

MEGALOGIC TECHNOLOGY HOLDINGS LIMITED

宏創高科集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8242

FIRST QUARTERLY REPORT
2017



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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

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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 2017 together with comparable figures for the corresponding period in 2016.

Unaudited Condensed Consolidated Statement of Comprehensive Income

		Three months ended 31 March	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	20,540	8,538
Cost of sales and services		(6,274)	(3,228)
Gross profit		14,266	5,310
Other income	4	37	—
Other gains and losses	5	(62)	(26)
Staff costs		(4,520)	(2,516)
Depreciation and amortisation		(560)	(370)
Operating lease rental — land and buildings		(632)	(320)
Other operating expense		(2,195)	(2,483)
Finance cost	6	(477)	—
Profit/(loss) before income tax		5,857	(405)
Income tax expense	7	(1,806)	—
Profit/(loss) for the period	8	4,051	(405)
Other comprehensive expense, net of income tax			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(46)	—
Total comprehensive income/(expense) for the period		4,005	(405)
Profit/(loss) for the period attributable to:			
Owners of the Company		3,463	(405)
Non-controlling interests		588	—
		4,051	(405)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		3,417	(405)
Non-controlling interests		588	—
		4,005	(405)
Earnings/(loss) per share attributable to owners of the Company	10	HK cents	HK cents
Basic and diluted		0.25	(0.03)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2017

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MEGALOGIC TECHNOLOGY HOLDINGS LIMITED FIRST QUARTERLY REPORT 2017

	Attributable to owners of the Company						Non-	Total
	Share	Share	Merger	Exchange	Accumulated	Sub-total	controlling	equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	138,240	143,243	17,941	(20)	(14,803)	284,601	—	284,601
Loss for the period	—	—	—	—	(405)	(405)	—	(405)
Total comprehensive expense for the period	—	—	—	—	(405)	(405)	—	(405)
At 31 March 2016	138,240	143,243	17,941	(20)	(15,208)	284,196	—	284,196
At 1 January 2017	139,778	148,287	17,941	(40)	(5,905)	300,061	1,874	301,935
Profit for the period	—	—	—	—	3,463	3,463	588	4,051
Other comprehensive expense for the period:								
Exchange differences arising on translation of foreign operations	—	—	—	(46)	—	(46)	—	(46)
Total comprehensive (expense)/income for the period	—	—	—	(46)	3,463	3,417	588	4,005
At 31 March 2017	139,778	148,287	17,941	(86)	(2,442)	303,478	2,462	305,940

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2017

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: (1) the provision of integrated circuit solutions and the design, development and sales of integrated circuits; (2) 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; (3) the provision of total solutions for information security services, including security assessment, consulting, testing, monitoring and training as well as system integration services of information security business; and (4) the provision of investment and planning consulting service, real estate agent, property management services and car parking management services in the People's Republic of China (the "PRC").

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 2017 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 2016, 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 2017. 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 integrated circuits ("ICs"), money lending business, information security business and property management business in the PRC. 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue		
Sales of ICs	4,703	4,122
Provision of ASIC Service	501	—
Interest from money lending business	5,855	4,416
Provision of information security services	3,664	—
Provision of property management services	5,817	—
	20,540	8,538

4. Other Income

	Three months ended 31 March	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Bank interest income	3	—
Sundry income	34	—
	37	—

5. Other Gains and Losses

	Three months ended 31 March	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss on disposal of property, plant and equipment, net	(1)	—
Exchange loss	(61)	(26)
	(62)	(26)

6. Finance Cost

	Three months ended 31 March	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Accumulated interest on promissory note	477	—
	477	—

7. Income Tax Expense

	Three months ended 31 March	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax — Hong Kong Profits Tax		
Charge for the period	951	—
Current tax — PRC Enterprise Income Tax		
Charge for the period	855	—
Deferred tax	—	—
	1,806	—

Hong Kong Profits Tax is calculated at 16.5% (three months ended 31 March 2016: 16.5%) of the estimated assessable profits for the three months ended 31 March 2017. Provision for Hong Kong Profits Tax is made on the estimated assessable profits for the three months ended 31 March 2017 for two subsidiaries, Easy loan Finance Limited and Maximus Consulting (Hong Kong) Limited (three months ended 31 March 2016: Nil).

