

# 2014

Third Quarterly 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

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief 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.*

## Third Quarterly 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 nine months ended 30 September 2014 together with comparable figures for the corresponding periods in 2013.

### Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>14,349</b>	11,936	<b>40,594</b>	28,667
Cost of sales		<b>(11,454)</b>	(9,435)	<b>(30,855)</b>	(21,938)
<b>Gross profit</b>		<b>2,895</b>	2,501	<b>9,739</b>	6,729
Other income	4	<b>31</b>	233	<b>227</b>	575
Staff costs		<b>(2,382)</b>	(1,686)	<b>(6,754)</b>	(4,653)
Depreciation		<b>(511)</b>	(335)	<b>(1,453)</b>	(948)
Operating lease rental					
— land and buildings		<b>(302)</b>	(106)	<b>(737)</b>	(317)
Other operating expenses		<b>(2,466)</b>	(2,293)	<b>(7,440)</b>	(6,027)
<b>Loss before income tax</b>		<b>(2,735)</b>	(1,686)	<b>(6,418)</b>	(4,641)
Income tax credit	5	<b>—</b>	12	<b>—</b>	12
<b>Loss for the period</b>	6	<b>(2,735)</b>	(1,674)	<b>(6,418)</b>	(4,629)

## Unaudited Condensed Consolidated Statement of Comprehensive Income (Continued)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Other comprehensive income:</b>					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Currency translation differences		3	—	3	—
<b>Total comprehensive expense for the period</b>		<b>(2,732)</b>	(1,674)	<b>(6,415)</b>	(4,629)
<b>Loss for the period attributable to owners of the Company</b>		<b>(2,735)</b>	(1,674)	<b>(6,418)</b>	(4,629)
<b>Loss per share</b>					
— Basic and diluted	8	<b>HK(1.12) cents</b>	HK(0.78) cents	<b>HK(2.66) cents</b>	HK(2.26) cents

## 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	Exchange reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>Balance at 1 January 2013</b>	20,000	14,702	17,941	173	—	7,606	60,422
<b>Comprehensive loss</b>							
Loss for the period	—	—	—	—	—	(4,629)	(4,629)
<b>Other comprehensive income</b>							
Currency translation differences	—	—	—	—	—	—	—
<b>Total comprehensive expense</b>	—	—	—	—	—	(4,629)	(4,629)
Disposal of property, plant and equipment	—	—	—	(1)	—	1	—
Issue of shares upon placing	4,000	6,000	—	—	—	—	10,000
Expenses incurred in connection with the issue of shares for the period	—	(265)	—	—	—	—	(265)
	4,000	5,735	—	(1)	—	1	9,735
<b>Balance at 30 September 2013</b>	24,000	20,437	17,941	172	—	2,978	65,528
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Merger reserve (unaudited) HK\$'000	Assets revaluation reserve (unaudited) HK\$'000	Exchange reserve (unaudited) HK\$'000	Retained profits/ (accumulated losses) (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>Balance at 1 January 2014</b>	24,000	20,437	17,941	174	—	1,761	64,313
<b>Comprehensive loss</b>							
Loss for the period	—	—	—	—	—	(6,418)	(6,418)
<b>Other comprehensive income</b>							
Currency translation differences	—	—	—	—	3	—	3
<b>Total comprehensive expense</b>	—	—	—	—	3	(6,418)	(6,415)
Issue of shares upon placing*	4,800	14,400	—	—	—	—	19,200
Expenses incurred in connection with the issue of shares for the period	—	(560)	—	—	—	—	(560)
	4,800	13,840	—	—	—	—	18,640
<b>Balance at 30 September 2014</b>	28,800	34,277	17,941	174	3	(4,657)	76,538

\* On 24 September 2014, 48,000,000 ordinary shares of HK\$0.10 each were issued by way of placing at a price of HK\$0.40 per share (the "Placing Price") for cash consideration of HK\$19,200,000 as set out in the announcement of the Company dated 24 September 2014. The excess of the Placing Price over the par value of the shares issued was credited to the share premium account.

## Notes to the Unaudited Condensed Consolidated Financial Statements

*For the nine months ended 30 September 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.

This condensed consolidated financial information has not been audited.

### 2. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”)) and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared under historical cost convention, except for property, plant and equipment which is measured at revalued amounts. The accounting policies adopted are consistent with those applied in Group’s annual financial statements for the year ended 31 December 2013.

