidated	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	26,245	16,731	—	N/A	26,245	16,731
Segment result	(962)	(1,468)	(59)	N/A	(1,021)	(1,468)
Other revenue					196	342
Corporate administration costs					(2,858)	(1,829)
Loss before income tax					(3,683)	(2,955)
Taxation					—	—
Loss for the period					(3,683)	(2,955)

Revenue reported above represents revenue generated from external customers. There was no inter-segment revenue during the six months ended 30 Jun 2014 (2013: nil).

Segment results represent the profit/(loss) earned/incurred by each segment without allocation of other revenue, corporate administration costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

4. Segment Information (Continued)

Segment assets and liabilities

	Integrated Circuits		Money Lending		Consolidated	
	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Unaudited) HK\$'000	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Unaudited) HK\$'000
Assets and liabilities						
Segment assets	21,502	21,571	324	N/A	21,826	21,571
Unallocated assets					44,552	47,959
Consolidated total assets					66,378	69,530
Segment liabilities	5,451	4,847	9	N/A	5,460	4,847
Unallocated liabilities					288	370
Consolidated total liabilities					5,748	5,217

For the purposes of monitoring segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than unallocated assets (mainly include cash and cash equivalents that are used by the investment holding companies and deposits and prepayments that are prepaid by the investment holding companies).

All liabilities are allocated to reportable segments other than unallocated liabilities (mainly include other payables and accruals borne by the investment holding companies).

4. **Segment Information (Continued)**
Segment assets and liabilities (Continued)

	Six months ended 30 June							
	Integrated Circuits		Money Lending		Unallocated corporate		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other segment information								
Depreciation	883	613	1	N/A	58	N/A	942	613
Capital expenditure	851	938	—	N/A	561	N/A	1,412	938
Loss on disposal of property, plant and equipment	—	10	—	N/A	—	N/A	—	10
Reversal of impairment loss on inventories	84	407	—	N/A	—	N/A	84	407

Geographical information

The Group's operations are located in Hong Kong. The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or services. The geographical location of the non-current assets is based on the physical location of the assets, in the case of property, plant and equipment. The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are set out below:

Revenue from external customers

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Hong Kong (place of domicile)	1,737	1,935
The PRC, excluding Hong Kong and Taiwan	21,606	11,732
Germany	149	146
Korea	490	752
Russia	1,353	—
Taiwan	346	493
United States of America	564	1,673
	26,245	16,731

4. **Segment Information (Continued)**
Geographical information (Continued)
Non-current assets

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Unaudited) HK\$'000
Hong Kong (place of domicile)	883	533
The People's Republic of China (the "PRC"), excluding Hong Kong and Taiwan	415	220
Taiwan	2,868	2,941
	4,166	3,694

Information about major customers

The Group's revenue from customers which accounted for 10% or more of the Group's total revenue are as follows:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Customer A ¹	11,581	8,181
Customer B	4,062	2,561
Customer C	N/A ²	1,673
Customer D	3,688	N/A ²
	19,331	12,415

Notes:

1. The group of entities known to the Group to be under common control had been considered a single customer.
2. The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. Revenue

The Group is principally engaged in the design, development and sales of ICs and money lending business. There was no revenue generated from the money lending business during the six months ended 30 June 2014. All significant intra-group transactions have been eliminated on consolidation. Revenue represents the amount received and receivable for good sold and services provided by Group at invoice value, net of returns and discounts, during the reporting periods. An analysis of the Group's revenue recognized during the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue from sale of ICs	14,917	7,456	24,262	14,660
Revenue from provision of ASIC Service	1,000	1,158	1,983	2,071
	15,917	8,614	26,245	16,731

6. Other Income

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Bank Interest income	82	34	189	72
Sundry income	7	264	7	270
	89	298	196	342

7. Income Tax (Credit)/Expense

No provision for Hong Kong Profits Tax is required since the Group has no estimated assessable profit for the six months ended 30 June 2014 (six months ended 30 June 2013: nil). No provision for the PRC enterprise income tax is made as the subsidiary operated in the PRC has no assessable profit for the six months ended 30 June 2014 (six months ended 30 June 2013: N/A).

No deferred tax has been provided as the Group did not have any material temporary differences which gave rise to a deferred tax assets or liability for the periods.

