

# 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

INTERIM REPORT  
**2017**



## **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.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

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

### Unaudited Condensed Consolidated Statement of Comprehensive Income

|  | Notes | Three months ended 30 June      |   | Six months ended 30 June        |   |
|--|-------|---------------------------------|---|---------------------------------|---|
|  |       | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) |
| <b>Continuing operations</b>   |       |                                 |   |                                 |   |
| <b>Revenue</b>   | 5     | <b>18,167</b>                   | 13,664  | <b>35,043</b>                   | 22,202  |
| Cost of sales and services   |       | <b>(6,848)</b>                  | (5,437)                                       | <b>(12,366)</b>                 | (8,665)                                       |
| <b>Gross profit</b>  |       | <b>11,319</b>                   | 8,227   | <b>22,677</b>                   | 13,537  |
| Other income   | 6     | <b>144</b>                      | 6   | <b>181</b>                      | 6   |
| Other gains and losses   | 7     | <b>397</b>                      | (65)  | <b>336</b>                      | (91)  |
| Staff costs  |       | <b>(4,218)</b>                  | (3,431)                                       | <b>(7,889)</b>                  | (5,947)                                       |
| Depreciation and amortisation  |       | <b>(378)</b>                    | (368)   | <b>(754)</b>                    | (738)   |
| Operating lease rental — land and buildings                          |       | <b>(556)</b>                    | (458)   | <b>(1,049)</b>                  | (778)   |
| Other operating expenses   |       | <b>(2,375)</b>                  | (2,872)                                       | <b>(4,433)</b>                  | (5,355)                                       |
| Finance cost   | 8     | <b>(319)</b>                    | (175)   | <b>(796)</b>                    | (175)   |
| <b>Profit before income tax</b>                                      |       | <b>4,014</b>                    | 864   | <b>8,273</b>                    | 459   |
| Income tax expense   | 9     | <b>(1,482)</b>                  | (736)   | <b>(2,998)</b>                  | (736)   |
| <b>Profit/(loss) for the period from continuing operations</b>       | 10    | <b>2,532</b>                    | 128   | <b>5,275</b>                    | (277)   |
| <b>Discontinued operation</b>  |       |                                 |   |                                 |   |
| <b>(Loss)/profit from discontinued operation</b>                     | 11    | <b>(846)</b>                    | 574   | <b>462</b>                      | 574   |
| <b>Profit for the period</b>   |       | <b>1,686</b>                    | 702   | <b>5,737</b>                    | 297   |
| <b>Other comprehensive income/(expense), net of income tax</b>       |       |                                 |   |                                 |   |
| <i>Item that may be subsequently reclassified to profit or loss:</i> |       |                                 |   |                                 |   |
| Exchange differences arising on translation of foreign operations    |       | <b>187</b>                      | (2)   | <b>141</b>                      | (2)   |
| <b>Total comprehensive income for the period</b>                     |       | <b>1,873</b>                    | 700   | <b>5,878</b>                    | 295   |

|  | Notes | Three months ended 30 June      |   | Six months ended 30 June        |   |
|--|-------|---------------------------------|---|---------------------------------|---|
|  |       | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) |
| <b>Profit/(loss) for the period attributable to owners of the Company:</b> |       |                                 |   |                                 |   |
| from continuing operations   |       | 2,532                           | 128   | 5,275                           | (277)   |
| from discontinued operation  |       | (1,290)                         | 316   | (571)                           | 316   |
|  |       | 1,242                           | 444   | 4,704                           | 39  |
| <b>Profit for the period attributable to non-controlling interest:</b>     |       |                                 |   |                                 |   |
| from continuing operations   |       | —                               | —   | —                               | —   |
| from discontinued operation  |       | 444                             | 258   | 1,033                           | 258   |
|  |       | 444                             | 258   | 1,033                           | 258   |
|  |       | 1,686                           | 702   | 5,737                           | 297   |
| <b>Total comprehensive income for the period attributable to:</b>          |       |                                 |   |                                 |   |
| Owners of the Company  |       | 1,429                           | 442   | 4,845                           | 37  |
| Non-controlling interests  |       | 444                             | 258   | 1,033                           | 258   |
|  |       | 1,873                           | 700   | 5,878                           | 295   |
|  |       | HK cents                        | HK cents                                      | HK cents                        | HK cents                                      |
| <b>Earnings/(loss) per share attributable to owners of the Company</b>     | 13    |                                 |   |                                 |   |
| Basic  |       |                                 |   |                                 |   |
| from continuing and discontinued operations                                |       | 0.089                           | 0.032   | 0.337                           | 0.003   |
| from continuing operations   |       | 0.181                           | 0.009   | 0.377                           | (0.020)                                       |
|  |       |                                 |   |                                 |   |
| Diluted  |       |                                 |   |                                 |   |
| from continuing and discontinued operations                                |       | 0.089                           | 0.032   | 0.337                           | 0.003   |
| from continuing operations   |       | 0.181                           | 0.009   | 0.377                           | (0.020)                                       |

# Unaudited Condensed Consolidated Statement of Financial Position

04

MEGALOGIC TECHNOLOGY HOLDINGS LIMITED INTERIM REPORT 2017

|  | Notes | As at<br>30 June<br>2017<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2016<br>(Audited)<br>HK\$'000 |
|--|-------|---|---|
| <b>Non-current assets</b>  |       |   |   |
| Property, plant and equipment  | 14    | 3,439   | 3,795   |
| Goodwill   | 15    | 137,448   | 27,280  |
| Intangible asset   |       | —   | 1,822   |
| Loans receivables  | 18    | 5,100   | 5,216   |
| <b>Total non-current assets</b>  |       | <b>145,987</b>                                      | 38,113  |
| <b>Current assets</b>  |       |   |   |
| Inventories  | 16    | 4,422   | 4,432   |
| Trade receivables  | 17    | 4,811   | 9,851   |
| Loans receivables  | 18    | 124,782   | 250,738   |
| Other receivables, deposits and prepayments  | 19    | 31,740  | 2,004   |
| Bank balances and cash   |       | 18,049  | 8,005   |
| <b>Total current assets</b>  |       | <b>183,804</b>                                      | 275,030   |
| <b>Current liabilities</b>   |       |   |   |
| Trade payables   | 20    | 788   | 543   |
| Other payables and accruals  | 21    | 5,403   | 3,415   |
| Amount due to a former non-controlling interest shareholder of a former subsidiary |       | —   | 5,258   |
| Promissory note  | 22    | 14,377  | —   |
| Tax payables   |       | 4,317   | 1,527   |
| Provision  |       | —   | 123   |
| <b>Total current liabilities</b>   |       | <b>24,885</b>                                       | 10,866  |
| <b>Net current assets</b>  |       | <b>158,919</b>                                      | 264,164   |
| <b>Total assets less current liabilities</b>                                       |       | <b>304,906</b>                                      | 302,277   |
| <b>Non-current liability</b>   |       |   |   |
| Deferred tax liabilities   |       | —   | 342   |
| <b>Total non-current liability</b>   |       | <b>—</b>  | 342   |
| <b>Net assets</b>  |       | <b>304,906</b>                                      | 301,935   |
| <b>Capital and reserves</b>  |       |   |   |
| Share capital  | 23    | 139,778   | 139,778   |
| Reserves   |       | 165,128   | 160,283   |
| Equity attributable to owners of the Company                                       |       | 304,906   | 300,061   |
| Non-controlling interests  |       | —   | 1,874   |
| <b>Total equity</b>  |       | <b>304,906</b>                                      | 301,935   |

