

Megalologic Technology Holdings Limited

宏創高科集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8242

First Quarterly Report 2016

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

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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.

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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.

FIRST 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 ended 31 March 2016 together with comparable figures for the corresponding period in 2015.

Unaudited Condensed Consolidated Statement of Comprehensive Income

| | Notes | Three months ended 31 March | |
|---|-------|---------------------------------|---------------------------------|
| | | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Revenue | 3 | 8,538 | 10,173 |
| Cost of sales | | (3,228) | (7,345) |
| Gross profit | | 5,310 | 2,828 |
| Other income | 4 | — | 14 |
| Other gains and losses | 5 | (26) | (8) |
| Staff costs | | (2,516) | (2,547) |
| Depreciation | | (370) | (350) |
| Operating lease rental — land and buildings | | (320) | (302) |
| Other operating expense | | (2,483) | (1,586) |
| Loss before income tax | | (405) | (1,951) |
| Income tax expense | 6 | — | — |
| Loss for the period | 7 | (405) | (1,951) |
| Loss attributable to owners of the Company | | (405) | (1,951) |
| Other comprehensive expense, net of income tax | | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | | |
| Exchange differences arising on translation | | — | (10) |
| Total comprehensive expense for the period attributable to owners of the Company | | (405) | (1,961) |
| Loss per share attributable to owners of the Company | | HK cents | HK cents |
| Basic and diluted | 9 | (0.03) | (0.68) |

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2016

| | Share capital (Unaudited) HK\$'000 | Share premium (Unaudited) HK\$'000 | Merger reserve (Unaudited) HK\$'000 | Exchange reserve (Unaudited) HK\$'000 | Accumulated losses (Unaudited) HK\$'000 | Total equity (Unaudited) HK\$'000 |
|---|---|---|--|--|--|--|
| At 1 January 2015 | 28,800 | 34,277 | 17,941 | 4 | (5,945) | 75,077 |
| Changes in equity for the period ended 31 March 2015 | | | | | | |
| Exchange differences arising on translation | — | — | — | (10) | — | (10) |
| Loss for the period | — | — | — | — | (1,951) | (1,951) |
| Total comprehensive expense for the period | — | — | — | (10) | (1,951) | (1,961) |
| At 31 March 2015 | 28,800 | 34,277 | 17,941 | (6) | (7,896) | 73,116 |
| At 1 January 2016 | 138,240 | 143,243 | 17,941 | (20) | (14,803) | 284,601 |
| Changes in equity for the period ended 31 March 2016 | | | | | | |
| Loss for the period | — | — | — | — | (405) | (405) |
| Total comprehensive expense for the period | — | — | — | — | (405) | (405) |
| At 31 March 2016 | 138,240 | 143,243 | 17,941 | (20) | (15,208) | 284,196 |

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2016

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 is 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 are engaged in design, development and sales of ICs in addition to money lending business.

This condensed consolidated quarterly financial information has not been audited.

The unaudited condensed consolidated quarterly 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.

2. Basis of Preparation

The unaudited condensed consolidated quarterly financial statements of the Group for the three months ended 31 March 2016 have been prepared under historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted are consistent with those applied in the Group’s annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), except the new and revised HKFRSs, which are effective for the financial year beginning from 1 January 2016. The application of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated quarterly financial statements of the Group.

The Group has not early applied the new and revised HKFRSs that have been issued but not yet effective. The adoption of these new standards and amendments to standards is not expected to have any significant impact on the results of the Group.