8. Loss for the Period

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Loss for the period has been arrived at after charging:				
(a) Staff costs including directors' emoluments				
— Salaries, bonus and benefits in kind	2,356	1,507	4,215	2,875
— retirement benefits scheme contributions	66	44	120	85
— staff welfare	35	3	37	7
(b) Other items				
Auditor's remuneration	105	95	210	190
Cost of inventories recognized as an expense*	11,604	6,570	19,021	12,273
Depreciation of property, plant and equipment	495	318	942	613
Loss on disposal of property, plant and equipment	—	—	10	—
Net foreign exchange loss	58	9	107	19
Legal and professional fee	394	427	859	1,241
Design and development costs	1,128	1,225	2,421	1,375

* including reversal of provision for slow-moving and obsolete inventories of approximately HK\$84,000 and HK\$407,000 for the six months ended 30 June 2014 and 2013 respectively.

9. Dividends

No dividends was declared or paid during the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

10. Loss Per Share

The calculations of basic loss per share are based on the loss of approximately HK\$1,429,000 and HK\$3,683,000 attributable to the owners of the Company for the three months and six months ended 30 June 2014 respectively (three months and six months ended 30 June 2013: loss of approximately HK\$2,022,000 and HK\$2,955,000 respectively) and the weighted average number of shares in issue during the three months and six months ended 30 June 2014 of 240,000,000 shares and 240,000,000 shares respectively (three months and six months ended 30 June 2013: 200,000,000 shares and 200,000,000 shares respectively weighted average number of shares in issue).

The Group did not have any dilutive potential ordinary shares during the three months and six months ended 30 June 2014 and the corresponding periods in 2013.

11. Property, Plant and Equipment

(a) Acquisition

During the six months ended 30 June 2014, the Group acquired items of plant and machinery with a cost of approximately HK\$1,412,000 (six months ended 30 June 2013: approximately HK\$938,000).

(b) Valuation

The Group's property, plant and equipment were revalued as at 31 December 2013 by an independent firm of surveyors, RHL Appraisal Limited, who have among their staff Members of the Hong Kong Institute of Surveyors. The Group's Finance Director had discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of the reporting period.

The fair value of the Group's property, plant and equipment are measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value of all the property, plant and equipment of the Group measured as at 31 December on a recurring basis were categorized into Level 3 valuations.

The fair value of property, plant and equipment were determined using cost approach of which the historical cost was adjusted with producer pricing index in the respective suppliers' locations and with estimated useful lives. The fair value measurement is positively correlated to the price index and to the estimated useful lives.

12. Inventories

During the six months ended 30 June 2014, approximately HK\$84,000 (six months ended 30 June 2013: approximately HK\$407,000) has been recorded, being the amount of net reversal of provision for slow-moving and obsolete inventories.

As at 30 June 2014, there was approximately HK\$67,000 of inventories written down to net realisable value (30 June 2013: approximately HK\$16,000).

13. Trade Receivables

The Group normally allows a credit period ranging from “cash on delivery” to 90 days to its trade customers as at 30 June 2014 and 31 December 2013. The following is an aged analysis of trade receivables at the end of each reporting period, presented based on the invoice date:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
0–30 days	2,398	3,681
31–60 days	777	1,761
61–90 days	1,190	1,119
More than 90 days	292	452
	4,657	7,013

The aging analysis of the Group’s trade receivables which are past due but not impaired is as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
0–30 days	917	229
31–60 days	563	1,380
61–90 days	1,190	1,119
More than 90 days	292	452
	2,962	3,180

14. Trade and Other Payables

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Trade payables	2,748	2,222
Other payables and accruals	3,000	2,995
	5,748	5,217

An aging analysis of the Group's trade payables, presented based on the invoice date at the end of each reporting period, is as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
0–30 days	2,162	871
31–60 days	586	1,351
61–90 days	—	—
More than 90 days	—	—
	2,748	2,222

15. Share Capital

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.1 each		
<i>Authorized:</i>		
At 31 December 2013 and 30 June 2014	10,000,000	1,000,000
<i>Issued and fully paid:</i>		
At 31 January 2013	200,000	20,000
Issue of shares upon Placing on 30 August 2013	40,000	4,000
At 31 December 2013 and 30 June 2014	240,000	24,000

16. Capital Commitment

The Group did not have any significant capital commitment as at 30 June 2014 and 31 December 2013.

17. Contingent Liabilities

As at 30 June 2014 and 31 December 2013, respectively 7 and 7 employees of the Group have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the circumstances specified in the Ordinance.

