

# 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

Interim Report 2016

## **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.**

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*This report, for which the directors (the "Directors") of Megalogic Technology Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## INTERIM RESULTS

The board of Directors (the "Board") of the Company 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 2016 together with comparable figures for the corresponding period in 2015.

### Unaudited Condensed Consolidated Statement of Comprehensive Income

		Three months ended 30 June		Six months ended 30 June	
	Notes	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
<b>Revenue</b>	5	<b>16,273</b>	<b>5,814</b>	<b>24,811</b>	<b>15,987</b>
Cost of sales		(6,247)	(3,963)	(9,475)	(11,308)
<b>Gross profit</b>		<b>10,026</b>	<b>1,851</b>	<b>15,336</b>	<b>4,679</b>
Other income	6	6	2	6	16
Other gains and losses	7	(65)	(25)	(91)	(33)
Staff costs		(4,085)	(2,707)	(6,601)	(5,254)
Depreciation		(422)	(364)	(792)	(714)
Operating lease rental					
— land and buildings		(551)	(301)	(871)	(603)
Other operating expenses		(3,183)	(1,039)	(5,666)	(2,625)
Finance cost	8	(175)	—	(175)	—
<b>Profit/(loss) before income tax</b>		<b>1,551</b>	<b>(2,583)</b>	<b>1,146</b>	<b>(4,534)</b>
Income tax expense	9	(849)	—	(849)	—
<b>Profit/(loss) for the period</b>	10	<b>702</b>	<b>(2,583)</b>	<b>297</b>	<b>(4,534)</b>
<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		(2)	—	(2)	(10)
<b>Total comprehensive income/(expense) for the period</b>		<b>700</b>	<b>(2,583)</b>	<b>295</b>	<b>(4,544)</b>
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Company		444	(2,583)	39	(4,534)
Non-controlling interests		258	—	258	—
		702	(2,583)	297	(4,534)
<b>Total comprehensive income/(expense) for the period attributable to:</b>					
Owners of the Company		442	(2,583)	37	(4,544)
Non-controlling interests		258	—	258	—
		700	(2,583)	295	(4,544)
<b>Earnings/(loss) per share attributable to owners of the Company</b>	12	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>
Basic		0.032	(0.845)	0.003	(1.527)
Diluted		0.032	(0.845)	0.003	(1.527)

## Unaudited Condensed Consolidated Statement of Financial Position

	Notes	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	4,456	3,103
Goodwill	14	27,280	—
Loan receivables	17	8,248	6,101
		<b>39,984</b>	<b>9,204</b>
<b>Current assets</b>			
Inventories	15	4,769	5,152
Trade receivables	16	7,110	2,191
Loan receivables	17	206,243	80,319
Deposits and prepayments		2,051	1,157
Bank balances and cash		52,775	188,739
<b>Total current assets</b>		<b>272,948</b>	<b>277,558</b>
<b>Current liabilities</b>			
Trade payables	18	1,398	928
Other payables and accruals	19	6,568	1,233
Promissory note	20	17,675	—
Tax payables		1,530	—
Provisions for long service payments		123	—
<b>Total current liabilities</b>		<b>27,294</b>	<b>2,161</b>
<b>Net current assets</b>		<b>245,654</b>	<b>275,397</b>
<b>Total assets less current liabilities</b>		<b>285,638</b>	<b>284,601</b>
<b>Non-current liability</b>			
Deferred tax liabilities		32	—
<b>Net assets</b>		<b>285,606</b>	<b>284,601</b>
<b>Capital and reserves</b>			
Share capital	21	138,240	138,240
Reserves		146,928	146,361
Equity attributable to owners of the Company		285,168	284,601
Non-controlling interests		438	—
<b>Total equity</b>		<b>285,606</b>	<b>284,601</b>

## Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Share option reserve	Exchange reserve	Accumulated losses	Sub-total		
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2015	28,800	34,277	17,941	—	4	(5,945)	75,077	—	75,077
Changes in equity for the period ended 30 June 2015:									
Loss for the period	—	—	—	—	—	(4,534)	(4,534)	—	(4,534)
Exchange differences arising on translation	—	—	—	—	(10)	—	(10)	—	(10)
Total comprehensive expense for the period	—	—	—	—	(10)	(4,534)	(4,544)	—	(4,544)
Issue of shares upon placing (Note 21)	5,760	13,824	—	—	—	—	19,584	—	19,584
Expenses incurred in connection with the issue of shares	—	(519)	—	—	—	—	(519)	—	(519)
At 30 June 2015	34,560	47,582	17,941	—	(6)	(10,479)	89,598	—	89,598
At 1 January 2016	138,240	143,243	17,941	—	(20)	(14,803)	284,601	—	284,601
Changes in equity for the period ended 30 June 2016:									
Profit for the period	—	—	—	—	—	39	39	258	297
Exchange differences arising on translation	—	—	—	—	(2)	—	(2)	—	(2)
Total comprehensive income/(expense) for the period	—	—	—	—	(2)	39	37	258	295
Recognition of equity-settled share-based payments (Note 10)	—	—	—	530	—	—	530	—	530
Non-controlling interests arising on business combination (Note 25)	—	—	—	—	—	—	—	180	180
At 30 June 2016	138,240	143,243	17,941	530	(22)	(14,764)	285,168	438	285,606

## Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash used in operating activities	(126,941)	(57,388)
Net cash (used in)/generated from investing activities	(9,021)	3,449
Net cash generated from financing activities	—	19,065
Net decrease in cash and cash equivalents	(135,962)	(34,874)
Cash and cash equivalents at beginning of the period	188,739	57,214
Effect of foreign exchange rate changes	(2)	(10)
Cash and cash equivalents at end of the period	52,775	22,330
<b>Analysis of cash and cash equivalents at end of the period</b>		
Bank balances and cash	52,775	22,330



## Notes to the Unaudited Condensed Consolidated Financial Statements

*For the six months ended 30 June 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 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 the Company and its subsidiaries are (i) the provision of integrated circuit ("IC") solutions and is engaged in design, development and sales of ICs, (ii) money lending business in Hong Kong through the provision of unsecured and secured loans to customers, including individual and corporations, under the provisions of the Money Lenders Ordinance and (iii) the provision of total solutions for information security service, including security assessment, consulting, testing, monitoring and training as well as system integration services of information security 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 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). Except as the following HKFRSs and 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 2016, the accounting policies adopted are consistent with those applied in the Group's annual financial statements for the year ended 31 December 2015. 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)

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owner of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

### Revenue recognition

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract under which revenue is recognised in the accounting periods upon services being rendered. The stage of completion of the contract is determined as follows:

The stage of completion of a transaction is determined by services performed to date as a percentage of total services to be performed.



### 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 2015, except the following estimation uncertainty:

#### **Estimated impairment of assets**

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists. particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could material affect the net present value used in the impairment test.

### 4. Segment Information

The chief operating decision maker ("CODM") considers that the Group has two reporting segments, namely IC business, being the design, development and sales of ICs, and money lending business, prior to the completion of acquisition of an information security business on 1 May 2016. Following the acquisition, the Group was engaged in three business segments, namely IC business, money lending business and information security business. The CODM regularly reviews the nature of their operations and the products and services. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

#### 4. Segment Information (Continued)

##### Segment revenue and results

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

	Six months ended 30 June							
	ICs		Money Lending		Information Security		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	11,101	14,335	11,101	1,652	2,609	—	24,811	15,987
Segment result	(1,935)	(2,160)	6,339	1,099	574	—	4,978	(1,061)
Other income							6	16
Corporate administration costs							(3,838)	(3,489)
Profit/(loss) before income tax							1,146	(4,534)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 June 2016 (six months ended 30 June 2015: 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 CODM for the purposes of resources allocation and assessment of segment performance.

#### 4. Segment Information (Continued)

##### Segment assets and liabilities

	ICs		Money Lending		Information Security		Consolidated	
	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	December	30 June	December	30 June	December	30 June	December
	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>								
Segment assets	13,195	11,319	240,070	93,628	6,818	—	260,083	104,947
Unallocated assets							52,855	181,815
Consolidated total assets							312,938	286,762
Segment liabilities	2,494	1,683	864	50	5,854	—	9,212	1,733
Unallocated liabilities							18,124	428
Consolidated total liabilities							27,336	2,161

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	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Hong Kong (place of domicile)	15,536	4,542
The People's Republic of China (the "PRC"), excluding Hong Kong and Taiwan	8,881	9,833
Taiwan	161	257
Russia	123	1,020
Korea	108	332
Others	2	3
	24,811	15,987