## Unaudited Condensed Consolidated Statement of Changes in Equity

### Attributable to owners of the Company

|   | Share<br>capital<br>(Unaudited)<br>HK\$'000 | Share<br>premium<br>(Unaudited)<br>HK\$'000 | Merger<br>reserve<br>(Unaudited)<br>HK\$'000 | Share<br>option<br>reserve<br>(Unaudited)<br>HK\$'000 | Exchange<br>reserve<br>(Unaudited)<br>HK\$'000 | Accumulated<br>losses<br>(Unaudited)<br>HK\$'000 | Sub-total<br>(Unaudited)<br>HK\$'000 | Non-<br>controlling<br>interests<br>(Unaudited)<br>HK\$'000 | Total<br>equity<br>(Unaudited)<br>HK\$'000 |
|---|---|---|--|---|--|--|--------------------------------------|---|--|
| At 1 January 2016   | 138,240                                     | 143,243                                     | 17,941                                       | —   | (20)   | (14,803)   | 284,601                              | —   | 284,601                                    |
| Profit for the period   | —   | —   | —  | —   | —  | 39   | 39                                   | 258   | 297  |
| Other comprehensive<br>expense for the period:<br>Exchange differences<br>arising on translation<br>on foreign operations           | —   | —   | —  | —   | (2)  | —  | (2)                                  | —   | (2)  |
| Total comprehensive (expense)/<br>income for the period   | —   | —   | —  | —   | (2)  | 39   | 37                                   | 258   | 295  |
| Recognition of equity-settled<br>share-based payments<br>(Note 10)  | —   | —   | —  | 530   | —  | —  | 530                                  | —   | 530  |
| Non-controlling interests<br>arising on business<br>combination   | —   | —   | —  | —   | —  | —  | —                                    | 180   | 180  |
| At 30 June 2016   | 138,240                                     | 143,243                                     | 17,941                                       | 530   | (22)   | (14,764)   | 285,168                              | 438   | 285,606                                    |
| <b>At 1 January 2017</b>  | <b>139,778</b>                              | <b>148,287</b>                              | <b>17,941</b>                                | <b>—</b>  | <b>(40)</b>                                    | <b>(5,905)</b>                                   | <b>300,061</b>                       | <b>1,874</b>  | <b>301,935</b>                             |
| <b>Profit for the period</b>  | <b>—</b>                                    | <b>—</b>                                    | <b>—</b>                                     | <b>—</b>  | <b>—</b>                                       | <b>4,704</b>                                     | <b>4,704</b>                         | <b>1,033</b>  | <b>5,737</b>                               |
| <b>Other comprehensive<br/>income for the period:<br/>Exchange differences<br/>arising on translation<br/>on foreign operations</b> | <b>—</b>                                    | <b>—</b>                                    | <b>—</b>                                     | <b>—</b>  | <b>141</b>                                     | <b>—</b>   | <b>141</b>                           | <b>—</b>  | <b>141</b>                                 |
| <b>Total comprehensive<br/>income for the period</b>  | <b>—</b>                                    | <b>—</b>                                    | <b>—</b>                                     | <b>—</b>  | <b>141</b>                                     | <b>4,704</b>                                     | <b>4,845</b>                         | <b>1,033</b>  | <b>5,878</b>                               |
| <b>Disposal of subsidiaries<br/>(Note 27(d))</b>  | <b>—</b>                                    | <b>—</b>                                    | <b>—</b>                                     | <b>—</b>  | <b>—</b>                                       | <b>—</b>   | <b>—</b>                             | <b>(2,907)</b>  | <b>(2,907)</b>                             |
| <b>At 30 June 2017</b>  | <b>139,778</b>                              | <b>148,287</b>                              | <b>17,941</b>                                | <b>—</b>  | <b>101</b>                                     | <b>(1,201)</b>                                   | <b>304,906</b>                       | <b>—</b>  | <b>304,906</b>                             |

# Unaudited Condensed Consolidated Statement of Cash Flows

06

MEGALOGIC TECHNOLOGY HOLDINGS LIMITED INTERIM REPORT 2017

Six months ended 30 June

|   | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
|---|---------------------------------|---------------------------------|
| Net cash generated from/(used in) operating activities            | 139,833                         | (126,941)                       |
| Net cash used in investing activities                             | (103,927)                       | (9,021)                         |
| Net cash used in financing activities                             | (26,000)                        | —                               |
| Net increase/(decrease) in cash and cash equivalents              | 9,906                           | (135,962)                       |
| Cash and cash equivalents at beginning of the period              | 8,005                           | 188,739                         |
| Effect of foreign exchange rate changes, net                      | 138                             | (2)                             |
| Cash and cash equivalents at end of the period                    | 18,049                          | 52,775                          |
| <b>Analysis of cash and cash equivalents at end of the period</b> |                                 |                                 |
| Bank balances and cash  | 18,049                          | 52,775                          |

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

07

MEGALOGIC TECHNOLOGY HOLDINGS LIMITED INTERIM REPORT 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 ("IC") solutions and the design, development and sales of integrated circuits ("ICs"); (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; and (3) 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"). The Group had discontinued the total solutions for information security business during the period.

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 2017 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 2016, 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 2017, the accounting policies adopted are consistent with those applied in the Group's annual financial statements for the year ended 31 December 2016. 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.

### Revenue recognition

Revenue from property management services and value-added services in the PRC is recognised when services are rendered.