7. Income Tax Expense (Continued)

Save as disclosed above, no provision for Hong Kong Profits Tax is made since the Company and certain subsidiaries have no estimated assessable profits for the three months ended 31 March 2017.

Under the Law of the PRC on Enterprise Income Tax ("EIT") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (three months ended 31 March 2016: 25%). Provision for EIT is made on the estimated assessable profit for the three months ended 31 March 2017 for the subsidiary, 四川威斯顿資產管理有限公司 (three months ended 31 March 2016: Nil).

Save as disclosed above, no provision for EIT is made since the PRC subsidiary has no estimated assessable profit for the three months ended 31 March 2017.

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 2017 (three months ended 31 March 2016: Nil).

8. Profit/(loss) for the Period

	Three months ended 31 March	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) 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	4,336	2,421
— staff welfare	35	14
— contributions to retirement benefit scheme	149	81
	4,520	2,516
(b) Other items		
Auditor's remuneration	136	105
Cost of inventories recognised as an expense*	3,586	3,228
Legal and professional fee	943	1,657
Design and development costs	203	215

* including a provision of HK\$239,000 for slow-moving and obsolete inventories (three months ended 31 March 2016: reversal of provision of HK\$17,000).

9. Dividends

No dividends was declared or paid during the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

10. 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 31 March		
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Profit/(loss) for the period		
Profit/(loss) attributable to owners of the Company	3,463	(405)
Number of shares (thousands)		
Shares		
Weighted average number of ordinary shares in issue during the period	1,397,782	1,382,400

The Group did not have any dilutive potential ordinary shares during the three months ended 31 March 2017 and 2016.

11. Acquisition of Subsidiaries

On 20 January 2017, the Group acquired entire issued share capital of Quick Wit Ventures Limited (the "Quick Wit"). As a result, the Group obtains control of the Quick Wit. Upon completion of the acquisition, Quick Wit has become a direct wholly-owned subsidiary of the Company and the financial results of the Quick Wit and its subsidiaries (the "Quick Wit Group") have been consolidated into the financial statement of the Group.

Taking control of the Quick Wit Group enables the Group to explore the opportunity of developing the property management services in the PRC and to diversify the Group's existing business.

Since the acquisition of the Quick Wit Group and up to 31 March 2017, the Quick Wit Group contributed revenue and incurred a profit of approximately HK\$5,817,000 and HK\$2,569,000 respectively to the Group's results.

11. Acquisition of Subsidiaries (Continued)

(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	100,000
Promissory note	40,000
	140,000

The consideration was determined at approximately HK\$140,000,000 based on (i) the business prospects of the Quick Wit Group; (ii) the property management contracts entered/to be entered by the Quick Wit Group and the Quick Wit Group's future business plan; (iii) the profit guarantee for the year ending 31 December 2017 will not less than HK\$14,000,000; and (iv) the implied price to earnings ratio of 10 times as indicated by the profit guarantee is in line with and lower than most of the price to earnings ratio of companies listed on the Stock Exchange principally engaged in the provision of property management and related services.

(b) Acquisition-related costs

The Group incurred acquisition-related costs of approximately HK\$659,000. 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 recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition.