3. 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 goods sold and services provided by the Group at invoiced value, net of returns and discounts, and interest income from money lending business is recognised on a time basis by reference to the principal outstanding and at the effective interest rate applicable, during the reporting periods. An analysis of the Group's revenue recognised during the period is as follows:

| | Three months ended 31 March | |
|--|-----------------------------|-------------------------|
| | 2016 | 2015 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Revenue from sale of ICs | 4,122 | 9,305 |
| Revenue from provision of ASIC Service | — | 426 |
| Revenue from money lending business | 4,416 | 442 |
| | 8,538 | 10,173 |

4. Other Income

| | Three months ended 31 March | |
|----------------------|-----------------------------|-------------------------|
| | 2016 | 2015 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Bank interest income | — | 12 |
| Sundry income | — | 2 |
| | — | 14 |

5. Other Gains and Losses

| | Three months ended 31 March | |
|--|-----------------------------|-------------|
| | 2016 | 2015 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Gain on disposal of trading securities | — | 64 |
| Loss on disposal of property, plant and equipment, net | — | (2) |
| Exchange loss | (26) | (70) |
| | (26) | (8) |

6. Income Tax Expense

| | Three months ended 31 March | |
|-------------------------------------|-----------------------------|-------------|
| | 2016 | 2015 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current tax — Hong Kong Profits Tax | | |
| Current year | — | — |
| Deferred tax expense | — | — |
| | — | — |

No provision for Hong Kong Profits Tax is made since (i) the Company and certain subsidiaries have no estimated assessable profit for the three months ended 31 March 2016 and (ii) the other subsidiaries' assessable profit for the three months ended 31 March 2016 are wholly absorbed by tax loss brought forward in 2016 (three months ended 31 March 2015: Nil). No provision for Enterprise Income Tax of the People's Republic of China (the "PRC") is made since the PRC subsidiary has no estimated assessable profit for the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

No deferred tax has been provided as the Group did not have any material temporary differences which gave rise to a deferred tax asset or liability for the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

7. Loss for the Period

| | Three months ended 31 March | |
|---|---------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (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 | 2,421 | 2,419 |
| — staff welfare | 14 | 45 |
| — contributions to retirement benefit scheme | 81 | 83 |
| | 2,516 | 2,547 |
| (b) Other items | | |
| Auditor's remuneration | 105 | 98 |
| Cost of inventories recognised as an expense* | 3,228 | 7,345 |
| Legal and professional fee | 1,657 | 675 |
| Design and development costs | 215 | 188 |

* including a reversal of provision of HK\$17,000 for slow-moving and obsolete inventories (three months ended 31 March 2015: provision of HK\$28,000) and no write-downs recognised for scrapped inventories during the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

8. Dividends

No dividends was declared or paid during the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

9. 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 31 March | |
|---|-------------------------------------|-------------------------|
| | 2016 | 2015 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Loss for the period | | |
| Loss attributable to owners of the Company | (405) | (1,951) |
| | | |
| | Number of shares (thousands) | |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period | 1,382,400 | 288,000 |

The Group did not have any dilutive potential ordinary shares during the three months ended 31 March 2016 and the corresponding periods in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first quarter of 2016, 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, and money lending business in Hong Kong.

Business Review

IC Business

Through its wholly-owned fabless semiconductor subsidiary, MiniLogic Device Corporation Limited, the Group sells IC 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 period under review, the research and development (“R&D”) team completed and launched 1 new IC model as follows:

| Section | Product Name | Period of development | Period of sale |
|-------------|---------------------------------|--------------------------|-----------------------|
| Standard IC | MP1501 Static LCD COG Driver IC | March 2015 to March 2016 | March 2016 to present |

The R&D teams also deployed 1 more new IC model but terminated 2 during the period. As at 31 March 2016, the Group had 14 new IC models under development and customer evaluation. 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. 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 Group’s products and maintain the Group’s competitiveness.

ASIC Section

Under the ASIC Section, the major products are Electronic Cigarette ICs, DVD Player ICs, Power Management ICs and CCD Surveillance System ICs. No new IC model was launched for the first quarter of 2016 due to the prolonged process of customer evaluation, acceptance and modification work in new type of ASIC products. The revenue and margin of Power Management ICs was remained feeble since the second quarter of 2015. In addition, 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 significantly affected by the volatile industry landscape. Demand for our CCD Surveillance System ICs was improved for the first quarter of 2016.

Besides, due to the stagnant demand in the IC industry, no revenue from the provision of ASIC Service was recorded for the first quarter of 2016 compared with the revenue of approximately HK\$0.4 million for the first quarter of 2015. Due to the substantial decrease in revenue from the ASIC Service and ASIC products, particularly in Electronic Cigarette ICs and DVD Player ICs, the overall revenue from ASIC section notably dropped from approximately HK\$7.9 million for the first quarter of 2015 to approximately HK\$3.6 million for that of 2016.