### 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 2016, 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 three reporting segments, namely IC business, being the design, development and sales of ICs, money lending business and information security business, prior to the completion of acquisition of an property management business in the PRC on 20 January 2017. In addition, the Group disposed of information security business during the period which is presented as discontinued operation. Details are set out in note 11 to the unaudited condensed consolidated financial statements. Following the acquisition and the disposal, the Group was engaged in three business segments, namely IC business, money lending business and property management business in the PRC. 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

##### Continuing operations

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

|                                | IC                              |                                 | Money Lending                   |                                 | Property Management             |                                 | Consolidated                    |                                 |
|--------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| Revenue                        | 10,103                          | 11,101                          | 10,652                          | 11,101                          | 14,288                          | —                               | 35,043                          | 22,202                          |
| Segment result                 | (820)                           | (1,935)                         | 7,329                           | 6,339                           | 7,346                           | —                               | 13,855                          | 4,404                           |
| Other income                   |                                 |                                 |                                 |                                 |                                 |                                 | 173                             | 6                               |
| Corporate administration costs |                                 |                                 |                                 |                                 |                                 |                                 | (5,755)                         | (3,951)                         |
| Profit before income tax       |                                 |                                 |                                 |                                 |                                 |                                 | 8,273                           | 459                             |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Segment results represent the profit 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.

##### Segment assets and liabilities

|                                | Continuing operations                               |   |   |   |   |   | Discontinued operation                              |   |   |   | Consolidated  |   |
|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|                                | IC  |   | Money Lending                                       |   | Property Management                                 |   | Sub-total   |   | Information Security                                |   |   |   |
|                                | As at<br>30 June<br>2017<br>(Unaudited)<br>HK\$'000 | As at 31<br>December<br>2016<br>(Audited)<br>HK\$'000 | As at<br>30 June<br>2017<br>(Unaudited)<br>HK\$'000 | As at 31<br>December<br>2016<br>(Audited)<br>HK\$'000 | As at<br>30 June<br>2017<br>(Unaudited)<br>HK\$'000 | As at 31<br>December<br>2016<br>(Audited)<br>HK\$'000 | As at<br>30 June<br>2017<br>(Unaudited)<br>HK\$'000 | As at 31<br>December<br>2016<br>(Audited)<br>HK\$'000 | As at<br>30 June<br>2017<br>(Unaudited)<br>HK\$'000 | As at 31<br>December<br>2016<br>(Audited)<br>HK\$'000 | As at<br>30 June<br>2017<br>(Unaudited)<br>HK\$'000 | As at 31<br>December<br>2016<br>(Audited)<br>HK\$'000 |
| <b>Assets and liabilities</b>  |   |   |   |   |   |   |   |   |   |   |   |   |
| Segment assets                 | 11,272  | 11,826  | 135,524   | 260,215   | 14,758  | —   | 161,554   | 272,041   | —   | 11,265  | 161,554   | 283,306   |
| Unallocated assets             |   |   |   |   |   |   |   |   |   |   | 168,237   | 29,837  |
| Consolidated total assets      |   |   |   |   |   |   |   |   |   |   | 329,791   | 313,143   |
| Segment liabilities            | 1,615   | 1,349   | 3,464   | 2,238   | 4,559   | —   | 9,638   | 3,587   | —   | 7,100   | 9,638   | 10,687  |
| Unallocated liabilities        |   |   |   |   |   |   |   |   |   |   | 15,247  | 521   |
| Consolidated total liabilities |   |   |   |   |   |   |   |   |   |   | 24,885  | 11,208  |

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 and PRC. The geographical location of customers from continuing operations 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        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| Hong Kong (place of domicile)           | 12,833                          | 12,927                          |
| The PRC, excluding Hong Kong and Taiwan | 20,894                          | 8,881                           |
| Taiwan                                  | 140                             | 161                             |
| Russia                                  | 816                             | 123                             |
| Korea                                   | 358                             | 108                             |
| Others                                  | 2                               | 2                               |
|   | 35,043                          | 22,202                          |

##### Non-current assets (other than loans receivables)

|   | As at<br>30 June<br>2017<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2016<br>(Audited)<br>HK\$'000 |
|---|---|---|
| <b>Continuing operations</b>            |   |   |
| Hong Kong (place of domicile)           | 138,237   | 1,015   |
| The PRC, excluding Hong Kong and Taiwan | 328   | 248   |
| Taiwan                                  | 2,322   | 1,666   |
|   | 140,887   | 2,929   |
| <b>Discontinued operation</b>           |   |   |
| Hong Kong (place of domicile)           | —   | 29,968  |
|   | 140,887   | 32,897  |

## 5. Revenue

The Group is principally engaged in the design, development and sales of ICs, money lending 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 30 June      |   | Six months ended 30 June        |   |
|---|---------------------------------|---|---------------------------------|---|
|   | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) |
| <b>Revenue</b>                            |                                 |   |                                 |   |
| <b>Continuing operations</b>              |                                 |   |                                 |   |
| Sale of ICs                               | 4,222                           | 6,979   | 8,925                           | 11,101  |
| Provision of ASIC service                 | 677                             | —   | 1,178                           | —   |
| Interest from money lending business      | 4,797                           | 6,685   | 10,652                          | 11,101  |
| Provision of property management services | 8,471                           | —   | 14,288                          | —   |
|   | 18,167                          | 13,664  | 35,043                          | 22,202  |

## 6. Other Income

|                              | Three months ended 30 June      |                                 | Six months ended 30 June        |                                 |
|------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                              | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| <b>Continuing operations</b> |                                 |                                 |                                 |                                 |
| Bank Interest income         | 5                               | 5                               | 8                               | 5                               |
| Sundry income                | 139                             | 1                               | 173                             | 1                               |
|                              | 144                             | 6                               | 181                             | 6                               |

## 7. Other Gains and Losses

|   | Three months ended 30 June      |                                 | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| <b>Continuing operations</b>                              |                                 |                                 |                                 |                                 |
| Loss on disposal of property,<br>plant and equipment, net | —                               | —                               | (1)                             | —                               |
| Exchange loss   | (22)                            | (65)                            | (82)                            | (91)                            |
| Waive of accumulated interest<br>on promissory note       | 419                             | —                               | 419                             | —                               |
|   | 397                             | (65)                            | 336                             | (91)                            |