	As at acquisition date fair value (Unaudited) HK\$'000
Property, plant and equipment	3
Deposit and prepayment	200
Trade receivables	1,696
Bank balances and cash	3,598
Trade payables	(921)
Other payables and accruals	(1,787)
Tax payables	(237)
Total identifiable net assets acquired	2,552

11. Acquisition of Subsidiaries (Continued)

(d) Goodwill arising on acquisition

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

Consideration transferred	140,000
Less: total identifiable net assets required	(2,552)
Goodwill arising on acquisition	137,448

Included in the goodwill of approximately HK\$137,448,000 recognised 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	100,000
Plus: cash and cash equivalent balances acquired	(3,598)
Total	96,402

MANAGEMENT DISCUSSION AND ANALYSIS

During the first quarter of 2017, the principal activities of the Group are: (1) the provision of ICs solutions and the design, development and sales of integrated circuits; (2) 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 (Chapter 163 of the Laws of Hong Kong); (3) the provision of total solutions for information security services, including security assessment, consulting, testing, monitoring and training as well as system integration services of information security business; and (4) the provision of investment and planning consulting service, real estate agent, property management services and car parking management services in the PRC.

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 (the “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 quarter of 2017, the research and development teams deployed 2 more new IC models but no new IC models completed and launched. As at 31 March 2017, the Group had 12 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 IC products and maintain our 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 models launched for the first quarter of 2017. Due to the IC industry was in a state of recovery, revenue and margin from all major products were improved when compared to the same period last year. Revenue from the ASIC products slightly increased from approximately HK\$3.6 million for the first quarter of 2016 to approximately HK\$3.9 million for that of 2017.

At the same time, revenue from the provision of ASIC Service was approximately HK\$0.5 million for the first quarter of 2017. No revenue from the provision of ASIC Service was recorded for that of 2016. Due to the increase in revenue from the ASIC Service and ASIC products, particularly in Power Management ICs, Electronic Cigarette ICs and CCD Surveillance System ICs, the overall revenue from the ASIC Section rose by 22.2% from approximately HK\$3.6 million for the first quarter of 2016 to approximately HK\$4.4 million for that of 2017.

Standard IC Section

Under the Standard IC Section, the major products are LCD Driver ICs for instrument panel, Power Management ICs and LED Lighting Driver ICs. There was no new IC model launched for the first quarter of 2017. In view of the keen competition, the market sentiment for the LCD Driver ICs was improving for the first quarter of 2017, which leading to the increase in overall revenue. Accordingly, the overall revenue from the Standard IC Section was increased by 33.3% from approximately HK\$0.6 million for the first quarter of 2016 to approximately HK\$0.8 million for that of 2017.

Money Lending Business

Through its indirect wholly-owned subsidiary, Easy Loan Finance Limited ("Easy Loan"), 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. During the first quarter of 2017, the Group continues to put more efforts and resources to develop this business and achieve remarkable progress. The Group's loans receivables, which are repayable according to repayment schedules with contractual maturity ranging from 3 months to 12 years, decreased from approximately HK\$256.0 million as at 31 December 2016 to approximately HK\$155.5 million as at 31 March 2017. Accordingly, the revenue increased by 34.1% from approximately HK\$4.4 million for the first quarter of 2016 to approximately HK\$5.9 million for that of 2017.

Total Solutions for Information Security Business

Through its indirect non wholly-owned subsidiary, Maximus Consulting (Hong Kong) Limited (“Maximus”), the Group engages in the total solutions for information security business and provides professional one-stop information security services and solution for our clients.

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 21 newly signed contracts in this sector as at 31 March 2017. The revenue of this sector amounted to approximately HK\$1.5 million for the first quarter of 2017. No revenue of the sector was recorded for that of 2016 as the acquisition was completed in May 2016.

Compliance Services

The consulting team designs and develops customers’ internal security governance policies and trainings under the information security compliance area. There were 17 newly signed contracts in this sector as at 31 March 2017. The revenue of this sector amounted to approximately HK\$1.6 million for the first quarter of 2017. No revenue of the sector was recorded for that of 2016 as the acquisition was completed in May 2016.

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. No newly signed contracts in this sector as at 31 March 2017. The revenue of this sector amounted to approximately HK\$0.2 million for the first quarter of 2017. No revenue of the sector was recorded for that of 2016 as the acquisition was completed in May 2016.