##### Non-current assets

	As at	As at
	30 June	31 December
	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000
Hong Kong (place of domicile)	2,323	607
The PRC, excluding Hong Kong and Taiwan	305	296
Taiwan	1,828	2,200
	4,456	3,103

## 5. Revenue

The Group is principally engaged in the design, development and sales of ICs, money lending and information security business. Revenue represents the amount received and receivable for goods sold and services provided by Group at invoiced value, net of returns and discounts, and interest income from money lending business is recognized 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 recognized during the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from sale of ICs	6,979	4,454	11,101	13,759
Revenue from provision of ASIC service	—	150	—	576
Revenue from money lending business	6,685	1,210	11,101	1,652
Revenue from information security business	2,609	—	2,609	—
	16,273	5,814	24,811	15,987

## 6. Other Income

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank Interest income	5	2	5	14
Sundry income	1	—	1	2
	6	2	6	16

## 7. Other Gains and Losses

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Gain on disposal of trading securities	—	—	—	64
Loss on disposal of property, plant and equipment, net	—	—	—	(2)
Exchange loss	(65)	(25)	(91)	(95)
	(65)	(25)	(91)	(33)

## 8. Finance Cost

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Imputed interest on promissory note	(175)	—	(175)	—
	(175)	—	(175)	—

## 9. Income Tax Expense

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax — Hong Kong Profits Tax current year	(736)	—	(736)	—
Deferred tax expense	(113)	—	(113)	—
	(849)	—	(849)	—



## 9. Income Tax Expense (Continued)

Provision for Hong Kong Profits Tax is made at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2016 for the subsidiary incorporated in Hong Kong (six months ended 30 June 2015: 16.5%).

Save as disclosed above, no provision for Hong Kong Profits Tax is made since (i) the Company and certain subsidiaries have no estimated assessable profit for the six months ended 30 June 2016 and (ii) the subsidiary's assessable profit for the six months ended 30 June 2016 are wholly absorbed by tax loss brought forward on acquisition date (six months ended 30 June 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 six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Deferred tax has been provided as the Group had a temporary differences which gave rise to a deferred tax liabilities for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 10. Profit/(loss) for the Period

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the period has been arrived at after charging:				
(a) Staff costs including directors' emoluments				
— salaries, bonus and benefits in kind	3,389	2,633	5,810	5,052
— equity-settled share-based payments	530	—	530	—
— staff welfare	65	—	79	45
— contributions to retirement benefits scheme	101	74	182	157
	4,085	2,707	6,601	5,254
(b) Other items				
Auditor's remuneration	108	92	213	190
Cost of inventories recognized as an expense (Note 15)	6,247	3,963	9,475	11,308
Legal and professional fee	1,766	283	3,423	958
Design and development costs	213	—	428	188

## 11. Dividends

No dividends was declared or paid during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 12. Earnings/(loss) Per Share

The calculations of basic and diluted earnings/(loss) per share are based on the profit/(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	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the period				
Profit/(loss) attributable to owners of the Company	444	(2,583)	39	(4,534)
<b>Number of shares (thousands)</b>				
Shares				
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	1,382,400	305,723	1,382,400	296,910
Effect of dilutive potential of ordinary shares:				
— Share options	16,908	—	8,454	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	1,399,308	305,723	1,390,854	296,910

For the three months and six months ended 30 June 2016, diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares which are the share options.

The amounts of diluted loss per share was the same as basic loss per share because the Group had no potential ordinary shares outstanding for the three months and six months ended 30 June 2015.

## 13. Property, Plant and Equipment

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with cost amounting to approximately HK\$1,284,000 (six months ended 30 June 2015: approximately HK\$438,000). During the six months ended 30 June 2016, the Group did not dispose any items of property, plant and equipment (six months ended 30 June 2015: approximately HK\$2,000).

#### 14. Goodwill

HK\$'000

##### Carrying amount

Addition arising from acquisition of subsidiaries (Note 25)	27,280
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##### At 30 June 2016 (Unaudited)

27,280

At 31 December 2015 (Audited)

—

The Group also conducted impairment reviews on goodwill attributable to cash generating units ("CGUs") operating in information security business at the end of the reporting period. Impairment is determined by assessing the recoverable amount of the CGUs to which the goodwill relates. Where the recoverable amount of the CGUs is less than the carrying amount of the CGUs, an impairment loss will be recognised by reducing the carrying amount of any goodwill allocated to the CGUs at first.

