

Interim Report 2015

# 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*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 2015 together with comparable figures for the corresponding period in 2014.

### Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 (Unaudited) HK\$'000	(Restated) 2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	(Restated) 2014 (Unaudited) HK\$'000
<b>Revenue</b>	5	<b>5,814</b>	15,917	<b>15,987</b>	26,245
Cost of sales		<b>(3,963)</b>	(11,984)	<b>(11,308)</b>	(19,401)
<b>Gross profit</b>		<b>1,851</b>	3,933	<b>4,679</b>	6,844
Other income	6	<b>2</b>	89	<b>16</b>	196
Other gains and losses	7	<b>(25)</b>	(57)	<b>(33)</b>	(116)
Staff costs		<b>(2,707)</b>	(2,457)	<b>(5,254)</b>	(4,372)
Depreciation		<b>(364)</b>	(409)	<b>(714)</b>	(770)
Operating lease rental					
— land and buildings		<b>(301)</b>	(284)	<b>(603)</b>	(435)
Other operating expenses		<b>(1,039)</b>	(2,158)	<b>(2,625)</b>	(4,858)
<b>Loss before income tax</b>		<b>(2,583)</b>	(1,343)	<b>(4,534)</b>	(3,511)
Income tax expense	8	<b>—</b>	(14)	<b>—</b>	(28)
<b>Loss for the period</b>	9	<b>(2,583)</b>	(1,357)	<b>(4,534)</b>	(3,539)
<b>Loss attributable to owners of the Company</b>		<b>(2,583)</b>	(1,357)	<b>(4,534)</b>	(3,539)
<b>Other comprehensive expense, net of income tax</b>					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences arising on translation		<b>—</b>	—	<b>(10)</b>	—
<b>Total comprehensive expense for the period attributable to owners of the Company</b>		<b>(2,583)</b>	(1,357)	<b>(4,544)</b>	(3,539)
<b>Loss per share attributable to owners of the Company</b>	11	<b>(0.84)</b>	(0.57)	<b>(1.53)</b>	(1.47)
Basic and diluted (HK cents)					



## Unaudited Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	3,486	3,764
<b>Current assets</b>			
Inventories	13	9,014	8,486
Trade receivables	14	1,684	3,868
Loan receivables	15	55,471	202
Trading securities		—	3,810
Deposits and prepayments		1,320	1,781
Bank balances and cash		22,330	57,214
<b>Total current assets</b>		<b>89,819</b>	75,361
<b>Current liabilities</b>			
Trade payables	16	1,650	2,102
Other payables and accruals	17	2,057	1,946
<b>Total current liabilities</b>		<b>3,707</b>	4,048
<b>Net current assets</b>		<b>86,112</b>	71,313
<b>Total assets less current liabilities</b>		<b>89,598</b>	75,077
<b>Net assets</b>		<b>89,598</b>	75,077
<b>Capital and reserves</b>			
Share capital	18	34,560	28,800
Reserves		55,038	46,277
<b>Total equity</b>		<b>89,598</b>	75,077

## Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Retained profits/ losses) (Accumulated (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2014, as previously reported	24,000	20,437	17,941	174	—	1,761	64,313
Change in accounting policy	—	—	—	(174)	—	(16)	(190)
At 1 January 2014, as restated	24,000	20,437	17,941	—	—	1,745	64,123
Changes in equity for the period ended 30 June 2014:							
Loss and total comprehensive expense for the period, as restated	—	—	—	—	—	(3,539)	(3,539)
At 30 June 2014, as restated	24,000	20,437	17,941	—	—	(1,794)	60,584
<b>At 1 January 2015</b>	<b>28,800</b>	<b>34,277</b>	<b>17,941</b>	<b>—</b>	<b>4</b>	<b>(5,945)</b>	<b>75,077</b>
<b>Changes in equity for the period ended 30 June 2015:</b>							
<b>Loss for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4,534)</b>	<b>(4,534)</b>
<b>Exchange differences arising on translation</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(10)</b>	<b>—</b>	<b>(10)</b>
<b>Total comprehensive expense for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(10)</b>	<b>(4,534)</b>	<b>(4,544)</b>
<b>Issue of shares upon placing (Note 18)</b>	<b>5,760</b>	<b>13,824</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>19,584</b>
<b>Expenses incurred in connection with the issue of shares</b>	<b>—</b>	<b>(519)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(519)</b>
<b>At 30 June 2015</b>	<b>34,560</b>	<b>47,582</b>	<b>17,941</b>	<b>—</b>	<b>(6)</b>	<b>(10,479)</b>	<b>89,598</b>