## 8. Finance Cost

|   | Three months ended 30 June      |                                 | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| <b>Continuing operations</b>            |                                 |                                 |                                 |                                 |
| Accumulated interest on promissory note | 319                             | 175                             | 796                             | 175                             |
|   | 319                             | 175                             | 796                             | 175                             |

## 9. Income Tax Expense

|                              | Three months ended 30 June      |   | Six months ended 30 June        |   |
|------------------------------|---------------------------------|---|---------------------------------|---|
|                              | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) |
| <b>Continuing operations</b> |                                 |   |                                 |   |
| Current tax:                 |                                 |   |                                 |   |
| Hong Kong Profits Tax        |                                 |   |                                 |   |
| Charge for the period        | 506                             | 736   | 1,167                           | 736   |
| PRC Enterprise Income Tax    |                                 |   |                                 |   |
| Charge for the period        | 976                             | —   | 1,831                           | —   |
|                              | 1,482                           | 736   | 2,998                           | 736   |

## 9. Income Tax Expense (Continued)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2016: 16.5%) of the estimated assessable profits for the six months ended 30 June 2017. Provision for Hong Kong Profits Tax is made on the estimated assessable profits for the six months ended 30 June 2017 for a subsidiary, Easy Loan Finance Limited (six months ended 30 June 2016: approximately HK\$736,000).

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 six months ended 30 June 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% (six months ended 30 June 2016: 25%). Provision for EIT is made on the estimated assessable profit for the six months ended 30 June 2017 for the subsidiary, 四川威斯顿資產管理有限公司 (six months ended 30 June 2016: Nil).

Save as disclosed above, no provision for EIT is made since the PRC subsidiary has no estimated assessable profit for the six months ended 30 June 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 six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## 10. Profit for the Period

|   | Three months ended 30 June      |   | Six months ended 30 June        |   |
|---|---------------------------------|---|---------------------------------|---|
|   | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) |
| <b>Continuing operations</b>                              |                                 |   |                                 |   |
| Profit for the period has been arrived at after charging: |                                 |   |                                 |   |
| (a) Staff costs including directors' emoluments           |                                 |   |                                 |   |
| — salaries, bonus and benefits in kind                    | 3,970                           | 2,807   | 7,516                           | 5,228   |
| — equity-settled share-based payments                     | —                               | 530   | —                               | 530   |
| — staff welfare   | 51                              | 18  | 63                              | 32  |
| — contributions to retirement benefits scheme             | 197                             | 76  | 310                             | 157   |
|   | 4,218                           | 3,431   | 7,889                           | 5,947   |
| (b) Other items   |                                 |   |                                 |   |
| Auditor's remuneration                                    | 117                             | 105   | 235                             | 210   |
| Cost of inventories recognised as an expense (Note 16)    | 3,008                           | 6,247   | 6,594                           | 9,475   |
| Legal and professional fee                                | 1,242                           | 1,605   | 2,171                           | 3,262   |
| Design and development costs                              | 205                             | 213   | 408                             | 428   |

# 11. Discontinued Operation

On 25 April 2017, the Group entered into a sale and purchase agreement to dispose of 55% of the entire issued share capital of Maximus Venture Holdings Limited (the "Maximus"), which carried out total solutions for information security business. The disposal was completed on 28 June 2017.

The (loss)/profit for the period from the discontinued operation of information security is set out below:

|   | <b>From<br/>1 January 2017 to<br/>28 June 2017<br/>(Unaudited)<br/>HK\$'000</b> | Six months<br>ended<br>30 June 2016<br>(Unaudited)<br>HK\$'000 |
|---|---|--|
| Profit for the period   | <b>2,295</b>  | 574  |
| Loss on disposal of subsidiaries (Note 27(d))                             | <b>(1,833)</b>  | —  |
|   | <b>462</b>  | 574  |
| (Loss)/profit for the period from discontinued operation attributable to: |   |  |
| Owners of the Company   | <b>(571)</b>  | 316  |
| Non-controlling interests   | <b>1,033</b>  | 258  |
|   | <b>462</b>  | 574  |

The results of the operation of information security for the period, which have been included in the unaudited condensed consolidated statement of comprehensive income, were as follows:

|   | <b>From<br/>1 January 2017 to<br/>28 June 2017<br/>(Unaudited)<br/>HK\$'000</b> | Six months<br>ended<br>30 June 2016<br>(Unaudited)<br>HK\$'000 |
|---|---|--|
| Revenue                                     | <b>7,594</b>  | 2,609  |
| Cost of sales and services                  | <b>(1,728)</b>  | (811)  |
| Gross profit                                | <b>5,866</b>  | 1,798  |
| Other income                                | <b>1</b>  | —  |
| Staff costs                                 | <b>(2,124)</b>  | (653)  |
| Depreciation and amortisation               | <b>(362)</b>  | (54)   |
| Operating lease rental — land and buildings | <b>(274)</b>  | (93)   |
| Other operating expenses                    | <b>(355)</b>  | (311)  |
| Profit before income tax                    | <b>2,752</b>  | 687  |
| Income tax expense                          | <b>(457)</b>  | (113)  |
| Profit for the period                       | <b>2,295</b>  | 574  |



## 11. Discontinued Operation (Continued)

|  | From<br>1 January 2017 to<br>28 June 2017<br>(Unaudited)<br>HK\$'000 | Six months<br>ended<br>30 June 2016<br>(Unaudited)<br>HK\$'000 |
|--|--|--|
| Profit for the period from discontinued operation<br>has been arrived at after charging: |  |  |
| (a) Staff costs  |  |  |
| — salaries, bonus and benefits in kind   | 1,999  | 581  |
| — staff welfare  | 34   | 47   |
| — contributions to retirement benefits scheme  | 91   | 25   |
|  | 2,124  | 653  |
| (b) Other items  |  |  |
| Auditor's remuneration   | 38   | 3  |
| Legal and professional fee   | 25   | 161  |
| Cash flows of discontinued operation:  |  |  |
| Net cash generated from/(used in) operating activities                                   | 4,589  | (327)  |
| Net cash generated from/(used in) investing activities                                   | 1  | (222)  |
| Net cash inflow/(outflow)  | 4,590  | (549)  |

The carrying amounts of the assets and liabilities of Maximus and its subsidiaries at the date of disposal are disclosed in note 27(c) to the unaudited condensed consolidated financial statements.