Standard IC Section

Under the Standard IC Section, the major products are LCD Driver ICs for instrument panel and Power Management ICs. There was 1 new IC model launched for the first quarter of 2016. In view of increasing market competition, the market sentiment for the LCD Driver ICs and Power Management ICs were worsening for the first quarter of 2016, which leading to decline in overall revenue. Accordingly, the overall revenue from the Standard IC Section was decreased significantly from approximately HK\$1.8 million for the first quarter of 2015 to approximately HK\$0.6 million for that of 2016.

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, such as secured and unsecured loans to customers comprising individuals and corporations to earn interest income since the third quarter of 2014. During the first quarter of 2016, the Group put more efforts and resources to develop this business. With the provision of efficient customer service and variety of loan products, we managed to achieve remarkable progress for the first quarter of 2016. The Group's loan receivables, which are repayable according to repayment schedules with contractual maturity ranging from 6 months to 12 years, increased significantly from approximately HK\$86.4 million as at 31 December 2015 to approximately HK\$177.5 million as at 31 March 2016. Accordingly, the Group recorded a revenue of approximately HK\$4.4 million for the first quarter of 2016 compared with the revenue for the corresponding period in 2015 was insignificant as the money lending business was just 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 three months ended 31 March 2016 and the corresponding period last year. The five largest customers accounted for approximately 40.3% and 76.1% of the Group's revenue while the largest customer accounted for approximately 16.2% and 23.4% of the Group's revenue for the three months ended 31 March 2016 and 2015 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 by 16.0% from approximately HK\$10.2 million for the first quarter of 2015 to approximately HK\$8.5 million for that of 2016. The decrease was mainly due to the abovementioned decrease in revenues from the IC business, partially offset by the revenue contributed by the money lending business.

Cost of sales of the Group solely related to the IC business decreased by 56.1% from approximately HK\$7.3 million for the first quarter of 2015 to approximately HK\$3.2 million for that of 2016.

The gross profit of the ASIC Section decreased by 57.8% from approximately HK\$1.7 million for the first quarter of 2015 to approximately HK\$0.7 million for that of 2016, and gross profit margin of the ASIC Section was 19.9% for 2016, representing a decrease of 2.5 percentage points from 22.4% for 2015. The drop in gross profit margin of ASIC Section was mainly due to the above mentioned decline in revenue of ASIC products. The gross profit of the Standard IC Section dropped significantly by 73.8% from approximately HK\$0.7 million for the first quarter of 2015 to approximately HK\$0.2 million for that of 2016, and the gross profit margin of Standard IC Section was 33.4% for 2016, representing a drop of 5.4 percentage points from 38.8% for 2015. The drop in gross profit margin of Standard IC Section was mainly attributable to the aforesaid decline in revenue from certain higher margin Standard IC products. The overall gross profit of the Group increased by 87.8% from approximately HK\$2.8 million for the first quarter of 2015 to approximately HK\$5.3 million for that of 2016, and the overall gross profit margin of the Group was 62.2% for 2016, representing an increase of 34.4 percentage points from 27.8% for 2015. The overall gross profit margin improved as the drop in margin of IC business, including the ASIC Section and Standard IC Section, was more than offset by the money lending business, which had a higher margin.

Expenses

Staff costs for the first quarter of 2016 was approximately HK\$2.5 million, which remained at a similar level compared to the corresponding period of 2015.

Operating lease rentals for the first quarter of 2016 was approximately HK\$0.3 million, which remained at a similar level compared to the corresponding period of 2015.

Depreciation increased by 5.6% from approximately HK\$0.3 million for the first quarter of 2015 to approximately HK\$0.4 million for that of 2016, mainly because the increase of acquisition of instruments to cope with the need of business development.

Other operating expenses increased by 56.5% from approximately HK\$1.6 million for the first quarter of 2015 to approximately HK\$2.5 million for that of 2016. The increase was mainly attributable to more referral fees in money lending business.

Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the three months ended 31 March 2016 was approximately HK\$0.4 million. For the three months ended 31 March 2015, the consolidated loss attributable to owners of the Company was approximately HK\$2.0 million. The decrease was mainly due to the aforesaid rise in gross profit of money lending business were substantially offset by the fall in gross profit of IC business.

Fund Raising Activities

On 16 December 2015, the Company completed the open offer to raise approximately HK\$207.4 million (before costs and expenses) by way of an open offer of 1,036,800,000 offer shares at the subscription price of HK\$0.20 per offer share on the basis of three offer shares for every one share held on the record date, 24 November 2015, on the terms pursuant to the underwriting agreement dated 25 August 2015 (the "Underwriting Agreement") entered into among the Company, China Rise Securities Asset Management Company Limited and Metro Classic Limited relating to the underwriting and other arrangement in respect of the open offer (the "Open Offer"). Details of the Open Offer and the completion of the open offer are set out in the Company's announcements dated 1 September 2015, 21 September 2015, 29 September 2015, 9 October 2015 and 16 December 2015, the Company's circular dated 16 October 2015 and the Company's listing document dated 25 November 2015 respectively. The net proceeds raised upon completion after deduction of relevant costs and expenses were approximately HK\$199 million. The net proceeds has been intended to use (i) approximately HK\$169 million to fund the expansion of the money lending business of the Group; (ii) approximately HK\$20 million for the development of the IC business of the Group; and (iii) approximately HK\$10 million for the general working capital for the other existing businesses of the Group.

The directors had considered various ways of raising funds and believed that the Open Offer represented an opportunity to raise capital for the Company while broadening the shareholder's base and capital base of the Company. The utilisation of the net proceeds up to 31 March 2016 is:

| Net proceeds | Intended use of the net proceeds | Utilisation of the net proceeds up to 31 March 2016 |
|-------------------------------|---|--|
| Approximately HK\$199 million | (i) Approximately HK\$169 million will be used for the expansion of the money lending business of the Group | (i) Approximately HK\$136.7 million has been used for the expansion of the money lending business of the Group |
| | (ii) Approximately HK\$20 million will be used for the development of the IC business of the Group | (ii) Approximately HK\$3.3 million has been used for the development of IC business of the Group |
| | (iii) Approximately HK\$10 million will be used as general working capital for the other existing businesses of the Group | (iii) Approximately HK\$6.2 million has been utilised for general working capital for the other existing businesses of the Group |

Acquisition of an Total Solutions for Information Security Business

On 5 February 2016 and 9 March 2016, the Group as the purchaser and Mr. Chung Pui Nam, Roger as the vendor and being an independent third party of the Group entered into a letter of intent and a sale and purchase agreement in relation to the acquisition 55% of the issued share capital of Maximus Venture Holdings Limited (the "Target Company"). All of the conditions precedent under the acquisition agreement (or otherwise waived) have been fulfilled and the completion took place on 1 May 2016 in accordance with the terms and conditions of the acquisition agreement. Upon completion of the acquisition, the Target Company has become an indirect non-wholly owned subsidiaries of the Company and the financial results of the Target Company and its subsidiaries will be consolidated into the financial statement of the Group.

Details of the acquisition of 55% of the issued share capital of Target Company were disclosed in the Company's announcements dated 5 February 2016, 9 March 2016, 31 March 2016, and 2 May 2016 respectively and the Company's circular dated 12 April 2016 respectively.

Outlook

Global economy was still struggling since the third quarter of 2015 and moving ahead on the bumpy road of recovery, IC service and products are adversely affected in a regressive manner. We are intending to maintain the competitiveness in IC business by closely monitoring the development of the products and optimizing our resource and increasing of operational efficiency to cope with the uncertain global economic outlook. Going forward, we will continue to divert more attention and resource to develop the money lending business so as to enlarge its operation and expand the business portfolio of the Group.