If the termination of all such employees met the circumstances set out in the Ordinance, the Group's liability as at 30 June 2014 and 31 December 2013 would be approximately HK\$116,000 and HK\$94,000 respectively. No provision has been made for these amounts in the consolidated financial statements as the directors of the Company are of the view that these amounts are not expected to crystallize in the foreseeable future.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2014 and 31 December 2013.

18. Acquisition of Subsidiary

On 31 May 2014, the Group acquired 100% issued share capital and voting interest in Easy Loan Finance Limited (the "Easy Loan") through an indirectly wholly owned subsidiary. As a result, the Group's voting equity interest in the Easy Loan was 100%, obtaining control of the Easy Loan.

Taking control of the Easy Loan enables the Group to explore the opportunity of developing the money lending business and to diversify the Group's existing business.

18. Acquisition of Subsidiary (Continued)

Since the acquisition of the Easy Loan and up to 30 June 2014, the Easy Loan contributed no revenue and incurred a loss of approximately HK\$59,000 to the Group's results.

(a) Consideration transferred

The following table summarises the acquisition-date fair value of consideration transferred.

	As at acquisition date fair value (Unaudited) HK\$'000
Cash and total consideration transferred	110

The consideration was determined at approximately HK\$110,000 based on the audited net asset value of the Easy Loan of approximately HK\$809,000 less the amount due from the shareholder of approximately HK\$699,000 as at 31 May 2014.

(b) Acquisition-related costs

The Group incurred acquisition-related costs of approximately HK\$27,000 relating to due diligence costs and stamp duty. These costs have been included in 'other operating expenses' in the condensed consolidated statement of comprehensive income.

(c) Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	As at acquisition date (Unaudited) HK\$'000
Property, plant and equipment	13
Rental deposit	50
Amount due from shareholder	699
Cash and cash equivalents	55
Other payables	(8)
Total identifiable net assets acquired	809

18. Acquisition of Subsidiary (Continued)

(c) Identifiable assets acquired and liabilities assumed (Continued)

Fair values measured on a provisional basis

The following fair values have been determined on a provisional basis.

Employees under the Easy Loan's employment contract are subject to employment regulations. The Group had conducted an assessment of the unpaid annual leave provision and has recognized a provisional amount.

(d) Net cash flow on acquisition

	As at acquisition date fair value (Unaudited) HK\$'000
Consideration paid in cash	(110)
Plus: cash and cash equivalent balances acquired	55
Total	55

19. Material Related Party Transactions

Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Salaries and other short term employee benefits	2,060	1,663
Contribution to Mandatory Provident Fund	36	34
	2,096	1,697

20. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current period's presentation.

Management Discussion and Analysis

The Group is a fabless semiconductor company specializing in provision of IC solutions and is engaged in design, development and sales of ICs and, with the completion of acquisition of a money lending business on 31 May 2014, the Group has started the money lending business. The Group sells IC under its own brand name “MiniLogic” and provides application specific IC service (the “ASIC Service”) in design and development of tailor-made IC to its customers. The Group provides tailor-made IC solutions and sells tailor-made ICs to customers under the ASIC Service business Section (the “ASIC Section”); and independently develops and sells generically-applicable ICs for sale in the market under the MiniLogic Brand IC business Section (the “Standard IC Section”). For the six months ended 30 June 2014, the Group did not enter into any loan transaction in the money lending business.

Business Review

Integrated Circuits Segment

During the first half year of 2014, the Group’s R&D teams completed and launched 3 new IC models as follows:

Section	Product Name	Period of development	Period of sale
ASIC	MP 1213 Motor Driver IC	November 2012 to March 2014	March 2014 to present
ASIC	MP1304 MR16 LED Driver IC	July 2013 to March 2014	March 2014 to present
ASIC	MP1305 USB Charger IC	October 2013 to June 2014	June 2014 to present

In addition to development of 2 more new IC models deployed by our R&D team in the first half year of 2014, we had 13 new IC models under development as at 30 June 2014. The completion of development of several new IC models has been extended as the process was prolonged due to customer evaluation, acceptance and modification work.

The Directors believe that developing IC products with suitable technology that appeal to the market is the key to the Group’s long-term success. Hence, developing new IC products and expanding the range of the Group’s products as well as broadening the customer base are essential for growth of the Group’s IC solutions and design, development and sales of ICs business.