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 signed contracts in this sector as at 31 March 2017. The revenue of this sector amounted to approximately HK\$0.3 million for the first quarter of 2017. No revenue of the sector was recorded for that of 2016 as the acquisition was completed in May 2016.

Property Management Business in the PRC

Following the completion of the acquisition of entire issued share capital of Quick Wit Ventures Limited (the “Quick Wit”), the Group has entered into the property management industry in the PRC and provides a broad range of property management services to property developers and property owners since 20 January 2017.

Property Management Services

Through providing the property management services to property owners and residents such as pre-delivery services, move-in assistance services, security, cleaning, gardening, repair and maintenance, the revenue of this sector since acquisition amounted to approximately HK\$3.3 million.

As at 31 March 2017, it has managed residential and non-residential properties with an aggregate contracted gross floor area ("GFA") of approximately 57,000 and 121,000 square meters respectively. The total contracted GFA means the sum of revenue-bearing GFA, undelivered GFA and common area GFA.

Revenue-bearing GFA represented contracted GFA in relation to which the collection of property management fees has started when a property has been delivered or is ready to be delivered. In properties that have been delivered or are ready to be delivered after delivery notices have been given to the first group of property owners in such properties, property developers would pay property management fees on unsold units until such units are sold.

Undelivered GFA means contracted GFA in relation to which the collection of property management fees has not started because the relevant property is not ready to be delivered.

Common area GFA includes pathways, garden, parking lots, advertisement bulletin boards.

Property Real Estate Agency Services

The property management team has provided the property real estate agency services in respect of commercial and residential buildings in the PRC. The revenue of this sector since acquisition amounted to approximately HK\$0.1 million.

Property Consulting Services

The property management team has also provided the property management consultancy services to other property management companies such as standardised operation, cost control and consultation. The revenue of this sector since acquisition amounted to approximately HK\$2.4 million.

Financial Review

Revenue, Cost of Sales and Gross Profit

The total revenue of the Group increased significantly by 141.2% from approximately HK\$8.5 million for the first quarter of 2016 to approximately HK\$20.5 million for that of 2017. The increase was mainly due to improvement of IC business, the continuous growth and expansion of the money lending business and the revenue generated from the information security business and the newly acquired property management business in the PRC.

Cost of sales and services of the Group related to the IC, information security business and the newly acquired property management business in the PRC which were increased significantly by 96.9% from approximately HK\$3.2 million for the first quarter of 2016 to approximately HK\$6.3 million for that of 2017.

The gross profit of the ASIC Section increased by 85.7% from approximately HK\$0.7 million for the first quarter of 2016 to approximately HK\$1.3 million for that of 2017, and gross profit margin of the ASIC Section was 33.1% for the first quarter of 2017, representing an increase of 13.2 percentage points from 19.9% for that of 2016. The increase in gross profit margin of ASIC Section was mainly due to the increase in revenue of ASIC Service, which had a higher margin, and decrease in cost of sales of ASIC products. The gross profit of the Standard IC Section increased by 50.0% from approximately HK\$0.2 million for the first quarter of 2016 to approximately HK\$0.3 million for that of 2017, and the gross profit margin of Standard IC Section was 40.9% for the first quarter of 2017, representing a rise of 7.5 percentage points from 33.4% for that of 2016. The increase in gross profit margin of Standard IC Section was mainly attributable to the increase in revenue from certain higher margin Standard IC products. The overall gross profit of the Group increased significantly by 169.8% from approximately HK\$5.3 million for the first quarter of 2016 to approximately HK\$14.3 million for that of 2017, and the overall gross profit margin of the Group was 69.5% for the first quarter of 2017, representing an increase of 7.3 percentage points from 62.2% for that of 2016. The overall gross profit margin improved due to the improvement of IC business, positive contribution in the money lending business, the information security business and the newly acquired property management business in the PRC, which had a higher margin.