## 12. Dividends

No dividends were declared or paid during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

### 13. 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        |   |
|--|---------------------------------|---|---------------------------------|---|
|  | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000<br>(Restated) |
| Profit/(loss) for the period attributable to owners of the Company                       |                                 |   |                                 |   |
| from continuing operations   | 2,532                           | 128   | 5,275                           | (277)   |
| from discontinued operation  | (1,290)                         | 316   | (571)                           | 316   |
| from continuing and discontinued operations  | 1,242                           | 444   | 4,704                           | 39  |
| <b>Number of shares (thousands)</b>  |                                 |   |                                 |   |
| Shares   |                                 |   |                                 |   |
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | 1,397,782                       | 1,382,400                                     | 1,397,782                       | 1,382,400                                     |
| 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 per share | 1,397,782                       | 1,399,308                                     | 1,397,782                       | 1,390,854                                     |

The amounts of diluted earnings per share was the same as basic earnings per share because the Group did not have any dilutive potential ordinary shares for the three months and six months ended 30 June 2017.

For the three months and six months ended 30 June 2016, diluted earnings/(loss) 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.

### 14. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with cost amounting to approximately HK\$1,258,000 (six months ended 30 June 2016: approximately HK\$1,284,000). During the six months ended 30 June 2017, the Group disposed any items of property, plant and equipment with cost amounting to approximately HK\$229,000 (six months ended 30 June 2016: Nil).

## 15. Goodwill

18

|  | Information<br>Security<br>HK\$'000 | Property<br>Management<br>HK\$'000 | Total<br>HK\$'000 |
|--|-------------------------------------|------------------------------------|-------------------|
| <b>Cost and carrying amount</b>                                |                                     |                                    |                   |
| Addition arising from acquisition of subsidiaries              | 27,280                              | —                                  | 27,280            |
| At 31 December 2016 and 1 January 2017                         | 27,280                              | —                                  | 27,280            |
| Addition arising from acquisition of subsidiaries (Note 26(d)) | —                                   | 137,448                            | 137,448           |
| Elimination arising from disposal of subsidiaries (Note 27(d)) | (27,280)                            | —                                  | (27,280)          |
|  | —                                   | 137,448                            | 137,448           |
| <b>At 30 June 2017 (Unaudited)</b>                             | —                                   | 137,448                            | 137,448           |
| At 31 December 2016 (Audited)                                  | 27,280                              | —                                  | 27,280            |

The Group also conducted impairment reviews on goodwill attributable to cash generating units ("CGUs") 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.

The management are of the opinion that the cash-generating unit demonstrates sufficient cash flows that justify the carrying value of the goodwill and hence no impairment of goodwill is necessary as at 30 June 2017 and 31 December 2016.

## 16. Inventories

During the six months ended 30 June 2017, the Group made a provision of approximately HK\$200,000 for slow-moving and obsolete inventories (six months ended 30 June 2016: approximately HK\$84,000).

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

## 17. Trade Receivables

Trade receivables arise from the Group's IC business and property management business in the PRC. The Group normally allows a credit period ranging from "cash on delivery" to 120 days to its trade customers as at 30 June 2017 and 31 December 2016.

|                                 | <b>As at<br/>30 June<br/>2017<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31 December<br/>2016<br/>(Audited)<br/>HK\$'000</b> |
|---------------------------------|--|--|
| Recognised services receivables | —  | 1,866  |
| Trade receivables               | <b>4,811</b>   | 7,985  |
|                                 | <b>4,811</b>   | 9,851  |

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

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

|                   | <b>As at<br/>30 June<br/>2017<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31 December<br/>2016<br/>(Audited)<br/>HK\$'000</b> |
|-------------------|--|--|
| 0–30 days         | <b>2,785</b>   | 5,130  |
| 31–60 days        | <b>966</b>   | 1,675  |
| 61–90 days        | <b>876</b>   | 834  |
| More than 90 days | <b>184</b>   | 346  |
|                   | <b>4,811</b>   | 7,985  |

## 17. Trade Receivables (Continued)

The ageing analysis of the Group's trade receivables that are not individually nor collectively considered to be impaired are as follows:

|                                      | <b>As at<br/>30 June<br/>2017<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31 December<br/>2016<br/>(Audited)<br/>HK\$'000</b> |
|--------------------------------------|--|--|
| Neither past due nor impaired        | <b>953</b>   | 4,841  |
| Past due but not considered impaired |  |  |
| 0–30 days                            | <b>3,099</b>   | 874  |
| 31–60 days                           | <b>614</b>   | 1,100  |
| 61–90 days                           | <b>9</b>   | 824  |
| More than 90 days                    | <b>136</b>   | 346  |
|                                      | <b>3,858</b>   | 3,144  |
|                                      | <b>4,811</b>   | 7,985  |

## 18. Loans Receivables

|                              | <b>As at<br/>30 June<br/>2017<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31 December<br/>2016<br/>(Audited)<br/>HK\$'000</b> |
|------------------------------|--|--|
| Loans to customers           | <b>129,035</b>   | 253,968  |
| Accrued interest receivables | <b>847</b>   | 1,986  |
|                              | <b>129,882</b>   | 255,954  |
| Analysed as:                 |  |  |
| Non-current assets           | <b>5,100</b>   | 5,216  |
| Current assets               | <b>124,782</b>   | 250,738  |
|                              | <b>129,882</b>   | 255,954  |

**18. Loans Receivables (Continued)**

Loans receivables arise from the Group's money lending business. They are repayable according to repayment schedules, normally with contractual maturity between 4 months and 12 years as at 30 June 2017 (31 December 2016: between 1 month and 12 years). Loans to customers bear annual interest rates ranging from 10% to 24% as at 30 June 2017 (31 December 2016: 10%–26.4%). The following is an ageing analysis of loans receivables at the end of each reporting period, presented based on the remaining period to contractual maturity date:

|                               | <b>As at<br/>30 June<br/>2017<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31 December<br/>2016<br/>(Audited)<br/>HK\$'000</b> |
|-------------------------------|--|--|
| Within 1 year                 | <b>124,782</b>   | 250,738  |
| Over 1 year and up to 5 years | <b>393</b>   | 432  |
| Over 5 years                  | <b>4,707</b>   | 4,784  |
|                               | <b>129,882</b>   | 255,954  |

The above balances are neither past due nor impaired.

Except for loans receivables with a carrying amount of approximately HK\$21,153,000 as at 30 June 2017 (31 December 2016: approximately HK\$86,972,000), which are secured by collaterals provided by customers, all loans receivables as at 30 June 2017 and 31 December 2016 are unsecured.