ASIC Section

Under the ASIC Section, the major IC products are Electronic Cigarette ICs, CCD Surveillance System ICs, DVD Player ICs and Power Management ICs. There were 3 new IC models launched in the first half year of 2014 and there was an overall increase in demand for ASIC products in the first half year of 2014. As the market sentiment in project investment was stable, the revenue from the provision of ASIC Service for the first half year of 2014 was approximately HK\$2.0 million (six months ended 30 June 2013: approximately HK\$2.1 million). Although the market is still under keen competition, with the significant growth of sales of ASIC products, the revenue of the ASIC Section in the first half year of 2014 was improved by approximately HK\$7.5 million or 51.0% to approximately HK\$22.2 million (six months ended 30 June 2013: approximately HK\$14.7 million).

As compared with that of the same period of 2013, the revenue of Electronic Cigarette ICs recorded growth despite an upward adjustment in selling prices due to keen competition. Besides, the demand for and selling prices of CCD Surveillance System ICs were still weak due to market conditions and keen competition. The demand for and selling prices of DVD Players ICs were increased due to the better atmosphere in the DVD market. With the new IC model launched in the first half year of 2014, the demand for Power Management ICs commenced to grow in the market.

Standard IC Section

Under the Standard IC Section, the major IC products are Power Management ICs, LCD Driver ICs for instrument panel and LED Lighting Driver ICs. No new IC model was launched in the first half year of 2014 due to market situations. With improving market sentiment, the revenue of the Standard IC Section for the first half year of 2014 increased by approximately HK\$2.0 million or 95.0% to approximately HK\$4.1 million (six months ended 30 June 2013: approximately HK\$2.1 million).

As compared with that of the same period of 2013, the selling prices for Power Management ICs were increased with stable demand. With improving economic atmosphere in Europe, the demand for and selling prices of LCD Driver ICs for instrument panel were significantly improved. For LED Lighting Driver ICs, the Group has in the process of developing more series of LED Lighting Driver ICs with the expectation to attracting more customers' order in LED Lighting market for the near future.

Money Lending Segment

On 31 May 2014, the Group acquired Easy Loan Finance Limited and then started the money lending business. For the six month ended 30 June 2014, the Group did not have revenue from money lending business and incurred administrative expenses, resulting in a loss for the period.

Financial Review

Integrated Circuits Segment

The Group recorded a total revenue of approximately HK\$26.2 million for the first half year of 2014 (six months ended 30 June 2013: approximately HK\$16.7 million), representing improvement of approximately 56.9% as compared from the corresponding period of 2013. Save as disclosed in the above Sections, the increased competition in the IC industry still has an impact on the demand for the Group's products and services.

Cost of Sales and Gross Profit

Cost of sales of the Group increased by 55.2% from approximately HK\$12.5 million for the first half year of 2013 to approximately HK\$19.4 million for the first half year of 2014.

The overall gross profit of the Group increased from approximately HK\$4.2 million in the first half year of 2013 to approximately HK\$6.8 million in the first half year of 2014, representing an increase of 61.9%. The gross profit of the ASIC Section increased by approximately HK\$1.0 million to approximately HK\$5.0 million in the first half year of 2014 (six months ended 30 June 2013: approximately HK\$4.0 million), and gross profit margin of ASIC Section was 22.5%, representing a drop of 4.7 percentage point from that of the first half year of 2013, primarily due to increase in cost of sales outweighing the increase in selling prices of certain ASIC products in the first half year of 2014. The gross profit of the Standard IC Section increased by approximately HK\$1.6 million to approximately HK\$1.8 million in the first half year of 2014 (six months ended 30 June 2013: approximately HK\$0.2 million), and the gross profit margin of Standard IC Section in the first half year of 2014 was 43.9%, representing a rise of 32.2 percentage point from that of the first half year of 2013, primarily due to the increase in sales of higher margin of certain Standard IC products.

Money Lending Segment

For the six months ended 30 June 2014, the Group did not have revenue from money lending business.

Expenses

Staff costs for the first half year of 2014 were approximately HK\$4.4 million (six months ended 30 June 2013: approximately HK\$ 3.0 million), representing increase by 46.7% or HK\$1.4 million with that period in previous year, which was mainly due to the increase in general pay level and more employees recruited to cope with the need of development.