Expenses

Staff costs increased by 80.0% from approximately HK\$2.5 million for the first quarter of 2016 to approximately HK\$4.5 million for that of 2017. The increase was primarily attributable to the information security business and the newly acquired property management business in the PRC.

Operating lease rentals increased by 100.0% from approximately HK\$0.3 million for the first quarter of 2016 to approximately HK\$0.6 million for that of 2017, which was mainly due to the information security business and the newly acquired property management business in the PRC.

Depreciation and amortisation increased by 50.0% from approximately HK\$0.4 million for the first quarter of 2016 to approximately HK\$0.6 million for that of 2017, mainly because of the newly acquired property management business in the PRC, and amortisation charge on internally-generated intangible asset from the information security business.

Other operating expenses decreased by 12.0% from approximately HK\$2.5 million for the first quarter of 2016 to approximately HK\$2.2 million for that of 2017. The drop was mainly attributable to less spending on referral fee in the money leading business.

Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the three months ended 31 March 2017 was approximately HK\$3.5 million. For the three months ended 31 March 2016, the consolidated loss attributable to owners of the Company was approximately HK\$0.4 million. The increase was approximately HK\$3.9 million, or 975.0%. The turnaround was mainly attributable to the increase in overall revenue and gross profit as a result of revenue and profit generated from (i) the continuous growth and expansion of money lending business of the Group; (ii) the total solutions for information security business of the Group and (iii) the property management business following the completion of the acquisition of entire issued share capital of Quick Wit Ventures Limited in January 2017.

Completion of the Acquisition of Quick Wit

On 6 January 2017, the Company as the purchaser, Standard Apex Limited as the vendor and Ms. Xie Jihong as the guarantor, being an independent third parties of the Group, entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement"), in relation to the acquisition of the entire issued share capital of Quick Wit at a consideration of HK\$140 million. The Quick Wit and its subsidiaries (collectively referred to as the "Quick Wit Group") is principally engaged in provision of investment and planning consulting service, real estate agent, property management services and car parking management services in the PRC. All of the conditions precedent under the Sale and Purchase Agreement have been fulfilled and the completion took place on 20 January 2017 in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon completion of the acquisition, Quick Wit has become a direct wholly-owned subsidiary of the Company and the financial results of the Quick Wit Group have been consolidated into the financial statement of the Group.

Details of the acquisition were disclosed in the Company's announcements dated 22 December 2016, 6 and 20 January 2017 respectively.

Proposed Disposal of an Total Solutions for Information Security Business

On 25 April 2017, Excellence Steps Limited as the vender and Mr. Chung Pui Nam, Roger as the purchaser entered into a sale and purchase agreement in relation to the proposed disposal of 55% of the entire issued share capital of Maximus Venture Holdings Limited (the "Target Company") for a consideration of HK\$29 million. The Target Group is principally engaged in total solutions for information security services, including security assessment, consulting, testing, monitoring and training as well as system integration services of information security business in Hong Kong. As of the date of this quarterly report, the disposal of the Target Company has not been completed.

Detail of the proposed disposal of 55% of the entire issued share capital of Target Company was disclosed in the Company's announcement dated 25 April 2017.

Outlook

The global economies is still doubtfully optimistic, clouded by the continuing geopolitical tensions, the policy adjustments of new United States administration and the Brexit-related developments. We will continue to enhance the operational efficiency in IC business by closely monitoring the development of the products and optimizing our resource allocation. We are going to divert more attention and resource to develop the money lending business and the newly acquired property management business in the PRC respectively.