## Unaudited Condensed Consolidated Statement of Cash Flows

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(57,388)</b>	(2,732)
Net cash generated from/(used in) investing activities	<b>3,449</b>	(1,278)
Net cash generated from financing activities	<b>19,065</b>	—
Net decrease in cash and cash equivalents	<b>(34,874)</b>	(4,010)
Cash and cash equivalents at beginning of the period	<b>57,214</b>	48,878
Effect of foreign exchange rate changes	<b>(10)</b>	—
Cash and cash equivalents at end of the period	<b>22,330</b>	44,868
<b>Analysis of cash and cash equivalents at end of the period</b>		
Bank balances and cash	<b>22,330</b>	44,868

## Notes to the Unaudited Condensed Consolidated Financial Statements

*For the six months ended 30 June 2015*

### 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 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business was located at Suite 2101, 21/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

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

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

The condensed consolidated interim financial information has not been audited.

### 2. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015 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 measurement basis used in the preparation of the unaudited condensed consolidated interim financial statements is the historical cost basis.

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). 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 2015, the accounting policies adopted are consistent with those applied in the Group's annual financial statements for the year ended 31 December 2014. The application of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated interim financial information of the Group.



## 2. Basis of Preparation (Continued)

### Change in accounting policy

As disclosed in details in the Group's annual financial statements for the year ended 31 December 2014, the Group changed its accounting policy on property, plant and equipment from revaluation model to cost model since the financial year ended 31 December 2014. This change in accounting policy has been applied retrospectively and the comparative figures for the corresponding period have been restated as follows:

	As at 30 June 2014 (Unaudited) HK\$'000
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#### Increase/(decrease) on items of unaudited condensed consolidated statement of financial position

Property, plant and equipment	(55)
Deferred tax asset	9
Net assets	(46)
Asset revaluation reserve	(174)
Accumulated losses	(128)
Total equity	(46)
	For the six months ended 30 June 2014 (Unaudited) HK\$'000

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#### Increase/(decrease) on items of unaudited condensed consolidated statement of comprehensive income

Depreciation	(172)
Income tax expense	28
Loss and total comprehensive expense for the period	(144)
Loss per share attributable to owners of the Company	
— Basic and diluted (HK cents)	(0.07)

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 unaudited 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 2014.

### 4. Segment Information

The Group had only one single reporting segment, being the design, development and sales of integrated circuits ("IC"), prior to the completion of acquisition of a money lending business on 31 May 2014. Following the acquisition, the Group was engaged in two business segments, namely IC business and money lending business. 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.

#### Segment revenue and results

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

	ICs		Six months ended 30 June Money Lending		Consolidated	
	2015	(Restated) 2014	2015	(Restated) 2014	2015	(Restated) 2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	14,335	26,245	1,652	—	15,987	26,245
Segment result	(2,160)	(818)	1,099	(59)	(1,061)	(877)
Other income					16	196
Corporate administration costs					(3,489)	(2,858)
Loss for the period					(4,534)	(3,539)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 Jun 2015 (six months ended 30 June 2014: nil).

Segment results represent the profit/(loss) earned/incurred by each segment without allocation of other income and corporate administration costs. 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

	ICs		Money Lending		Consolidated	
	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
<b>Assets and liabilities</b>						
Segment assets	<b>16,459</b>	19,010	<b>57,263</b>	645	<b>73,722</b>	19,655
Unallocated assets					<b>19,583</b>	59,470
Consolidated total assets					<b>93,305</b>	79,125
Segment liabilities	<b>3,402</b>	3,835	<b>18</b>	—	<b>3,420</b>	3,835
Unallocated liabilities					<b>287</b>	213
Consolidated total liabilities					<b>3,707</b>	4,048

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)

##### 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	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Hong Kong (place of domicile)	4,542	1,737
The People's Republic of China (the "PRC"), excluding Hong Kong and Taiwan	9,833	21,606
Taiwan	257	346
Russia	1,020	1,353
Korea	332	490
United States of America	—	564
Others	3	149
	<b>15,987</b>	26,245

##### Non-current assets

	As at	As at
	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	738	680
The PRC, excluding Hong Kong and Taiwan	338	397
Taiwan	2,410	2,687
	<b>3,486</b>	3,764