Depreciation for the first half year of 2014 was approximately HK\$0.9 million (six months ended 30 June 2013: approximately HK\$0.6 million), representing increase by 50.0% from that period in previous year, which was mainly due to the increase of acquisition of property, plant and equipment for the need of business development and new office.

Other operating expenses for the first half year of 2014 were approximately HK\$5.0 million (six months ended 30 June 2013: approximately HK\$3.7 million), representing increase by 35.1% from that period in previous year. The increase was mainly due to the improvement of market sentiment resulting in more spending on design and development costs and related expenses, which outweighed the decrease in legal and professional fee.

Loss Attributable to Owners

The loss attributable to owners of the Company for the six months ended 30 June 2014 was approximately HK\$3.7 million. For the six months ended 30 June 2013, the loss attributable to owners of the Company was approximately HK\$3.0 million. The increase was mainly due to the rise in design and development costs and related expenses, staff costs, depreciation and operating lease rental, which outweighed the increase in gross profit.

Liquidity, Financial Resources and Capital Structure

The Group generally financed its daily operations from internally generated cash flows. As at 30 June 2014, the Group had bank and cash balances of approximately HK\$44.9 million (31 December 2013: approximately HK\$48.9 million) and did not have any borrowings, banking facilities or any loan arrangement containing any covenant (31 December 2013: nil). The gearing ratio calculated as the ratio of total interesting bearing debt to total asset was nil as at 30 June 2014 (31 December 2013: nil). The Group's financial position is healthy, enabling the Group to expand its core business and to achieve its business objectives.

Charges on Assets

As at 30 June 2014 and 31 December 2013, the Group did not have any charges on its assets.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management and the management will consider hedging the foreign exchange exposure if it is significant to the Group.

Acquisition of a Money Lending Business

On 23 May 2014, the Group entered a memorandum of understanding in relation to the acquisition of a money lending business. After due diligence, the Group entered the formal sale and purchase agreement on 30 May 2014. The acquisition was completed on 31 May 2014 with the final consideration of HK\$109,831 and Easy Loan Finance Limited has become a subsidiary of the Group. The remainder of the final consideration was also paid. Details of the acquisition of a money lending business were disclosed in the Company's announcements dated 23 May 2014 and 2 June 2014.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Save for those disclosed in this report, there were neither significant investments held as at 30 June 2014 nor material acquisitions and disposals of subsidiaries during the six months ended 30 June 2014. There is no plan for material investments or capital assets as at the date of this report.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

Employees and Remuneration Policies

The Group had approximately 21 employees as at 30 June 2014. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee.

We recognize the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances. Other benefits include training and discretionary bonus.

Share Option Scheme

The Company has adopted the share option scheme (the "Scheme") on 16 May 2012 which will remain in force for a period of 10 years from the effective date of the Scheme and will expire on 9 July 2022. The principal terms of the Scheme are summarized in the section headed "Summary of the Principal Terms of the Share Option Scheme" in Appendix III to the Company's circular dated 30 March 2012.

For the six months ended 30 June 2014, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Company's prospectus dated 30 December 2011 ("Prospectus") for the period from 23 December 2011, being the latest practicable date as defined in the Prospectus ("LPD") to 31 December 2013 (the "Review Period") with the Group's actual business progress for the Review Period and up to 30 June 2014 is set out as follows:

Business Objective for the Review Period

Actual Business Progress for the Review Period and up to 30 June 2014

Enhancing product development by diversifying into new IC products and improving existing IC products

Develop and launch 12 new MiniLogic Brand IC models

4 new MiniLogic Brand IC models were under development, including (i) ML1370 LED Light Tube Driver IC, (ii) MP1110 24V LED Backlight Driver with dimming control IC which was sold to ASIC customer with its development work in progress, (iii) ML1361 MR16 LED Lighting Driver with Buck/Boost Feature IC, and (iv) ML1372 E27 LED Light Bulb Driver IC as at 30 June 2014. The completion of development of these new IC models had been extended as the process was prolonged due to customer evaluation, acceptance and modification work.

1 new IC model of MiniLogic Brand IC models, namely MP1205 USB Backup Power Supply IC was developed and launched under the category of power management in November 2013.

As to LED Light Bulb Driver with PFC feature IC and four more new MiniLogic Brand IC models under the category of LED Lighting Driver ICs, and two more new MiniLogic Brand IC models under the category of green energy, the projects had not been deployed due to the specification of market demand being unclear.