#### 15. Inventories

During the six months ended 30 June 2016, the Group made a provision of approximately HK\$84,000 for slow-moving and obsolete inventories (six months ended 30 June 2015: approximately HK\$108,000).

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

#### 16. Trade Receivables

Trade receivables arise from the Group's IC and information security business. The Group normally allows a credit period ranging from "cash on delivery" to 90 days to its trade customers as at 30 June 2016 and 31 December 2015.

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Recognised services receivables	3,478	—
Trade receivables	3,632	2,191
	7,110	2,191

The recognised service receivables were services performed to customers pending for invoicing, which is subject to mutually agreed payments terms.

# 16. Trade Receivables (Continued)

The following is an ageing analysis of trade receivables at the end of each reporting period, presented based on the invoice date:

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
0–30 days	2,548	1,006
31–60 days	979	604
61–90 days	57	518
More than 90 days	48	63
	3,632	2,191

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

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
0–30 days	456	140
31–60 days	307	578
61–90 days	57	518
More than 90 days	48	63
	868	1,299

## 17. Loan Receivables

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Loans to customers	213,268	86,097
Accrued interest receivables	1,223	323
	<b>214,491</b>	<b>86,420</b>
Analysed as:		
Non-current assets	8,248	6,101
Current assets	206,243	80,319
	<b>214,491</b>	<b>86,420</b>

Loan receivables arise from the Group's money lending business. They are repayable according to repayment schedules, normally with contractual maturity between 3 months and 12 years as at 30 June 2016 and 31 December 2015. Loans to customers bear annual interest rates ranging from 10% to 26.4% as at 30 June 2016 (31 December 2015: 12%–24%). 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:

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Within 1 year	206,243	80,319
Over 1 year and up to 5 years	1,971	2,427
Over 5 years	6,277	3,674
	<b>214,491</b>	<b>86,420</b>

The above balances are neither past due nor impaired.

#### 18. 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:

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
0–30 days	898	579
31–60 days	500	134
61–90 days	—	215
	1,398	928

#### 19. Other Payables and Accruals

As at 30 June 2016, the balance of other payables and accruals mainly includes (i) the amount due to a non-controlling interests of a subsidiary of approximately HK\$4,631,000 (31 December 2015: Nil) and (ii) the amount due to a former director of the Company of approximately HK\$32,000 (31 December 2015: approximately HK\$32,000) which represents an expense of the Group paid by the former director. These amounts are unsecured, interest-free and repayable on demand.

#### 20. Promissory Note

On 1 May 2016, the Company issued promissory note ("PN") with an aggregate principal amount of HK\$17,500,000 as part of the consideration for acquiring 55% of the issued share capital of Maximus Venture Holdings Limited (the "Maximus"). The fair value of PN was approximately HK\$17,500,000 on 1 May 2016. PN bear interest at 6% per annum and matured at the third anniversary from the date of issue, being 30 April 2019. The interest rate on initial recognition is 6% per annum.

The movement of the carrying amount of PN during the six months period ended 30 June 2016 was set out below:

	HK\$'000
At initial recognition	17,500
Interest charged calculated at an interest rate of 6%	175
At 30 June 2016	17,675

As at 30 June 2016, the fair value of PN was approximately HK\$17,675,000.

The directors of the Company expect the promissory note to be redeemed within 12 months and therefore classified as current liability.



## 21. Share Capital

	Number of shares '000	Nominal value HK\$'000
<b>Ordinary shares of HK\$0.1 each</b>		
<i>Authorized:</i>		
At 31 December 2015 and 30 June 2016	10,000,000	1,000,000
<i>Issued and fully paid:</i>		
At 1 January 2015	288,000	28,800
Issue of shares upon placing (note (i))	57,600	5,760
Issue of share pursuant to open offer (note (ii))	1,036,800	103,680
At 31 December 2015 and 30 June 2016	1,382,400	138,240

Note:

- (i) 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.
- (ii) On 17 December 2015, a total of 1,036,800,000 ordinary share of HK\$0.10 each were issued by way of an open offer 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, i.e. 24 November 2015. The net proceeds from the open offer, after deducting relevant costs and expenses, were approximately HK\$199,342,000. The excess of the subscription price over the par value of the share issued was credited to the share premium account.