## 5. Revenue

The Group is principally engaged in the design, development and sales of ICs and money lending business. Revenue represents the amount received and receivable for good sold and services provided by Group at invoiced value, net of returns and discounts, and interest income from money lending business is recognized using the effective interest method, during the reporting periods. An analysis of the Group's revenue recognized during the period is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue from sale of ICs	4,454	14,917	13,759	24,262
Revenue from provision of application specific IC ("ASIC") service	150	1,000	576	1,983
Revenue from money lending business	1,210	—	1,652	—
	<b>5,814</b>	15,917	<b>15,987</b>	26,245

## 6. Other Income

	Three months ended		Six months ended	
	30 June		30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Bank Interest income	2	82	14	189
Sundry income	—	7	2	7
	<b>2</b>	89	<b>16</b>	196



## 7. Other Gains and Losses

	Three months ended 30 June		Six months ended 30 June	
	2015	(Restated) 2014	2015	(Restated) 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of trading securities	—	—	64	—
Loss on disposal of property, plant and equipment, net	—	—	(2)	(10)
Exchange loss	(25)	(57)	(95)	(106)
	(25)	(57)	(33)	(116)

## 8. Income Tax Expense

	Three months ended 30 June		Six months ended 30 June	
	2015	(Restated) 2014	2015	(Restated) 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax	—	—	—	—
Deferred tax expense	—	(14)	—	(28)
	—	(14)	—	(28)

No provision for Hong Kong Profits Tax is made since the Group has no estimated assessable profit for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil). No provision for Enterprise Income Tax of the PRC is made since the PRC subsidiary has no estimated assessable profit for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

No net deferred tax has been provided as the Group's deferred tax liability due to temporary differences approximated to its deferred tax asset in respect of tax losses recognized for the six months ended 30 June 2015. Deferred tax expense of approximately HK\$28,000 was recognized for the six months ended 30 June 2014 in respect of accelerated tax depreciation due to change in accounting policy on property, plant and equipment.

## 9. Loss for the Period

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	(Restated) 2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	(Restated) 2014 (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	2,633	2,356	5,052	4,215
— retirement benefits scheme contributions	74	66	157	120
— staff welfare	—	35	45	37
	<b>2,707</b>	2,457	<b>5,254</b>	4,372
(b) Other items				
Auditor's remuneration	92	105	190	210
Cost of inventories recognized as an expense (Note 13)	3,963	11,604	11,308	19,021
Legal and professional fee	283	394	958	859
Design and development costs	—	1,128	188	2,421

## 10. Dividends

No dividends was declared or paid during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 11. Loss Per Share

The calculations of basic and diluted loss per share are based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the periods.

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	(Restated) 2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	(Restated) 2014 (Unaudited) HK\$'000
Loss for the period				
Loss attributable to owners of the Company	<b>(2,583)</b>	(1,357)	<b>(4,534)</b>	(3,539)
<b>Number of shares (thousands)</b>				
Shares				
Weighted average number of ordinary shares in issue during the period	<b>305,723</b>	240,000	<b>296,910</b>	240,000

The Group did not have any dilutive potential ordinary shares during the three months and six months ended 30 June 2015 and the corresponding periods in 2014.

## 12. Property, Plant and Equipment

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with cost amounting to HK\$438,000 (six months ended 30 June 2014: HK\$1,412,000). During the six months ended 30 June 2015, the Group disposed items of property, plant and equipment with carrying amount totalling HK\$2,000 (six months ended 30 June 2014: HK\$10,000).

## 13. Inventories

During the six months ended 30 June 2015, the Group made a provision of HK\$108,000 for slow-moving and obsolete inventories (six months ended 30 June 2014: reversal of provision of HK\$84,000).

During the six months ended 30 June 2014, the Group wrote down its inventories by HK\$67,000 for scrapped inventories. No such inventory write-downs recognised during the six months ended 30 June 2015.

The above amounts were included in "cost of inventories recognized as an expense" for the respective periods.