**Business Objective for
the Review Period**

**Actual Business Progress for the Review Period and
up to 30 June 2014**

**Enhancing product development by diversifying into new IC products and improving
existing IC products (Continued)**

Develop and launch 13 new
ASIC products

9 new ASIC products were under development, including (i) MP1103 18V Dual Channel Buck Converter IC, (ii) MP1113 Class-D Stereo and Subwoofer Audio Power Amplifier IC, (iii) Ai9123 Low Voltage Video Amplifier with Low Pass Filter IC, (iv) Ai8149 Power Management Unit for CCD Camera ICs, (v) MP1017 Portable Electronic Charger IC, (vi) MP1209 Linear LED Driver IC, (vii) RC101 IR Remote IC, (viii) MP1308 Rechargeable Electronic Cigarette IC and (ix) MP1401 DVD Player PMU and Tray Driver IC, as at 30 June 2014. The completion of development of these new IC models had been extended as the process was prolonged due to customer evaluation, acceptance and modification work.

7 new IC models of ASIC products, namely (i) MP1204 LDO and Tray Driver IC, (ii) MP1109 Portable DVD Power Management Unit IC (iii) MP1202 Single Time Electronic Cigarette with blue LED IC, (iv) MP1201 Electronic Cigar IC, (v) MP1303 IR Filter Switch Driver IC, (vi) MP1304 MR16 LED Driver IC and (vii) MP1305 USB Charger IC for power management were developed and launched in July 2012, September 2012, September 2012, January 2013, November 2013, March 2014 and June 2014 respectively.

For the Review Period and up to 30 June 2014, the product development of new IC model of ASIC products were three more than that stated in the business objective

Improve and launch 12 modified
existing IC models

3 new modified IC model of existing IC models, namely (i) MP1105 Static LCD COG Driver IC, (ii) MP1203 Rechargeable Electronic Cigarette IC and (iii) MP1213 Motor Driver IC for portable DVD player, were developed and launched in May 2013, November 2013 and March 2014.

As to nine more modified IC model of existing IC models, the project had not been deployed due to the specification of market demand being unclear.

Business Objective for the Review Period**Actual Business Progress for the Review Period and up to 30 June 2014****Strengthening R&D capabilities by establishing a research and development centre and sales office in Suzhou, the PRC**

Establish Suzhou office	Visits had been made to Suzhou Industrial Park, Suzhou, the PRC by the management of the Group during the Review Period. However, in view of uncertain economic outlook in the PRC market, the establishment of Suzhou office would be delayed until the market becomes positive.
Recruit 12 new employees with engineering expertise	Not yet commenced
Provide supporting services to Hong Kong R&D team	Not yet commenced
Explore new opportunities to cooperate with local universities in Suzhou, PRC	Not yet commenced
Collaborate with at least one PRC University on one R&D project and to develop a long term collaborate relationship	Not yet commenced
Develop into a full-fledged R&D centre	Not yet commenced

Expanding the customer base and sales network in the PRC

Formulate an marketing plan	In view of uncertain economic outlook in the PRC market, the formulation of a marketing plan would be delayed until the market becomes positive.
Recruit 7 new sales and marketing staff	Not yet commenced
Explore and develop new sales and marketing network in Suzhou and Wuxi regions	Not yet commenced
Extend sales and marketing activities to Shanghai and Kuzhan region	Not yet commenced

Use of Proceeds

The net proceeds from the issue of new shares of the Company under the placing as set out in the Prospectus were approximately HK\$24.3 million, which was different from the estimated net proceeds of approximately HK\$33.8 million (estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). We intend to adjust the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, and approximately HK\$11.9 million, HK\$10.7 million, HK\$1.6 million and HK\$0.1 million were adjusted for (i) enhancing product development by diversifying into new IC products and improving existing IC products, (ii) establishing a research and development centre and sales office in Suzhou, the PRC, (iii) expanding PRC customer base and sales network and (iv) working capital of the Group respectively. As at the date of this report, we do not anticipate any change to the plan. During the Review Period and up to 30 June 2014, the Group has applied the net proceeds as follows:

		Adjusted use of proceeds in the same manner and proportion as stated in Prospectus	Actual usage
	<i>Notes</i>	HK\$' million	HK\$' million
Enhancing product development by diversifying into new IC products and improving existing IC products	1	11.9	11.9
Strengthening R&D capabilities by establishing a research and development centre and sales office in Suzhou, the PRC	2	10.7	—
Expanding the customer base and sales network in the PRC	2	1.6	—
Working capital		0.1	0.1
		24.3	12.0

Notes:

- Comparatively, there were less new IC product development projects deployed due to the specification of market demand being unclear, resulting in less actual spending. However, the development of certain new IC models incurred higher spending than expected and the completion of development of several new IC models had been extended as the process was prolonged due to customer evaluation, acceptance and modification work, resulting in more actual spending.