In response to the current challenges, the management will continue to exercise prudence in looking for any suitable business opportunities in future, so as to broaden the source of our revenues and cash flows, 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 2017, 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 any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, were as follows:

Long and Short Position

Ordinary shares of the Company

Name of Directors	Capacity/Nature of interests	Number of the Company's issued ordinary shares held (Note 1)	Approximate percentage of total issued shares capital of the Company (Note 2)
Executive Directors			
Mr. Zhang Qing	Personal interest	4,000,000(L)	0.29%
Dr. Sung Tak Wing Leo	Personal interest	10,000,000(L)	0.72%
Non-executive Director			
Mr. Ye Jian	Interest of a controlled corporation	400,800,000(L)(S) (Note 3)	28.67%

Notes:

- 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.
- The percentages are calculated on the basis of 1,397,782,400 ordinary shares of the Company in issues as at 31 March 2017.

3. Mr. Ye Jian is the beneficial owner of all of the issued share capital of Metro Classic Limited, and is therefore deemed to be interested in the 400,800,000 ordinary shares of the Company in which Metro Classic Limited is beneficially interested. As disclosed in the announcement of the Company dated 3 January 2017, Metro Classic Limited has pledged the 400,800,000 ordinary shares of the Company in favour of China Rise Finance Company Limited as security for a term loan facility provided to Metro Classic Limited. China Rise Finance Company Limited, and thus it has security interest over these shares.

Save as disclosed above, as at 31 March 2017, so far as is known to the Directors or Chief Executive Officer of the Company, 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) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2017, so far as is known to the Directors or Chief Executive Officer of the Company, the following persons or corporation (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 by the Company pursuant to 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
Champsword Limited	Beneficial owner (Note 2)	278,000,000(L)	19.89%
Lau Mo	Interest of a controlled corporation (Note 2)	278,000,000(L)	19.89%
Metro Classic Limited	Beneficial owner (Note 3)	400,800,000(L)(S)	28.67%

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
Mr. Ye Jian	Interest of a controlled corporation (Note 3)	400,800,000(L)(S)	28.67%
China Rise Finance Company Limited	Beneficial owner (Notes 3 and 4)	400,800,000(L)	28.67%
China Rise Finance Group Company Limited	Interest of a controlled corporation (Note 4)	400,800,000(L)	28.67%
Jin Dragon Holdings Limited	Interest of a controlled corporation (Note 4)	400,800,000(L)	28.67%
Essential Holdings Limited	Interest of a controlled corporation (Note 4)	400,800,000(L)	28.67%
Cosmo Group Holdings Limited	Interest of a controlled corporation (Note 4)	400,800,000(L)	28.67%
Symphony Holdings Limited	Interest of a controlled corporation (Note 4)	400,800,000(L)	28.67%

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. Lau Mo is the beneficial owner of all of the issued share capital of Champsword Limited, and is therefore deemed to be interested in the 278,000,000 ordinary shares in which Champsword Limited is beneficially interested.
3. Mr. Ye Jian is the beneficial owner of all the issued share capital of Metro Classic Limited, and is therefore deemed to be interested in the 400,800,000 ordinary shares of the Company in which Metro Classic Limited is beneficially interested. As disclosed in the announcement of the Company dated 3 January 2017, Metro Classic Limited has pledged the 400,800,000 ordinary shares of the Company in favour of China Rise Finance Company Limited as security for a term loan facility provided to Metro Classic Limited. China Rise Finance Company Limited, and thus it 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 400,800,000 ordinary shares of the Company in which China Rise Finance Company Limited has security interest.

Save as disclosed above, as at 31 March 2017, so far as is known to the Directors and Chief Executive Officer of the Company, and based on the public records filed on the website of Hong Kong Exchanges and Clearing Limited and records kept by the Company, no other persons or corporations (other than Directors and Chief Executive Officer of the Company) had interests or short positions in the shares or underlying shares of the Company as 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 2017.

INTEREST IN A COMPETING BUSINESS

During the three months ended 31 March 2017, none of the Directors, the controlling shareholders of the Company and their respective close 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 2017.

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 2017, 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. Ye Jian (being an non-executive Director at the relevant time) was unable to attend the annual general meeting of the Company held on 28 April 2017 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 2017, 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, 5 May 2017

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.