The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are not yet effective for nine months ended 30 September 2014. 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. Revenue

The Group is principally engaged in the design, development and sales of ICs and money lending business. All significant intra-group transactions have been eliminated on consolidation. Revenue from the sales of goods or provision of service represents the amount received and receivable for goods sold and services provided by the Group at invoiced value, net of returns and discounts and loan interest income is recognized using the effective interest method, during the periods. An analysis of the Group's revenue recognized during the periods are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue from sale of ICs	13,910	11,388	38,172	26,048
Revenue from provision of ASIC Service	438	548	2,421	2,619
Loan interest income	1	N/A	1	N/A
	14,349	11,936	40,594	28,667

### 4. Other Income

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Bank Interest income	26	55	215	127
Sundry income	5	178	12	448
	31	233	227	575

## 5. Income Tax Credit

Income tax credit recognized in profit or loss:

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current tax — Hong Kong				
Profits Tax over-provision in				
the previous period	—	(12)	—	(12)

No provision for Hong Kong Profits Tax is required since the Group has no estimated assessable profit for the nine months ended 30 September 2014 (nine months ended 30 September 2013: nil). No provision for the PRC enterprise income tax is made as the Company's PRC subsidiary has no assessable profit for the nine months ended 30 September 2014 (nine months ended 30 September 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.

## 6. Loss for the Period

	Three months ended 30 September		Nine months ended 30 September	
	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	2,286	1,640	6,501	4,515
— retirement benefits scheme contributions	71	45	191	130
— staff welfare	25	1	62	8
(b) Other items				
Auditor's remuneration	105	95	315	285
Cost of inventories recognized as an expense*	10,089	10,226	29,110	22,499
Depreciation of property, plant and equipment	511	335	1,453	948
Loss on disposal of property, plant and equipment	—	—	10	—
Net foreign exchange loss	53	23	160	42
Legal and professional fee	1,154	315	2,013	1,556
Design and development costs	377	1,492	2,798	2,867

\* including net increase in provision for slow moving and obsolete inventories of approximately HK\$483,000 (nine months ended 30 September 2013: net reversal of provision approximately HK\$523,000).

## 7. Dividends

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

## 8. Loss Per Share

The calculations of basic earnings per share for the three months and nine months ended 30 September 2014 are based on the loss of approximately HK\$2,735,000 and HK\$6,418,000 attributable to the owners of the Company (three months and nine months ended 30 September 2013: loss of approximately HK\$1,674,000 and HK\$4,629,000) and the weighted average number of 243,652,174 and 241,230,769 shares in issue for the three months and nine months ended 30 September 2014 (three months and nine months ended 30 September 2013: 213,913,043 shares and 204,688,645 shares, being weighted average number of share in issue).

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

## 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 (the “IC 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”). The Group commenced its money lending business during the nine months ended 30 September 2014 following the completion of acquisition of company which engaged in money lending business (the “Money Lending Business”) on 31 May 2014.

### Business Review

#### Integrated Circuits Segment

During the first three quarters 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	MP 1304 MR16 LED Driver IC	July 2013 to March 2014	March 2014 to present
ASIC	MP 1305 USB Charger IC	October 2013 to June 2014	June 2014 to present

With the deployment of 7 more new IC models in the first three quarters of 2014, we had 18 new IC models under development as at 30 September 2014. The completion of the 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 IC 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. There was an overall increase in demand for ASIC products in the first three quarters of 2014. With the gentle growth of sales of ASIC products, the revenue of the ASIC Section in the first three quarters of 2014 increased by approximately HK\$8.5 million or 33.6% to approximately HK\$33.8 million (nine months ended 30 September 2013: approximately HK\$25.3 million). On the other hand, poor market sentiment still prevails, the revenue from the provision of ASIC Service for the first three quarters of 2014 decreased slightly to approximately HK\$2.4 million (nine months ended 30 September 2013: approximately HK\$2.6 million). Notwithstanding the overall ASIC Section record a growth, the providing specific IC service market was still under keen market competition and environment.