2. Visits had been made to Suzhou Industrial Park, Suzhou, the PRC by the management of the Group during the Review Period. However, in view of uncertain economic outlook in the PRC market, the establishment of Suzhou office would be delayed until the market becomes positive.

The remaining unused net proceeds as at 30 June 2014 were placed as interest bearing deposits with licensed bank in Hong Kong and is expected to be used as stated in the Prospectus.

Use of Proceeds of Placing under General Mandate

Reference is made to the announcements of the Company dated 15 August 2013, 30 August 2013 and 8 July 2014 (collectively the “Announcements”) and the annual report of the Company for the year ended 31 December 2013 dated 19 March 2014 (the “Annual Report”) in relation to the placing of 40,000,000 new ordinary shares of HK\$0.10 each in the share capital of the Company (the “Placing”). Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as defined in the Announcements.

Reasons for the issue by way of the Placing

The Directors have considered various ways of raising funds and believe that the Placing represents an opportunity to raise capital for the Company while broadening the Shareholder’s base and capital base of the Company.

Use of proceeds from the Placing

As stated in the Announcements, the Company intends to apply the net proceeds from the Placing (“Net Proceeds”) of approximately HK\$9.7 million for opportunistic investments should appropriate opportunities arise and where the Directors consider it in the interest of the Company to do so and/or for general working capital of the Group. The Company sets out below the use of proceeds from the Placing for the six months ended 30 June 2014:

	Intended use of Net Proceeds as stated in the Announcements	Actual usage
	HK\$ million	HK\$ million
Acquisition of a money lending business	0.1	0.1
General working capital of the Group	9.6	9.6
	9.7	9.7

Risks relating to the Group and its Business

Reliance on a few key customers

The Group's ability to maintain close relationships with its customers is important to its ongoing growth and profitability. Although the Group's sales to specific customers vary from period to period, a significant portion of the Group's total revenue was derived from a few major customers for the six months ended 30 June 2014 and the corresponding period in last year. The five largest customers accounted for approximately 82.6% and 80.1% of the Group's revenue while the largest customer accounted for approximately 44.1% and 33.8% of the Group's revenue for the six months ended 30 June 2014 and 2013 respectively.

The largest customer is an independent third party (as defined in the GEM Listing Rules), principally engaged in sales of ICs, related devices and components and the production of electronic devices. The Group has established its business relationship with the largest customer since the year of 2006.

The Group normally allows a credit period ranging from "cash on delivery" to 90 days, which is in line with other customers, to its major customers for the six months ended 30 June 2014 and 2013. As the Group does not enter into long term or master sales contracts with its major customer, there is no assurance that any of its major customer customers will continue to purchase products from the Group at the same level as they have done in historical.

Outlook

The global economic activity has broadly strengthened in the first half year of 2014 and is expected to improve further. With putting effort on certain new IC models in penetrating the market, and improving demand on Electronic Cigarette ICs, Power Management ICs under ASIC Section and LCD Driver ICs for instrument panel under Standard IC Section, we believe that the Integrated Circuits Segment business will continue to grow.

The Group will focus its future development on IC products for "green energy" devices. One example is LED Lighting Driver ICs for energy saving lighting appliances. Other than LED Lighting Driver ICs, the Group will continue to explore other potential green energy products. Besides the green energy products, the Group will explore other new ASIC products that will be demanded by its existing and new customers in order to expand its product and customer base.

Nevertheless, we need to pay attention to the keen competition in the IC industry, which may adversely affect the performance of the Group. Hence, we will also look for other business opportunities that will improve the Group's profitability.

Although the Money Lending Segment business had not contributed revenue to the Group in the first half of 2014, we would look forward to participating into the market and to receiving business in the remaining year of 2014.