## 22. Share Options

On 9 May 2016, 29,030,400 share options were granted to two executive Directors and an independent non-executive Director (collectively the "Grantees") of the Company under the share option scheme which was adopted by the Company on 16 May 2012. The exercise price of HK\$0.365 per share was not less than the highest of (i) the closing price of HK\$0.36 per share as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of HK\$0.359 per share as stated in the daily quotation sheet issued by the Stock Exchange for the five business days immediately proceeding the date of grant; and (iii) the nominal value of a share. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.10 each in the share capital of the Company.

The fair value of the share options granted was approximately HK\$1,826,000 (equivalent to approximately HK\$0.063 each) which was estimated by using a trinomial option pricing model, and also taking into account the terms and conditions upon which the options were granted.

## 22. Share Options (Continued)

The contractual life of each option granted is six months from 9 May 2016. The fair value of options granted during the period was estimated by using the following assumptions:

Dividend yield (%)	—
Expected volatility (%)	64.34
Risk free interest rate (%)	0.19
Expected exercise multiple	2.80

Expected volatility was determined by using the Company's historical share price volatility. Expected exercise multiple used in the model was based on the management's best estimate. The valuation has been performed by RHL Appraisal Limited, who is independent to the Group.

No options were exercised during the six months ended 30 June 2016 (31 December 2015: Nil).

## 23. Capital Commitment

The Group did not have any significant capital commitment as at 30 June 2016 and 31 December 2015.

## 24. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2016 and 31 December 2015.

## 25. Acquisition of Subsidiaries

On 1 May 2016, the Group acquired 55% of the issued share capital of Maximus through a direct wholly owned subsidiary. As a result, the Group's voting equity interest in the Maximus was 55%, obtaining control of the Maximus. Upon completion of the acquisition, Maximus has become an indirect non-wholly owned subsidiary of the Company and the financial results of the Maximus and its subsidiaries (the "Maximus Group") have been consolidated into the financial statement of the Group.

Taking control of the Maximus Group enables the Group to explore the opportunity of developing the total solutions for information security services and to diversify the Group's existing business.

Since the acquisition of the Maximus Group and up to 30 June 2016, the Maximus Group contributed revenue and incurred a profit of approximately HK\$2,609,000 and HK\$574,000 respectively to the Group's results.

### (a) Consideration transferred

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

	As at acquisition date fair value (Unaudited) HK\$'000
Cash	10,000
Promissory note	17,500
	27,500

## 25. Acquisition of Subsidiaries (Continued)

### (a) Consideration transferred (Continued)

The consideration was determined at approximately HK\$27,500,000 based on (i) the historical track records of the Maximus Group for the two years ended 31 December 2015 and 2014 respectively; (ii) the business development and prospectus of the Maximus Group and (iii) the guaranteed profit of HK\$10,000,000.

### (b) Acquisition-related costs

The Group incurred acquisition-related costs of approximately HK\$1,575,000. These costs have been included in “other operating expenses” in the unaudited condensed consolidated statement of comprehensive income.

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

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

	<b>As at acquisition date fair value (Unaudited) HK\$'000</b>
Property, plant and equipment	861
Deferred tax assets	81
Deposit and prepayment	1,123
Trade receivables	2,189
Bank balances and cash	2,259
Amount due to a shareholder	(4,502)
Trade payables	(263)
Other payables	(431)
Tax payables	(794)
Provisions for long service payments	(123)
Total identifiable net assets acquired	400

25. Acquisition of Subsidiaries (Continued)

(d) Goodwill arising on acquisition

**As at  
acquisition date  
fair value**  
(Unaudited)  
HK\$'000

Consideration transferred	27,500
Plus: non-controlling interests (45% in Maximus)	180
Less: total identifiable net assets required	(400)

Goodwill arising on acquisition	27,280
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Included in the goodwill of approximately HK\$27,280,000 recognized above was the benefit of diversity in business, broadening the sources of the Group's revenues and cash inflow.