#### 14. Trade Receivables

Trade receivables arise from the Group's IC business. The Group normally allows a credit period ranging from "cash on delivery" to 90 days to its trade customers as at 30 June 2015 and 31 December 2014. The following is an ageing analysis of trade receivables at the end of each reporting period, presented based on the invoice date:

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
0-30 days	1,240	1,936
31-60 days	424	919
61-90 days	15	977
More than 90 days	5	36
	<b>1,684</b>	3,868

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

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
0-30 days	327	348
31-60 days	424	919
61-90 days	15	977
More than 90 days	5	35
	<b>771</b>	2,279



## 15. Loan Receivables

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Loans to customers	55,200	200
Accrued interest receivables	271	2
	<b>55,471</b>	202

Loan receivables arise from the Group's money lending business. They are repayable according to repayment schedules, normally with contractual maturity within 9 months as at 30 June 2015 and 31 December 2014. Loans to customers bear annual interest rates ranging from 12% to 24% as at 30 June 2015 (31 December 2014: 13.5%). The following is an ageing analysis of loan receivables at the end of each reporting period, presented based on the remaining period to contractual maturity date:

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Within 1 month	8,787	—
1 to 3 months	—	—
Over 3 months	46,684	202
	<b>55,471</b>	202

The above balances are neither past due nor impaired.

## 16. Trade Payables

Trade payables arise from the Group's IC business. An ageing analysis of the Group's trade payables, presented based on the invoice date at the end of each reporting period, is as follows:

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
0–30 days	749	1,159
31–60 days	25	943
61–90 days	876	—
	<b>1,650</b>	2,102

## 17. Other Payables and Accruals

As at 30 June 2015, the balance of other payables and accruals includes amount due to a former director of the Company of HK\$96,000 (31 December 2014: HK\$192,000) which represents an expense of the Group paid by the former director and is unsecured, interest-free and repayable on demand.

## 18. Share Capital

	<b>Number of shares '000</b>	<b>Nominal value HK\$'000</b>
<b>Ordinary shares of HK\$0.1 each</b>		
<i>Authorized:</i>		
At 31 December 2014 and 30 June 2015	10,000,000	1,000,000
<i>Issued and fully paid:</i>		
At 1 January 2014	240,000	24,000
Issue of shares upon placing on 24 September 2014 (note (i))	48,000	4,800
At 31 December 2014 and 1 January 2015	288,000	28,800
Issue of shares upon placing on 3 June 2015 (note (ii))	57,600	5,760
<b>At 30 June 2015</b>	<b>345,600</b>	<b>34,560</b>

## 18. Share Capital (Continued)

Note:

- (i) On 24 September 2014, a total of 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 for cash consideration of HK\$19,200,000. The excess of the placing price over the par value of the shares issued was credited to the share premium account.
- (ii) On 3 June 2015, a total of 57,600,000 ordinary shares of HK\$0.10 each were issued by way of placing at a price of HK\$0.34 per share for cash consideration of HK\$19,584,000. The excess of the placing price over the par value of the shares issued was credited to the share premium account.

## 19. Capital Commitment

The Group did not have any significant capital commitment as at 30 June 2015 and 31 December 2014.

## 20. Contingent Liabilities

As at 30 June 2015 and 31 December 2014, 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 2015 and 31 December 2014 would be approximately HK\$103,000 and HK\$91,000 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 2015 and 31 December 2014.

## 21. Acquisition of Subsidiary

During the six months ended 30 June 2015, the Group did not acquire any subsidiaries and associates. During the six months ended 30 June 2014, the Group acquired 100% issued share capital and obtained control in Easy Loan Finance Limited (the "Easy Loan") on 31 May 2014. The consideration was determined at approximately HK\$110,000 based on the audited net asset value of Easy Loan of approximately HK\$809,000 less the amount due from the shareholder of approximately HK\$699,000 as at 31 May 2014. 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 unaudited condensed consolidated statement of comprehensive income for the six months ended 30 June 2014.

## 22. Related Party Disclosures

### (a) Key management personnel compensation

Remuneration of key management personnel of the Group is as follows:

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Salaries and other short term employee benefits	1,682	2,060
Contribution to Mandatory Provident Fund	24	36
	1,706	2,096



## 22. Related Party Disclosures (Continued)

### (b) Other related party disclosures

The following tables disclose the loan interest income during the six months ended 30 June 2015 and 2014, as well as the loan receivables from related parties as at 30 June 2015 and 31 December 2014:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loan interest income from:		
— Key management personnel	235	—
— A substantial shareholder	957	—
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Loan receivables from:		
— Key management personnel	10,035	—
— A substantial shareholder	8,787	—

Loan receivables from related parties are repayable according to repayment schedules, with contractual maturity within 6 months and bear annual interest rates ranging from 12% to 24%. They are neither past due nor impaired.

## 23. Comparative Amounts

As a result of the change in accounting policy as disclosed in note 2, certain comparative figures have been adjusted accordingly. In addition, certain comparative amounts have been reclassified to conform to the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2015, the Group continues to engage in integrated circuit (“IC”) business, specialized in design, development and sales of ICs, as well as the provision of IC solutions. Following the acquisition of a money lending company in mid-2014, the Group is also involved in the money lending business in Hong Kong.