**19. Other Receivables, Deposits and Prepayments**

As at 30 June 2017, the balance of other receivables, deposits and prepayments includes the deferred consideration receivable of approximately HK\$29,000,000 in relation to the disposal of subsidiaries (Note 27(a)) (31 December 2016: Nil).

**20. Trade Payables**

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

|            | <b>As at<br/>30 June<br/>2017<br/>(Unaudited)<br/>HK\$'000</b> | <b>As at<br/>31 December<br/>2016<br/>(Audited)<br/>HK\$'000</b> |
|------------|--|--|
| 0–30 days  | <b>332</b>   | 383  |
| 31–60 days | <b>301</b>   | 160  |
| 61–90 days | <b>155</b>   | —  |
|            | <b>788</b>   | 543  |

**21. Other Payables and Accruals**

As at 30 June 2017, the balance of other payables and accruals includes (i) the accrued expenses of approximately HK\$1,594,000 (31 December 2016: approximately HK\$672,000) and (ii) the receipt in advance from customers of approximately HK\$1,241,000 (31 December 2016: approximately HK\$1,972,000).

**22. Promissory Note**

On 20 January 2017, the Company issued promissory note ("PN") with an aggregate principal amount of HK\$40,000,000 as part of the consideration for acquiring entire issued share capital of Quick Wit Ventures Limited (the "Quick Wit"). The fair value of PN was approximately HK\$40,000,000 on 20 January 2017. PN bear interest at 6% per annum and matured at the third anniversary from the date of issue, being 19 January 2020. The interest rate on initial recognition is 6% per annum.

The movement of the carrying amount of PN during the six months ended 30 June 2017 was set out below:

|                               | HK\$'000 |
|-------------------------------|----------|
| Issue of PN                   | 40,000   |
| Accumulated interest          | 796      |
| Waive of accumulated interest | (419)    |
| Early redemption              | (26,000) |
| At 30 June 2017               | 14,377   |

As at 30 June 2017, the fair value of PN was approximately HK\$14,377,000.

The principal amount of the PN was, however, early redeemed by the Company in July 2017 and on the same time, the holder of the PN has agreed to waive all accumulated interest payable under the PN to be incurred.

**23. Share Capital**

|   | Number of shares<br>'000 | Nominal value<br>HK\$'000 |
|---|--------------------------|---------------------------|
| <b>Ordinary shares of HK\$0.1 each</b>                    |                          |                           |
| <i>Authorised:</i>  |                          |                           |
| At 31 December 2016 and 30 June 2017                      | 10,000,000               | 1,000,000                 |
| <i>Issued and fully paid:</i>                             |                          |                           |
| At 1 January 2016   | 1,382,400                | 138,240                   |
| Issue of shares upon exercise of share options (note (i)) | 15,382                   | 1,538                     |
| At 31 December 2016 and 30 June 2017                      | 1,397,782                | 139,778                   |

**23. Share Capital (Continued)**

Note:

- (i) On 3 August 2016, a total of 15,382,400 ordinary shares of HK\$0.10 each were issued upon exercise of share options granted under the share option scheme. The excess of the exercise price over the par value of the shares issued was credited to the share premium account.

**24. Capital Commitment**

The Group did not have any significant capital commitment as at 30 June 2017 and 31 December 2016.

**25. Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2017 and 31 December 2016.

**26. Acquisition of Subsidiaries**

On 20 January 2017, the Group acquired entire issued share capital of 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 30 June 2017, the Quick Wit Group has contributed revenue and incurred a profit of approximately HK\$14,288,000 and HK\$5,515,000 respectively to the Group's results.

**(a) Consideration transferred**

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

|                 | <b>As at<br/>acquisition date<br/>fair value<br/>(Unaudited)<br/>HK\$'000</b> |
|-----------------|---|
| Cash            | 100,000   |
| Promissory note | 40,000  |
|                 | <b>140,000</b>  |



## 26. Acquisition of Subsidiaries (Continued)

## (a) Consideration transferred (Continued)

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.

|  | <b>As at<br/>acquisition date<br/>fair value</b><br>(Unaudited)<br>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   |

## 26. Acquisition of Subsidiaries (Continued)

## (d) Goodwill arising on acquisition

|  | As at<br>acquisition date<br>fair value<br>(Unaudited)<br>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<br>acquisition date<br>fair value<br>(Unaudited)<br>HK\$'000 |
|--|--|
| Consideration paid in cash                       | 100,000  |
| Plus: cash and cash equivalent balances acquired | (3,598)  |
| Total  | 96,402   |

## 27. Disposal of Subsidiaries

On 25 April 2017, the Group agreed to dispose of 55% of the entire issued share capital of Maximus for a consideration of HK\$29 million. All of the conditions precedent of the disposal have been fulfilled and the completion of the disposal took place on 28 June 2017. Upon completion, the Group discontinued its total solutions for information security business.

During the period up to 28 June 2017, the Maximus and its subsidiaries contributed revenue and incurred a profit of approximately HK\$7,594,000 and HK\$2,295,000 respectively to the Group's results.

27. **Disposal of Subsidiaries (Continued)****(a) Consideration receivable**

The following table summarises the consideration receivable.

(Unaudited)  
HK\$'000

|                        |        |
|------------------------|--------|
| Deferred consideration | 29,000 |
|------------------------|--------|

The deferred consideration of HK\$20,000,000 was settled in cash by the purchaser in July 2017.

The deferred consideration of HK\$9,000,000 will be settled in cash by the purchaser on or before 31 December 2017.

**(b) Disposal-related costs**

The Group incurred disposal-related costs of approximately HK\$600,000. These costs have been included in "other operating expenses" in the unaudited condensed consolidated statement of comprehensive income.

**(c) Analysis of assets and liabilities over which control was lost**

The following table summarizes the recognised amounts of identifiable assets and liabilities over which control was lost.