As compared with that of the same period of 2013, the revenue of Electronic Cigarette ICs recorded growth along with an upward adjustment in selling prices. Besides, the revenue of CCD Surveillance System ICs were shown a downward movement due to market conditions and keen competition. The revenue and selling prices of DVD Players ICs were increased due to better atmosphere and market environment in the DVD market. With the new Power Management ICs model launched in the first three quarters of 2014, the revenue of 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 three quarters of 2014 due to prolong stagnant demand in new type of standard IC products. With improving market sentiment, the revenue of the Standard IC Section for the first three quarters of 2014 were significantly increased by approximately HK\$3.5 million or 106.1% to approximately HK\$6.8 million (nine months ended 30 September 2013: approximately HK\$3.3 million).

As compared with that of the same period of 2013, the revenue for Power Management ICs were decreased along with downward adjustment in selling prices. With improving economic atmosphere in Europe, the revenue of LCD Driver ICs for instrument panel were significantly improved caused by significant increase in volume demand of LCD Driver ICs for instrument panel. For LED Lighting Driver ICs, the Group is developing more series of LED Lighting Driver ICs with the expectation to attract more customers' order in LED Lighting market for the near future.

### Money Lending Segment

The Group commenced its Money Lending Business during the nine months ended 30 September 2014 following completion of a acquisition of the Money Lending Business, and the details of the acquisition of a Money Lending Business were disclosed in the Company's announcements dated 23 May 2014 and 2 June 2014. Money Lending Business aims to provide both secured and unsecured loan to earn interest income. Revenue from Money Lending Business for the nine months ended 30 September 2014 was insignificant as this business has only recently started.

## Financial Review

### Integrated Circuits Segment

The Integrated Circuits Segment recorded a total revenue of approximately HK\$40.6 million for the first three quarters of 2014 (nine months ended 30 September 2013: approximately HK\$28.7 million), representing an increase of approximately 41.5% as compared to the corresponding period of 2013. Saved as disclosed in the ASIC Section and Standard IC Section, the intense 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 Integrated Circuits Segment increased by 41.1% from approximately HK\$21.9 million for the first three quarters of 2013 to approximately HK\$30.9 million for the first three quarters of 2014.

The overall gross profit of the Integrated Circuits Segment increased from approximately HK\$6.7 million in the first three quarters of 2013 to approximately HK\$9.7 million in the first three quarters of 2014, representing an increase of approximately 44.8%. The gross profit of the ASIC Section increased by approximately HK\$0.8 million to approximately HK\$6.8 million in the first three quarters of 2014 (nine months ended 30 September 2013: approximately HK\$6.0 million), and gross profit margin of ASIC Section in the first three quarters of 2014 was 20.1%, representing a drop of approximately 3.6 percentage point from that of the first three quarters of 2013, primarily due to increase in cost of sales outweighing the increase in selling prices of certain ASIC products and the decrease of revenue from the provision of ASIC service in the first three quarters of 2014. The gross profit of the Standard IC Section increased by approximately HK\$2.3 million to approximately HK\$3.0 million in the first three quarters of 2014 (nine months ended 30 September 2013: approximately HK\$0.7 million), and the gross profit margin of the Standard IC Section in the first three quarters of 2014 was 44.1%, representing a rise of approximately 23.2 percentage point from that of the first three quarters of 2013, primarily due to the increase in sales of high margin of Standard LCD Driver ICs products.

### Money Lending Segment

The Money Lending Segment has recently offered the first loan to the customer in the late of September 2014 and recorded a revenue of approximately HK\$1,000 for the first three quarters of 2014 (nine months ended 30 September 2013: N/A).

## Expenses

Staff costs for the first three quarters of 2014 were approximately HK\$6.8 million (nine months ended 30 September 2013: approximately HK\$4.7 million), representing an increase of approximately 44.7% or approximately HK\$2.1 million with that period in previous year, due to the combined effect of increase in general pay and increase in headcount to cope with the need of development.

Depreciation for the first three quarters of 2014 was approximately HK\$1.5 million (nine months ended 30 September 2013: approximately HK\$0.9 million), representing an increase of approximately 66.7% from that period in previous year, which was mainly due to the increase of acquisition of property, plant and equipment for new office and to cope with the need of business development.

Other operating expenses for the first three quarters of 2014 were approximately HK\$7.4 million (nine months ended 30 September 2013: approximately HK\$6.0 million), representing an increase of approximately HK\$1.4 million with that period in previous year. The increase was mainly due to resulting in more spending on legal and professional fee for proposed capital injection as well as certain outgoing expense in relation to the business development. Details of the proposed capital injection was disclosed in the Company's announcement dated 26 September 2014.