### Business Review

#### IC Business

Through its indirect wholly-owned fabless semiconductor subsidiary, MiniLogic Device Corporation Limited, the Group sells ICs under its own brand name “MiniLogic” and provides application specific IC service (“ASIC Service”) in design and development of tailor-made IC to its customers. The Group also 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”).

During the first half year of 2015, the research and development (“R&D”) team completed and launched 1 new IC model as follows:

<b>Section</b>	<b>Product Name</b>	<b>Period of development</b>	<b>Period of sale</b>
ASIC	MP 1407 DVD Player PMU	July 2014 to May 2015	May 2015 to present

The R&D team also deployed 4 more new IC models during the period. As at 30 June 2015, the Group had 19 new IC models under development and customer evaluation. 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. Developing IC products with suitable technology that appeal to the market is essential for the growth of IC business. This can also expand the range of the IC products and maintain our competitiveness.

#### ASIC Section

Under the ASIC Section, the major products are DVD Player ICs, Electronic Cigarette ICs, Power Management ICs and CCD Surveillance System ICs. One new IC model was launched during the first half of 2015. With the launch of new model in the second half 2014, revenue and margin of Power Management ICs improved when compared to the same period last year. Nevertheless, we faced downward pressure in both revenue and selling price for our DVD Player ICs due to fluctuating demand. Revenue from our Electronic Cigarette ICs was also adversely affected by the volatile industry landscape. Demand for our CCD Surveillance System ICs still remained weak in 2015.

Besides, due to the stagnant demand in the IC industry, revenue from the provision of ASIC Service decreased by 71.0% from approximately HK\$2.0 million for the first half of 2014 to approximately HK\$0.6 million for the first half of 2015. The aforesaid increase in revenue contributed by our Power Management ICs was thus more than offset by the substantial decrease in revenue from our ASIC Service and other ASIC products, particularly Electronic Cigarette ICs. Accordingly, the overall revenue from the ASIC Section notably dropped by 48.4% from approximately HK\$22.2 million for the first half of 2014 to approximately HK\$11.4 million for the first half of 2015.

### Standard IC Section

Under the Standard IC Section, the major products are LCD Driver ICs for instrument panel, Power Management ICs and LED Lighting Driver ICs. No new IC model was launched in the first half of 2015 as demand for new type of standard IC products remained weak. 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. With increasing competition, the market sentiment for our LCD Driver ICs for instrument panel and Power Management ICs was worsening during the period under review, leading to downward adjustment in selling prices and drop in revenue. Accordingly, the overall revenue from the Standard IC Section decreased by 28.9% from approximately HK\$4.1 million for the first half of 2014 to approximately HK\$2.9 million for the first half of 2015.

### Money Lending Business

Through its indirect wholly-owned subsidiary, Easy Loan Finance Limited, which owned a money lender license in Hong Kong, the Group engages in the money lending business and provides secured and unsecured loans to earn interest income since the third quarter of 2014. During the first half of 2015, the Group put more efforts and resources to develop this business and achieved remarkable progress. The Group's loan receivables, which are repayable according to repayment schedules normally with contractual maturity within 9 months, increased significantly from approximately HK\$0.2 million as at 31 December 2014 to approximately HK\$55.5 million as at 30 June 2015. Accordingly, the Group recorded a revenue of approximately HK\$1.7 million for the first half of 2015. No revenue was recorded for the first half of 2014 as the money lending business was not yet commenced.



### Risk Relating to Reliance on a Few Key Customers of the Group's Businesses

The Group's ability to maintain close relationships with its customers is important to its ongoing growth and profitability. Although the Group's revenues from 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 2015 and the corresponding period last year. The five largest customers accounted for approximately 69.1% and 82.6% of the Group's revenue while the largest customer accounted for approximately 23.2% and 44.1% of the Group's revenue for the six months ended 30 June 2015 and 2014 respectively. The Group has established its business relationship with the largest customer, which is an independent third party (as defined in the GEM Listing Rules) principally engaged in sales and production of electronic devices and components, since 2006. However, as the Group does not enter into long term or master sales contracts with its major customers, there is no assurance that they will continue to purchase products from the Group at the same level as they have done in the past.