(Unaudited)  
HK\$'000

|  |         |
|--|---------|
| Property, plant and equipment  | 690     |
| Intangible asset   | 1,635   |
| Trade receivables  | 3,563   |
| Deposits and prepayments   | 325     |
| Tax recoverables   | 122     |
| Bank balances and cash   | 6,276   |
| Amount due to a former non-controlling interest shareholder of a former subsidiary | (4,285) |
| Other payables and accruals  | (1,459) |
| Provision  | (123)   |
| Deferred tax liabilities   | (284)   |
| Net assets disposed  | 6,460   |

## 27. Disposal of Subsidiaries (Continued)

## (d) Loss on disposal of subsidiaries

|                                | (Unaudited)<br>HK\$'000 |
|--------------------------------|-------------------------|
| Consideration receivable       | 29,000                  |
| Less: Net assets disposed      | (6,460)                 |
| Less: Goodwill (Note 15)       | (27,280)                |
| Add: Non-controlling interests | 2,907                   |
| Loss on disposal               | (1,833)                 |

## (e) Net cash flow on disposal

|  | (Unaudited)<br>HK\$'000 |
|--|-------------------------|
| Cash consideration received                      | —                       |
| Less: cash and cash equivalent balances disposed | (6,276)                 |
| Total  | (6,276)                 |

## 28. Related Party Disclosures

## (a) Key management personnel remuneration

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

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2017<br>(Unaudited)<br>HK\$'000 | 2016<br>(Unaudited)<br>HK\$'000 |
| Salaries and other short term employee benefits | 2,907                           | 1,955                           |
| Contributions to retirement benefit scheme      | 18                              | 18                              |
|   | 2,925                           | 1,973                           |

## 28. Related Party Disclosures (Continued)

## (b) Loans to related parties

The following tables disclose the loan interest income during the six months ended 30 June 2017 and 2016, as well as loans advanced to related parties as at 30 June 2017 and 31 December 2016:

| Six months ended 30 June   |   |   |
|----------------------------|---|---|
|                            | 2017<br>(Unaudited)<br>HK\$'000                     | 2016<br>(Unaudited)<br>HK\$'000                       |
| Loan interest income from: |   |   |
| — Key management personnel | 280   | —   |
|                            |   |   |
|                            | As at<br>30 June<br>2017<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2016<br>(Audited)<br>HK\$'000 |
| Loan advanced to:          |   |   |
| — Key management personnel | 8,000   | —   |

Loan advanced to related party are repayable according to repayment schedules, with contractual maturity within 12 months and bear annual interest rates at 12%. They are neither past due nor impaired.

## 29. Comparative Amounts

As a result of disposal of subsidiaries, certain comparative figures have been adjusted accordingly. In addition, certain comparative amounts have been reclassified to conform to the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2017, the principal activities of the Group are: (1) the provision of ICs solutions and the design, development and sales of ICs; (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); and (3) the provision of investment and planning consulting service, real estate agent, property management services and car parking management services in the PRC. Following the disposal of the total solutions for information security company on 28 June 2017, the Group pulled out of the information security business in Hong Kong.

### Business Review

#### Continuing operations

##### 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 half of 2017, the research and development teams deployed 3 more new IC models and 1 new IC models completed and launched. As at 30 June 2017, the Group had 14 new IC models under development and customer evaluation. The completion of the development of several new IC models has been extended as the process was prolonged due to customer evaluation, acceptance and modification work. Developing IC products with suitable technology that appeal to the market is essential for the growth of IC business. This can also expand the range of the 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. 3 new IC models launched for the first half of 2017. Due to the stagnant demand in the IC industry, revenue and margin from all major products decreased when compared to the same period last year. Revenue from the ASIC products decreased from approximately HK\$9.8 million for the first half of 2016 to approximately HK\$6.8 million for that of 2017.

At the same time, revenue from the provision of ASIC Service was approximately HK\$1.2 million for the first half of 2017. No revenue from the provision of ASIC Service was recorded for that of 2016. Due to the decrease in revenue from the ASIC products, particularly in DVD player ICs, Electronic Cigarette ICs and CCD Surveillance System ICs, the overall revenue from the ASIC Section dropped by 18.4% from approximately HK\$9.8 million for the first half of 2016 to approximately HK\$8.0 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 half of 2017. In view of the keen competition, the market sentiment for the LCD Driver ICs was improving for the first half of 2017, which leading to the increase in overall revenue. Accordingly, the overall revenue from the Standard IC Section was increased by 61.5% from approximately HK\$1.3 million for the first half of 2016 to approximately HK\$2.1 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. Due to the market competition is still keen and highly competitive, the Group's loans receivables, which are repayable according to repayment schedules with contractual maturity ranging from 4 months to 12 years, decreased from approximately HK\$256.0 million as at 31 December 2016 to approximately HK\$129.9 million as at 30 June 2017. Accordingly, the revenue was decreased by 3.6% from approximately HK\$11.1 million for the first half of 2016 to approximately HK\$10.7 million for that of 2017.

### Property Management Business in the PRC

Following the completion of the acquisition of entire issued share capital of 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\$10.1 million.

As at 30 June 2017, it has managed residential and non-residential properties with an aggregate contracted gross floor area ("GFA") of approximately 57,000 and 155,000 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, and 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\$4.1 million.

## Financial Review

### Revenue, Cost of Sales and Services and Gross Profit

The total revenue of the Group from continuing operations increased by 57.7% from approximately HK\$22.2 million for the first half of 2016 to approximately HK\$35.0 million for that of 2017. The increase was mainly due to the money lending business and the revenue generated from the newly acquired property management business in the PRC.

Cost of sales and services of the Group from continuing operations related to the IC and the newly acquired property management business in the PRC which were increased by 42.5% from approximately HK\$8.7 million for the first half of 2016 to approximately HK\$12.4 million for that of 2017.



The gross profit of the ASIC Section from continuing operations increased by 13.6% from approximately HK\$2.2 million for the first half of 2016 to approximately HK\$2.5 million for that of 2017, and gross profit margin of the ASIC Section from continuing operations was 32.1% for the first half of 2017, representing an increase of 10.0 percentage points from 22.1% 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 from continuing operations increased significantly by 233.3% from approximately HK\$0.3 million for the first half of 2016 to approximately HK\$1.0 million for that of 2017, and the gross profit margin of Standard IC Section from continuing operations was 44.6% for the first half of 2017, representing a rise of 23.8 percentage points from 20.8% 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 from continuing operations increased by 68.1% from approximately HK\$13.5 million for the first half of 2016 to approximately HK\$22.7 million for that of 2017, and the overall gross profit margin of the Group from continuing operations was 64.7% for the first half of 2017, representing an increase of 3.7 percentage points from 61.0% for that of 2016. The overall gross profit margin improved due to the improvement of IC business, positive contribution in the money lending business and the newly acquired property management business in the PRC, which had a higher margin.

#### Expenses

Staff costs from continuing operations increased by 33.9% from approximately HK\$5.9 million for the first half of 2016 to approximately HK\$7.9 million for that of 2017. The increase was primarily attributable to general pay rise and the newly acquired property management business in the PRC.