Considering the recent economic condition, the management will prudently look for any 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 31 March 2016, 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 Rule 5.46 of the GEM Listing Rules were as follows:

Long Positions

Ordinary shares of the Company

| Name of Director | Capacity/Nature of interest | Total number of the Company's issued ordinary shares held | Approximate percentage of the issued share capital of the Company |
|------------------|---|---|---|
| Mr. Ye Jian | Interest of a controlled company (Note) | 400,800,000 | 28.99% |

Note: 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 400,800,000 ordinary shares of the Company in which Metro Classic Limited is beneficially interested.

Save as disclosed above, as at 31 March 2016, 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 31 March 2016, 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 | Total number of the Company's issued ordinary shares held (Note 1) | Approximate percentage of the issued share capital of the Company |
|---|--|--|---|
| Metro Classic Limited | Beneficial owner (Note 2) | 400,800,000(L) | 28.99% |
| Vital Apex Group Limited | Beneficial owner (Note 3) | 293,581,368(L)(S) | 21.24% |
| Mr. Wong Siu Piu | Interest of a controlled corporation (Note 3) | 293,581,368(L)(S) | 21.24% |
| China Rise Finance Company Limited | Beneficial owner (Notes 3 and 4) | 293,581,368(L) | 21.24% |
| China Rise Finance Group Company Limited | Interest of a controlled corporation (Note 4) | 293,581,368(L) | 21.24% |
| Jin Dragon Holdings Limited | Interest of a controlled corporation (Note 4) | 293,581,368(L) | 21.24% |
| Essential Holdings Limited | Interest of a controlled corporation (Note 4) | 293,581,368(L) | 21.24% |
| Cosmo Group Holdings Limited | Interest of a controlled corporation (Note 4) | 293,581,368(L) | 21.24% |
| Symphony Holdings Limited | Interest of a controlled corporation (Note 4) | 293,581,368(L) | 21.24% |

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. 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 400,800,000 ordinary shares of the Company in which Metro Classic Limited is beneficially interested.
3. Mr. Wong Siu Piu is the beneficial owner of all the issued share capital of Vital Apex Group Limited, and is therefore deemed to be interested in the 293,581,368 ordinary shares of the Company in which Vital Apex Group Limited is beneficially interested. As per the announcement of the Company dated 4 January 2016, Vital Apex Group Limited has pledged the 293,581,368 ordinary shares of the Company in favour of China Rise Finance Company Limited as security for a term loan facility provided to Vital Apex Group Limited. China Rise Finance Company Limited thus has security interest over these shares.
4. China Rise Finance Company Limited is wholly-owned by China Rise Finance Group Company Limited. China Rise Finance Group Company Limited is wholly-owned by Jin Dragon Holdings Limited which in turn is wholly-owned by Essential Holdings Limited. Essential Holdings Limited is wholly-owned by Cosmo Group Holdings Limited which in turn is wholly-owned by Symphony Holdings Limited. Thus 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 the 293,581,368 ordinary shares of the Company in which China Rise Finance Company Limited has security interest.

Save as disclosed above, as at 31 March 2016, 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.

PURCHASE, SALE 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 three months ended 31 March 2016.

INTEREST IN A COMPETING BUSINESS

During the three months ended 31 March 2016, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined under 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 or any other conflict 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 the 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 three months ended 31 March 2016.

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 Board has continued to monitor and review the corporate governance principles and practices to ensure compliance. 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 has complied with the CG Code for the three months ended 31 March 2016, except the following deviation:

Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

- Mr. Ko Yin Wai (being an independent non-executive Director at the relevant time) was unable to attend the extraordinary general meeting and annual general meeting of the Company both held on 29 April 2016 as he was obliged to be away for his business matter.

AUDIT COMMITTEE

The audit committee of the Company (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 three months ended 31 March 2016, 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, 6 May 2016

As at the date of this report, the executive Directors are Mr. Zhang Qing and Dr. Sung Tak Wing Leo; the non-executive Directors are Mr. Ye Jian and Mr. Liu Kam Lung and the independent non-executive Directors are Mr. Cheung Chi Man Dennis, Mr. Chiu Yu Wang and Mr. Ko Yin Wai.