## Financial Review

### Revenue, Cost of Sales and Gross Profit

The total revenue of the Group decreased significantly by 39.1% from approximately HK\$26.2 million for the first half of 2014 to approximately HK\$16.0 million for the first half of 2015. The drop was mainly due to the abovementioned drop in revenues from the IC business, partially offset by the revenue contributed by the newly developed money lending business.

Cost of sales of the Group solely related to the IC business. It decreased by 41.7% from approximately HK\$19.4 million for the first half of 2014 to approximately HK\$11.3 million for the first half of 2015.

The gross profit of the ASIC Section decreased by 61.4% from approximately HK\$5.0 million for the first half of 2014 to approximately HK\$1.9 million for the first half of 2015, and the gross profit margin of ASIC Section was 16.7% for 2015, representing a decrease of 5.7 percentage points from 22.4% for 2014. The decrease in gross profit margin of ASIC Section was mainly due to the abovementioned drop in revenue from ASIC Service, which had a higher margin. The gross profit of the Standard IC Section decreased by 41.1% from approximately HK\$1.8 million for the first half of 2014 to approximately HK\$1.1 million for the first half of 2015, and the gross profit margin of Standard IC Section was 38.3% for 2015, representing a decrease of 7.9 percentage points from 46.2% for 2014. The decrease in gross profit margin of Standard IC Section was mainly attributable to the aforesaid downward adjustment in selling prices and drop in revenue from certain higher margin Standard IC products. The overall gross profit of the Group decreased by 31.6% from approximately HK\$6.8 million for the first half of 2014 to approximately HK\$4.7 million for the first half of 2015, and the overall gross profit margin of the Group was 29.3% for 2015, representing an increase of 3.2 percentage point from 26.1% for 2014. The overall gross profit margin improved as the drop in margin of IC business, including ASIC Section and Standard IC Section, was more than offset by the newly developed money lending business, which had a higher margin.



## Expenses

Staff costs increased by 20.2% from approximately HK\$4.4 million for the first half of 2014 to approximately HK\$5.3 million for the first half of 2015. The increase was primarily attributable to general pay rise and that more experienced and senior staff recruited to cope with the business development, as compared to the corresponding period last year.

Operating lease rentals notably increased by 38.6% from approximately HK\$0.4 million for the first half of 2014 to approximately HK\$0.6 million for the first half of 2015. The increase was mainly due to the opening of new offices in Hong Kong and the PRC since mid-2014.

Depreciation decreased by 7.3% from approximately HK\$0.8 million for the first half of 2014 to approximately HK\$0.7 million for the first half of 2015. The decrease was mainly because certain old instruments had been fully depreciated in 2014, partially offset by the depreciation of newly acquired instruments.

Other operating expenses decreased by 46.0% from approximately HK\$4.9 million for the first half of 2014 to approximately HK\$2.6 million for the first half of 2015. The drop was mainly attributable to less spending on design and development costs and related expenses as a result of volatile industry landscape and fluctuating demand in IC market.

## Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the six months ended 30 June 2015 was approximately HK\$4.5 million. For the six months ended 30 June 2014, the loss attributable to owners of the Company was approximately HK\$3.5 million. The increase was approximately HK\$1.0 million, or 28.1%. It was mainly because the aforesaid reduction of other operating expenses was more than offset by the drop in gross profit and the increase in overhead for business expansion and development, such as staff costs, operating lease rentals and legal and professional fees.

## 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 against significant foreign exchange exposure should the need arise.

### Liquidity, Financial Resources and Capital Structure

As at 30 June 2015, the Group had bank and cash balances of approximately HK\$22.3 million (31 December 2014: HK\$57.2 million) and did not have any borrowings, banking facilities or any loan arrangement containing any covenant. The current ratio of the Group as at 30 June 2015 was 2,423.0% (31 December 2014: 1,861.7%), reflecting the fact that the liquidity of the Group remained healthy. The gearing ratio calculated as the ratio of total interest-bearing debt to total asset was nil as at 30 June 2015 (31 December 2014: nil). Taking into account the cash reserves and the net proceeds from placing of the Company's shares in September 2014 and June 2015, the Group's financial position is healthy, enabling the Group advantageously to expand its core business and to achieve its business objectives.

### Charges on Assets

As at 30 June 2015 and 31 December 2014, the Group did not have any charges on its assets.

### Contingent Liabilities and Capital Commitment

Save for those disclosed in this report, the Group did not have other significant contingent liabilities or capital commitment as at 30 June 2015 and 31 December 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 no other significant investments held by the Group as at 30 June 2015 and 31 December 2014, nor were there other material acquisitions and disposals of subsidiaries by the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: nil). Apart from those disclosed in this report, there was no other plan authorized by the Board for other material investments or additions of capital assets as at the date of this report (2014: nil).