Depreciation and amortisation from continuing operations increased by 14.3% from approximately HK\$0.7 million for the first half of 2016 to approximately HK\$0.8 million for that of 2017, mainly because of the newly acquired property management business in the PRC.

Operating lease rental from continuing operations increased by 25.0% from approximately HK\$0.8 million for the first half of 2016 to approximately HK\$1.0 million for that of 2017, which was mainly due to the opening of new office in Hong Kong since April 2016.

Other operating expenses from continuing operations decreased by 18.5% from approximately HK\$5.4 million for the first half of 2016 to approximately HK\$4.4 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 from continuing operations for the six months ended 30 June 2017 was approximately HK\$5.3 million. For the six months ended 30 June 2016, the consolidated loss attributable to owners of the Company from continuing operations was approximately HK\$277,000. The increase was approximately HK\$5.6 million, or 1,866.7%. The increase was mainly attributable to the increase in overall revenue and gross profit as a result of revenue and profit generated from (i) the money lending business of the Group and (ii) the property management business following the completion of the acquisition of entire issued share capital of Quick Wit in January 2017.

### 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 2017, the Group had bank and cash balances of approximately HK\$18.0 million (31 December 2016: approximately HK\$8.0 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 738.6% as at 30 June 2017 (31 December 2016: 2,531.1%), 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 4.4% as at 30 June 2017 (31 December 2016: Nil). 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 2017 and 31 December 2016, the Group did not have any charges on its assets.

### Contingent Liabilities and Capital Commitment

The Group did not have any material contingent liabilities or capital commitment as at 30 June 2017 and 31 December 2016.

### Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

The Group completed the acquisition of entire issued share capital of Quick Wit on 20 January 2017 and the disposal of 55% of the entire issued share capital of Disposal Company on 28 June 2017.

Save for those disclosed in this report, there were no significant investments held by the Group as at 30 June 2017 and 31 December 2016, nor were there other material acquisitions and disposals of subsidiaries by the Group during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil). Apart from those disclosed in this report, there was no other plan authorised by the Board for other material investments or additions of capital assets as at the date of this report (2016: Nil).

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

### Employees and Remuneration Policies

The Group has approximately 40 employees as at 30 June 2017 (31 December 2016: 41 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 recognise 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.

### 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 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.

### Disposal of an Total Solutions for Information Security Business

On 25 April 2017, Excellence Steps Limited, a direct wholly-owned subsidiary of the Company, as the vendor 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 Disposal Company for a consideration of HK\$29 million. The Disposal 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. All of the conditions precedent under the sale and purchase agreement have been fulfilled and the disposal was completed on 28 June 2017 in accordance with the terms and conditions of the sale and purchase agreement. Upon completion of the disposal, the Disposal Group has ceased to be subsidiaries of the Company.

Detail of the disposal of 55% of the entire issued share capital of Disposal Company was disclosed in the Company's announcements dated 25 April 2017, 31 May 2017 and 28 June 2017 and the Company's circular dated 7 June 2017 respectively.

### Outlook

The global economies is expected to grow at a slower pace in view of financial uncertainty arising from the commencement of interest rate hike cycle in the United States, the potential instability of Brexit and general elections in Germany, France and the Netherlands. Triggered by such uncertainties in global environment, 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 also going to divert more attention and resource to develop the money lending business and the newly acquired property management business in the PRC respectively.

Looking ahead, the global economies and operation environment is full of 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 30 June 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/<br>Nature of interests        | Number of<br>the Company's<br>issued ordinary<br>shares held<br>(Note 1) | Approximate<br>percentage of<br>total issued<br>shares capital of<br>the Company<br>(Note 2) |
|-------------------------------|---|--|--|
| <b>Executive Directors</b>    |   |  |  |
| Mr. Zhang Qing                | Personal interest                       | 4,000,000(L)   | 0.29%  |
| Dr. Sung Tak Wing Leo         | Personal interest                       | 10,000,000(L)  | 0.72%  |
| Mr. Lau Mo                    | Interest of a controlled<br>corporation | 278,000,000(L)<br>(Note 3)   | 19.89%   |
| <b>Non-executive Director</b> |   |  |  |
| Mr. Ye Jian                   | Interest of a controlled<br>corporation | 400,800,000(L)(S)<br>(Note 4)  | 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. The percentages are calculated on the basis of 1,397,782,400 ordinary shares of the Company in issues as at 30 June 2017.
3. 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.
4. 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.

Save as disclosed above, as at 30 June 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 30 June 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/<br>Nature of interests              | Total<br>number of<br>the Company's<br>issued ordinary<br>shares held (Note 1) | Approximate<br>percentage of<br>total issued<br>share capital of<br>the Company |
|--|---|--|---|
| Champsword Limited                       | Beneficial owner (Note 2)                     | 278,000,000(L)   | 19.89%  |
| Metro Classic Limited                    | Beneficial owner (Note 3)                     | 400,800,000(L)(S)  | 28.67%  |
| China Rise Finance Company Limited       | Beneficial owner<br>(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:

- 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 30 June 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.

## 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 28 April 2017 and with effect from 16 May 2017. 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 30 March 2017.

For the six months ended 30 June 2017, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the scheme.



## 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 2016 are set out below:

1. Mr. Liu Kam Lung, a non-executive director of the Company, has resigned from his position as an independent non-executive director of Enterprise Development Holdings Limited (stock code: 1808.HK) with effect from 27 April 2017.
2. Mr. Lau Mo has been appointed as an executive director of the Company with effect from 12 May 2017. Particulars of Mr. Lau Mo was set out in the announcement of the Company dated 12 May 2017.

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 2017.

## INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2017, 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 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 six months ended 30 June 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 a non-executive Director at the relevant time) was unable to attend the annual general meeting of the Company held on 28 April 2017 and extraordinary general meeting held on 23 June 2017 as he was obliged to be away for his business matter.
- Mr. Liu Kam Lung (being a non-executive Director at the relevant time) was unable to attend the extraordinary general meeting of the Company held on 23 June 2017 as he was obliged to be away for his business matter.
- Mr. Ko Yin Wai (being an independent non-executive Director at the relevant time) was unable to attend the extraordinary general meeting of the Company held on 23 June 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 six months ended 30 June 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

**Megalagic Technology Holdings Limited**

**Mr. Zhang Qing**

*Chairman*

Hong Kong, 4 August 2017

*As at the date of this report, the executive Directors are Mr. Zhang Qing, Dr. Sung Tak Wing Leo and Mr. Lau Mo; 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.*