(e) Net cash flow on acquisition

**As at  
acquisition date  
fair value**  
(Unaudited)  
HK\$'000

Consideration paid in cash	10,000
Plus: cash and cash equivalent balances acquired	(2,259)

Total	7,741
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## 26. Related Party Disclosures

### (a) Key management personnel remuneration

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other short term employee benefits	1,955	1,682
Contributions to retirement benefit scheme	18	24
	1,973	1,706

### (b) Loans to related parties

The following tables disclose the loan interest income during the six months ended 30 June 2016 and 2015, as well as loans advanced to related parties as at 30 June 2016 and 31 December 2015:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loan interest income from:		
— Key management personnel	—	235
— A substantial shareholder	—	957

	As at	As at
	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Loan advanced to:		
— Key management personnel	—	10,000
— A substantial shareholder	—	8,700

Loan advanced to related parties are repayable according to repayment schedules, with contractual maturity within 6 months and bear annual interest rates ranging from 12% to 24%. All loan repayment from related parties were received during the year ended 31 December 2015. They are neither past due nor impaired.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the first half 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. Following the acquisition of a total solutions for information security company on 1 May 2016, the Group is also involved in the Information Security 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 2016, the research and development (“R&D”) team completed and launched 2 new models in standard LCD IC and ASIC DVD Player IC respectively.

The R&D team also deployed 1 more new IC model but terminated 4 during the period. As at 30 June 2016, the Group had 12 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 and Power Management ICs and CCD Surveillance System ICs. 1 new IC model was launched during the first half of 2016. We faced downward pressure in both revenue and selling price for our DVD Player ICs due to fluctuating demand. In addition, revenue from our Electronic Cigarette ICs was also adversely affected by the volatile industry landscape. Revenue of Power Management ICs and CCD Surveillance System ICs were improved when compared to the same period last year.

Besides, due to the stagnant demand in the IC industry, no revenue from the provision of ASIC Service was recorded for the first half of 2016 compared with the revenue of approximately HK\$0.6 million for that of 2015. Due to the decrease in revenue from the ASIC Service and ASIC products, particularly Electronic Cigarette ICs and DVD Players ICs, the overall revenue from the ASIC Section notably dropped by 14.0% from approximately HK\$11.4 million for the first half of 2015 to approximately HK\$9.8 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 half 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 half of 2016, which leading to substantial decrease in overall revenue. Accordingly, the overall revenue from the Standard IC Section was decreased significantly by 56.3% from approximately HK\$2.9 million for the first half of 2015 to approximately HK\$1.3 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 and provides secured and unsecured loans to customers comprising individuals and corporations to earn interest income. During the first half of 2016, the Group continues to put more efforts and resources to develop this business and achieve remarkable progress. The Group's loan receivables, which are repayable according to repayment schedules with contractual maturity ranging from 3 months to 12 years, increased significantly from approximately HK\$86.4 million as at 31 December 2015 to approximately HK\$214.5 million as at 30 June 2016. Accordingly, the revenue increased by 572.0% from approximately HK\$1.7 million for the first half of 2015 to approximately HK\$11.1 million for that of 2016.

## Total Solutions for Information Security Business

Following the completion of the acquisition of 55% of the issued share capital of Maximus Venture Holdings Limited ("Maximus"), the Group has entered into the total solutions for information security industry and provides professional one-stop information security services and solution for our clients since 1 May 2016.

## Technical Assessment Services

The consulting team conducts the penetration test, vulnerability scanning, threat assessment and source coding scanning of the customers' information systems and tools. There were 15 newly signed contracts in this sector as at 30 June 2016. The revenue of this sector since acquisition amounted to approximately HK\$0.8 million.

## Compliance Services

The consulting team designs and develops customers' internal security governance policies and trainings under the information security compliance area. No newly contract was signed in this sector as at 30 June 2016. The revenue of this sector since acquisition amounted to approximately HK\$1.7 million.

### **Compliance Automation Services**

The consulting team sources appropriate information security software and/or systems with the aim to improve security of the information technology systems and to prevent possible data threats. There were 6 newly signed contracts in this sector as at 30 June 2016. There was no revenue of this sector since acquisition.

### **Managed Security Services**

The consulting team monitors the customers' information technology systems on 24 hours everyday basis for locating possible threats and detecting attacks to the customers' systems. No newly contract was signed in this sector as at 30 June 2016. The revenue of this sector since acquisition amounted to approximately HK\$0.1 million.

### **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 2016 and the corresponding period last year. The five largest customers accounted for approximately 34.5% and 69.1% of the Group's revenue while the largest customer accounted for approximately 11.0% and 23.2% of the Group's revenue for the six months ended 30 June 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 increased by 55.2% from approximately HK\$16.0 million for the first half of 2015 to approximately HK\$24.8 million for that of 2016. The increase were mainly due to the continuous growth and expansion of the money lending business and the revenue generated from the newly acquired information security business.