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

### Employees and Remuneration Policies

The Group had approximately 21 employees as at 30 June 2015 (31 December 2014: 20). 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.

### Fund Raising Activities and Change in Use of Proceeds

On 3 June 2015, a total of 57,600,000 new ordinary shares of the Company of HK\$0.1 each were successfully issued under the general mandate from shareholders and placed to not less than six placees at the placing price of HK\$0.34 per share. The directors had considered various ways of raising funds and believed that the placing represented an opportunity to raise capital for the Company while broadening the shareholder's base and capital base of the Company. The net proceeds from this placing were approximately HK\$19.1 million, which had been intended to be used by the Company for general working capital of the Group and/or financing future investment opportunities. As at 30 June 2015, all of the net proceeds was utilized in accordance with the intended use.

On 7 August 2015, the Company has changed its allocation of use of net proceeds in relation to the placing as set out in the prospectus of the Company dated 30 December 2011. Approximately HK\$12.3 million of the net placing proceeds has been reallocated for working capital of the Group. Details of the change in allocation of use of net placing proceeds are disclosed in the announcement of the Company dated 7 August 2015.

### Outlook

During the first half of 2015, the Greek government debt crisis was still unresolved and continued to trouble Europe. The PRC economy grew at its slowest quarterly rate since 2009 for two consecutive quarters in 2015. With raising concerns on the impact of the recent PRC volatile stock market on consumer spending, there are no clear signs that the PRC economy has bottomed out. Triggered by such significant uncertainties in global economy, market demand for our IC Service and products becomes more and more fluctuating and volatile. This in turn exerts a downward pressure on our IC business. Looking ahead, we will continue to closely monitor the development of our IC business and optimize our resources to cope with the challenging macro environment.

We recognize that prolonged unfavourable development in the IC business could adversely affect the performance of the Group. The Group will put greater effort to diversify our sources of revenue to mitigate such impact. We have already achieved progress in the newly developed money lending business and our loan portfolio and customer base are notably expanded during the period under review. Going forward, we will divert more attention and resources to develop the money lending business so as to enlarge its operation and expand the business portfolio of the Group. We will continue to consider to carry out fund raising activities when and where necessary and appropriate to strengthen our general working capital for business development. The management will also consider any other suitable business opportunities in future to broaden the sources of our revenues and cash inflows, taking into account the funding requirement and associated business risk.



## 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 2015, 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 Position

Ordinary shares of the Company

<b>Name of Director</b>	<b>Capacity/Nature of Interest</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Mr. Ye Jian	Interest of a controlled company (Note)	21,800,000	6.31%

Note: Mr. Ye Jian is the beneficial owner of all 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 2015, 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 2015, 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 and Short 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 (Note 2)	73,395,342 (L)(S)	21.24%
Vital Apex Group Limited ("Vital Apex")	Beneficial owner (Note 2)	73,395,342 (L)(S)	21.24%
China Rise Finance Company Limited ("China Rise")	Security interest (Notes 2 and 3)	73,395,342 (L)	21.24%
China Rise Finance Group Company Limited ("CRFG")	Interest of a controlled company (Security interest) (Note 3)	73,395,342 (L)	21.24%
Jin Dragon Holdings Limited ("Jin Dragon")	Interest of a controlled company (Security interest) (Note 3)	73,395,342 (L)	21.24%
Essential Holdings Limited ("Essential")	Interest of a controlled company (Security interest) (Note 3)	73,395,342 (L)	21.24%
Cosmo Group Holdings Limited ("Cosmo")	Interest of a controlled company (Security interest) (Note 3)	73,395,342 (L)	21.24%
Symphony Holdings Limited ("Symphony")	Interest of a controlled company (Security interest) (Note 3)	73,395,342 (L)	21.24%
Mr. Zhang Yuncheng	Beneficial owner	27,489,276 (L)	7.95%
Metro Classic Limited	Beneficial owner (Note 4)	21,800,000 (L)	6.31%

Notes:

1. The letter “L” denotes long positions in the shares and underlying shares of the Company and the letter “S” denotes short positions in the shares and underlying shares of the Company.
2. Mr. Wong Siu Piu is the beneficial owner of all of the issued share capital of Vital Apex, and is therefore deemed to be interested in the 73,395,342 ordinary shares of the Company in which Vital Apex is beneficially interested. Vital Apex has pledged the 73,395,342 ordinary shares of the Company in favour of China Rise as security for a term loan facility provided to Vital Apex. China Rise thus has security interest over these shares.
3. China Rise is wholly-owned by CRFG. CRFG is wholly-owned by Jin Dragon which in turn is wholly-owned by Essential. Essential is wholly-owned by Cosmo which in turn is wholly-owned by Symphony. Thus CRFG, Jin Dragon, Essential, Cosmo and Symphony are deemed to be interested in the respective shares of the Company in which China Rise has security interest.
4. 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 2015, 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.