## Loss Attributable to Owners

The loss attributable to owners of the Company for the nine months ended 30 September 2014 was approximately HK\$6.4 million, as compared to a loss of approximately HK\$4.6 million for the nine months ended 30 September 2013. The substantial increase was mainly due to the rise in staff costs, depreciation, operating lease rental and legal and professional fee for proposed capital injection which outweighed the increase in gross profit.

## 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. Details of the acquisition of a money lending business were disclosed in the Company's announcements dated 23 May 2014 and 2 June 2014.

## Placing of Shares

On 24 September 2014, 48,000,000 ordinary shares of HK\$0.10 each have been issued by way of placing at a price of HK\$0.40 per share for cash consideration of HK\$19,200,000 under general mandate.

## Interim Dividend

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

## Outlook

The global economic activity has broadly strengthened in the first three quarters of 2014 despite continued macro uncertainty. With effort on deepening market penetration for certain new IC models, and improving demand on Electronic Cigarette ICs, Power Management ICs under the ASIC Section and LCD Driver ICs for instrument panel under the Standard IC Section, we believe that the IC 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.

Although the Money Lending Business contributed an insignificant revenue to the Group in the first three quarters of 2014, we shall focus to increase in its customer base in order to strengthen the business operations.

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 achieve better return and enhance the expansion of the Group, the Group is considering the proposed capital injection into a business of logistic in the PRC and will look for other investment opportunities that will improve the Group’s profitability.

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

As at 30 September 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. Ye Jian	Interest of a controlled company (Note 1)	21,800,000	7.57%

Note:

1. 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 September 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 Shares and Underlying Shares of the Company

As at 30 September 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 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	17.50%
Ms. Yang Min	Beneficial owner and interest of spouse (Notes 1 & 2)	50,395,342	17.50%
Vital Apex Group Limited	Beneficial owner (Notes 1 & 2)	39,020,342	13.55%
Mr. Zhang Yuncheng	Beneficial owner	27,489,276	9.54%
China Rise Capital Company Limited	Beneficial owner (Notes 3)	23,000,000	7.99%
China Rise Finance Group Company Limited	Interest of a controlled company (Notes 3)	23,000,000	7.99%
Cosmo Group Holdings Limited	Interest of a controlled company (Notes 3)	23,000,000	7.99%
Essential Holdings Limited	Interest of a controlled company (Notes 3)	23,000,000	7.99%
Jin Dragon Holdings Limited	Interest of a controlled company (Notes 3)	23,000,000	7.99%
Symphony Holdings Limited	Interest of a controlled company (Notes 3)	23,000,000	7.99%
Metro Classic Limited	Beneficial owner (Note 4)	21,800,000	7.57%

*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. China Rise Capital Company Limited is a wholly owned subsidiary of China Rise Finance Group Company Limited which in turn is a wholly owned subsidiary of Jin Dragon Holdings Limited. Jin Dragon Holdings Limited is a wholly owned subsidiary of Essential Holdings Limited which in turn is a wholly owned subsidiary of Cosmo Group Holdings Limited. Cosmo Group Holdings Limited is a wholly owned subsidiary of Symphony Holdings Limited, its shares were listed on Main Board of the Stock Exchange with stock code 1223. Accordingly, China Rise Finance Group Company Limited, Jin Dragon Holdings Limited, Essential Holdings Limited, Cosmo Group Holdings Limited and Symphony Holdings Limited are deemed to be interested in 23,000,000 ordinary shares of the Company.
4. Metro Classic Limited is wholly owned by Mr. Ye Jian, a non-executive director of the Company.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 2014.

## Interest in a Competing Business

During the nine months ended 30 September 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 Group's business.

## Directors Securities Transactions

The Company 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. On 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 nine months ended 30 September 2014.

## Interests of the Compliance Adviser

As notified by the compliance adviser of the Company, Ample Capital Limited, as at 30 September 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 terminated 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 is committed to uphold 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 Company.

The Company 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 nine months ended 30 September 2014.

## 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 nine months ended 30 September 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  
**Megalagic Technology Holdings Limited**  
**Mr. Zhang Qing**  
*Chairman*

Hong Kong, 7 November 2014

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