Cost of sales of the Group related to the IC and information security business. It decreased by 16.2% from approximately HK\$11.3 million for the first half of 2015 to approximately HK\$9.5 million for that of 2016.

The gross profit of the ASIC Section increased by 13.4% from approximately HK\$1.9 million for the first half of 2015 to approximately HK\$2.2 million for that of 2016, and the gross profit margin of ASIC Section was 22.1% for 2016, representing an increase of 5.4 percentage points from 16.7% for 2015. The increase in gross profit margin of ASIC Section was mainly due to the cost saving from ASIC products. The gross profit of the Standard IC Section decreased significantly by 76.3% from approximately HK\$1.1 million for the first half of 2015 to approximately HK\$0.3 million for that of 2016, and the gross profit margin of Standard IC Section was 20.8% for 2016, representing a decrease of 17.5 percentage points from 38.3% for 2015. The decrease in gross profit margin of Standard IC Section was mainly attributable to the aforesaid drop in revenue from certain higher margin Standard IC products. The overall gross profit of the Group increased by 227.8% from approximately HK\$4.7 million for the first half of 2015 to approximately HK\$15.3 million for that of 2016, and the overall gross profit margin of the Group was 61.8% for 2016, representing an increase of 32.5 percentage points from 29.3% for 2015. The overall gross profit margin improved due to the positive contribution in the money lending business and the newly acquired information security business, which had the higher margins.

### Expenses

Staff costs increased by 25.6% from approximately HK\$5.3 million for the first half of 2015 to approximately HK\$6.6 million for that of 2016. The increase was primarily attributable to equity-settled share-based payments in connection with share options and newly acquired information security business, as compared to the corresponding period last year.

Operating lease rentals notably increased by 44.4% from approximately HK\$0.6 million for the first half of 2015 to approximately HK\$0.9 million for that of 2016. The increase was mainly due to the opening of new office in Hong Kong since April 2016 and newly acquired information security business.

Depreciation increased by 10.9% from approximately HK\$0.7 million for the first half of 2015 to approximately HK\$0.8 million for that of 2016. The increase was mainly due to the depreciation of newly acquired instruments and computer equipment and newly acquired information security business.

Other operating expenses increased by 115.8% from approximately HK\$2.6 million for the first half of 2015 to approximately HK\$5.7 million for that of 2016. The increase was mainly attributable to related costs in the acquisition of the Maximus Group, more referral fees in the money lending business and newly acquired information security business.

### Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the six months ended 30 June 2016 was approximately HK\$40,000. For the six months ended 30 June 2015, the consolidated loss attributable to owners of the Company was approximately HK\$4.5 million. The increase was approximately HK\$4.6 million, or 100.9%. The turnaround was mainly attributable to the increase in overall revenue and gross profit margin as a result of the continuous growth and expansion of the money lending business and the revenue and profit generated from the newly acquired information security business.

### 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 2016, the Group had bank and cash balances of approximately HK\$52.8 million (31 December 2015: HK\$188.7 million) and did not have any borrowings, banking facilities or any loan arrangement containing any covenant except the promissory note. The current ratio of the Group calculated as the ratio of total current assets to total current liabilities was 1,000.0% as at 30 June 2016 (31 December 2015: 12,844.0%), 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 5.6% as at 30 June 2016 (31 December 2015: Nil). Taking into account the cash reserves and the net proceeds from open offer in December 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 2016 and 31 December 2015, 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 2016 and 31 December 2015.

### 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 2016 and 31 December 2015, nor were there other material acquisitions and disposals of subsidiaries by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: 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 (2015: Nil).

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

### Employees and Remuneration Policies

The Group had approximately 43 employees as at 30 June 2016 (31 December 2015: 18 employees). 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

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, i.e. 24 November 2015, on the terms pursuant to the underwriting agreement dated 25 August 2015 ("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 ("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 30 June 2016 is:

Net proceeds	Intended use of the net proceeds	Utilisation of the net proceeds up to 30 June 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)	The entire net proceeds 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\$9.1 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)	The entire net proceeds 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, Excellence Steps Limited, a direct wholly owned subsidiary of the Company 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 respectively in relation to the acquisition of 55% of the issued share capital of Maximus. 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 Maximus has become an indirect non-wholly owned subsidiary of the Company and the financial results of the Maximus and its subsidiaries have been consolidated into the financial statement of the Group.