## 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.

The refreshment of scheme mandate limit of the Scheme (the “Refreshment of Scheme Mandate Limit”) was approved by the shareholders of the Company at the Company’s annual general meeting held on 30 April 2015 and with effect from 6 May 2015. Details of the Refreshment of Scheme Mandate Limit are set out in the section headed “Letter from the Board” to the circular of the Company dated 27 March 2015.

For the six months ended 30 June 2015, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the annual report of the Company for the year ended 31 December 2014 are set out below:

1. Mr. Li Kwei Chung (“Mr. Li”) retired from office as an executive director of the Company from the conclusion of the annual general meeting of the Company held on 30 April 2015 (the “AGM”). Mr. Li also resigned as the chief executive officer and the compliance officer of the Company with effect from the conclusion of AGM.
2. Mr. Chan Sun Kwong (“Mr. Chan”) retired from office as an independent non-executive director of the Company from the conclusion of the AGM. At the same time, Mr. Chan also ceased to be the chairman of audit committee (the “Audit Committee”), the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”) of the Company.
3. Mr. Zhang Qing (“Mr. Zhang”), the chairman of the Board and an executive director of the Company, was appointed as the compliance officer of the Company with effect from 30 April 2015 to fill the vacancy following the resignation of Mr. Li as abovementioned. With effect from 1 April 2015, the director remuneration of Mr. Zhang has been adjusted to HK\$1,300,000 per annum. The adjusted director remuneration of Mr. Zhang has been approved by the Remuneration Committee.
4. Dr. Sung Tak Wing, Leo (“Dr. Sung”), an executive director and joint company secretary of the Company, was promoted from chief financial officer to chief executive officer of the Company with effect from 30 April 2015 to fill the vacancy following the resignation of Mr. Li as abovementioned. With effect from 1 April 2015, the director remuneration of Dr. Sung has been adjusted to HK\$1,300,000 per annum. The adjusted director remuneration of Dr. Sung has been approved by the Remuneration Committee.
5. Mr. Cheung Chi Man Dennis was appointed as an independent non-executive director of the Company and the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from the conclusion of the AGM following the retirement of Mr. Chan as abovementioned. Particulars of Mr. Cheung Chi Man Dennis was set out in the announcement of the Company dated 30 April 2015.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.



## ADVANCE TO AN ENTITY AND CONNECTED TRANSACTION

On 15 January 2015, Easy Loan Finance Limited, an indirect wholly-owned subsidiary of the Company, entered into a loan agreement with Mr. Wong Siu Piu, a substantial shareholder of the Company, which constituted an advance to an entity and a connected transaction of the Company under Rule 17.15 and Chapter 20 of the GEM Listing Rules respectively. The unsecured loan had a term of 6 months and for a principal amount of HK\$8.7 million at interest rate of 24% per annum. As at 30 June 2015, the outstanding loan principal was HK\$8.7 million, representing approximately 9.3% of total assets of the Group. The loan was fully repaid in July 2015.

## 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 2015.

## INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2015, none of the Directors 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 2015.

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by Ample Capital Limited ("Ample"), the Company's former compliance adviser, except for the compliance adviser agreement entered into between the Company and Ample dated 29 December 2011, neither Ample nor its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in relation to the Group from 1 January 2015 to 27 March 2015. The term of the compliance adviser agreement with Ample was completed on 27 March 2015, following the issuance of the Company's annual report for the year ended 31 December 2014.



## 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 2015. 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. Cheung Chi Man Dennis, Mr. Chiu Yu Wang and Mr. Ko Yin Wai, and chaired by Mr. Cheung Chi Man Dennis, 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 2015, 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 2015

*As at the date of this report, the executive directors of the Company are Mr. Zhang Qing 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. Cheung Chi Man Dennis, Mr. Chiu Yu Wang and Mr. Ko Yin Wai.*