Looking forward, the Group will remain committed to the development of our core business. Apart from enhancing IC product development and strengthening R&D capabilities, the Group aims to expand its customer base and sales network in the PRC. With a view to achieving better return and enhancing the expansion of the Group, the Group will look for potential investment opportunities to diversify its business scope.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 30 June 2014, the interests and short position of the Directors and chief executive of the Company 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 the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

Long Positions

Ordinary shares of the Company

Name of Director	Capacity/Nature of Interest	Number of issued ordinary Shares held	Approximate percentage of the issued share capital of the Company
Mr. Lee Cheung Ming*	Beneficial owner	2,500,000	1.04%

* Mr. Lee Cheung Ming resigned as Director with effect from 1 July 2014.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2014, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long Positions

Ordinary shares of the Company

Name of shareholder	Capacity/Nature of Interest	Number of issued ordinary Shares held	Approximate percentage of the issued share capital of the Company
Mr. Wong Siu Piu	Interest of a controlled company and spouse (Notes 1 & 2)	50,395,342	21.00%
Ms. Yang Min	Beneficial owner and interest of spouse (Notes 1 & 2)	50,395,342	21.00%
Vital Apex Group Limited	Beneficial owner (Notes 1 & 2)	39,020,342	16.26%
Mr. Zhang Yuncheng	Beneficial owner	27,489,276	11.45%
Mr. Ye Jian	Interest of a controlled company (Note 3)	21,800,000	9.08%
Metro Classic Limited	Beneficial owner (Note 3)	21,800,000	9.08%

Notes:

1. Mr. Wong Siu Piu is the beneficial owner of all of the issued share capital of Vital Apex Group Limited, and is therefore deemed to be interested in the 39,020,342 ordinary shares of the Company in which Vital Apex Group Limited is beneficially interested. His spouse, Ms. Yang Min, is the beneficial owner of 11,375,000 ordinary shares, therefore Mr. Wong Siu Piu is also deemed to be interested in the 11,375,000 ordinary shares of the Company. As a result, Mr. Wong Siu Piu is deemed to be interested in an aggregate of 50,395,342 ordinary shares of the Company.
2. Ms. Yang Min is the beneficial owner of 11,375,000 ordinary shares of the Company. Her spouse, Mr. Wong Siu Piu, is the beneficial owner of all the issued share capital of Vital Apex Group Limited, and therefore her spouse, Mr. Wong Siu Piu, is deemed to be interested in the 39,020,342 ordinary shares of the Company in which Vital Apex Group Limited is beneficially interested and accordingly, Ms. Yang Min is beneficially interested and deemed to be interested in an aggregate of 50,395,342 ordinary shares of the Company.

3. Mr. Ye Jian is the beneficial owner of all of the issued share capital of Metro Classic Limited, and is therefore deemed to be interested in the 21,800,000 ordinary shares of the Company in which Metro Classic Limited is beneficially interested.

Save as disclosed above, as at 30 June 2014, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

Purchases, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

Interest in a Competing Business

During the six months ended 30 June 2014, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group and any other conflicts of interest with the Group.

Directors Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiry made to all the Directors, the Company was not aware of any non-compliance with the Model Code regarding securities transactions by Directors during the six months ended 30 June 2014.

Interests of the Compliance Adviser

As notified by the compliance adviser of the Company, Ample Capital Limited, as at 30 June 2014, except for (i) the compliance adviser agreement entered into between the Company and Ample Capital Limited dated 29 December 2011 and (ii) the financial adviser agreement entered into between the Company and Ample Capital Limited dated 21 January 2013 in respect of a proposed acquisition regarding major and connected transaction in relation to a securities and consultancy business, neither Ample Capital Limited nor its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in relation to the Group.

Corporate Governance Practices

The Group has committed to upholding high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of shareholders of the Group.

The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules as its own code and had complied with the CG Code during the six months ended 30 June 2014. The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance.

Audit Committee

The Audit Committee is currently composed of the 3 independent non-executive Directors, namely Mr. Chan Sun Kwong, Mr. Chiu Yu Wang and Mr. Ko Yin Wai, and chaired by Mr. Chan Sun Kwong, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014, which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

By Order of the Board
Megalogic Technology Holdings Limited
Mr. Zhang Qing
Chairman

Hong Kong, 7 August 2014

As at the date of this report, the executive directors of the Company are Mr. Zhang Qing, Mr. Li Kwei Chung, Mr. Liu Kam Lung and Dr. Sung Tak Wing Leo; the independent non-executive directors of the Company are Mr. Chan Sun Kwong, Mr. Chiu Yu Wang and Mr. Ko Yin Wai.