Details of the acquisition of 55% of the issued share capital of Maximus 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.



### Grant of share options

On 9 May 2016, the Company has granted share options to certain grantees to subscribe, in aggregate, for up to 29,030,400 ordinary shares of HK\$0.10 each in the share capital of the Company, under the share option scheme adopted by the Company on 16 May 2012.

Details of the grant of share options were disclosed in the Company's announcement dated 9 May 2016, the note 22 to the unaudited condensed consolidated financial statements and in the section headed "Share Option Scheme" of this interim report.

### Outlook

Pessimistic sentiments prevail in the global economy since the third quarter of 2015. Looking at the second half of the year, while the global economic outlook remains unclear and market confidence is expected to be weak, we shall maintain a cautious and prudent approach in IC business by closely monitoring the development of the products and optimizing our resource and increasing of operational efficiency. Going forward, we will continue to divert more attention and resource to develop the money lending business and be engaged in the total solutions for information security service through its interest in the Maximus Group.

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

### Long Position

Ordinary shares and underlying shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of the Company's issued ordinary shares held	Number of the Company's underlying shares held	Total interests	Approximate percentage of total issued shares capital of the Company
<b>Executive Directors</b>					
Mr. Zhang Qing	Personal interest	—	13,824,000 (Note 1)	13,824,000	1.00%
Dr. Sung Tak Wing Leo	Personal interest	—	13,824,000 (Note 1)	13,824,000	1.00%
<b>Non-executive Director</b>					
Mr. Ye Jian	Interest of a controlled corporation	400,800,000 (Note 2)	—	400,800,000	28.99%
<b>Independent Non-executive Director</b>					
Mr. Chiu Yu Wang	Personal interest	—	1,382,400 (Note 1)	1,382,400	0.10%

Notes:

- These represented the interests in underlying shares of the Company in respect of share options granted by the Company, details of which are disclosed in the section headed "Share Option Scheme" in this interim report.
- 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 30 June 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 30 June 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 shareholders	Capacity/ Nature of interests	Total number of the Company's issued ordinary shares held (Note 1)	Approximate percentage of total 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 of security interest (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 30 June 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.

## 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 29 April 2016 and with effect from 6 May 2016. 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 24 March 2016.

On 9 May 2016, the Board had granted share options of the Company (the “Share Options”) to certain grantees to subscribe, in aggregate, for up to 29,030,400 ordinary shares (each a “Share”) of HK\$0.1 each in the share capital of the Company under the Scheme at an exercise price of HK\$0.365 per Share.

Summary details of the movement of the Share Options during the six months ended 30 June 2016 are set out as follows:

				Number of Share Options				
Name of Grantee/ Category	Date of Grant (dd/mm/yyyy)	Exercise and validity period (dd/mm/yyyy)	Exercise Price per Share	Outstanding as at 1 January 2016	Granted	Exercised	Lapsed	Outstanding as at 30 June 2016
					during the six months ended 30 June 2016	during the six months ended 30 June 2016	during the six months ended 30 June 2016	
<b>Executive Directors</b>								
Mr. Zhang Qing	09/05/2016	09/05/2016– 09/11/2016	HK\$0.365	—	13,824,000	—	—	13,824,000
Dr. Sung Tak Wing Leo	09/05/2016	09/05/2016– 09/11/2016	HK\$0.365	—	13,824,000	—	—	13,824,000
<b>Independent Non-executive Director</b>								
Mr. Chiu Yu Wang	09/05/2016	09/05/2016– 09/11/2016	HK\$0.365	—	1,382,400	—	—	1,382,400
Total					29,030,400	—	—	29,030,400

## CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of Director subsequent to the date of the annual report of the Company for the year ended 31 December 2015 are set out below:

Mr. Liu Kam Lung, a non-executive director of the Company, was ceased from office as the chief financial officer of Symphony Holdings Limited (stock code: 1223.HK) with effect from 1 June 2016.

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



## **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 2016.

## **INTEREST IN A COMPETING BUSINESS**

During the six months ended 30 June 2016, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group and any other conflicts of interest with the Group.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

Hong Kong, 5 August 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.*