



MEGALOGIC TECHNOLOGY HOLDINGS LIMITED

宏創高科集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8242

FIRST QUARTERLY REPORT 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Megalogic Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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.

The board of Directors (the “Board”) of Megalogic Technology Holdings Limited hereby announces the following unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2018 together with comparable figures for the corresponding period in 2017.

	Notes	Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Continuing Operations			
Revenue	3	17,899	16,876
Cost of sales and services		(6,605)	(5,518)
Gross profit		11,294	11,358
Other income	4	258	37
Other gains and losses	5	3	(61)
Staff costs		(4,740)	(3,659)
Depreciation		(376)	(376)
Operating lease rental — land and buildings		(618)	(493)
Other operating expense		(1,445)	(2,070)
Finance cost	6	—	(477)
Profit before tax from continuing operations		4,376	4,259
Income tax expense	7	(1,586)	(1,516)
Profit for the period from continuing operations		2,790	2,743
Discontinued Operation			
Profit for the period from discontinued operation		—	1,308
Profit for the period		2,790	4,051

Three months ended 31 March

	Notes	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Other comprehensive income/(expense), net of income tax			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		742	(46)
Total comprehensive income for the period		3,532	4,005
Profit/(loss) for the period attributable to owners of the Company:			
from continuing operations		3,166	2,743
from discontinued operation		—	720
		3,166	3,463
Non-controlling interests:			
from continuing operations		(376)	—
from discontinued operation		—	588
		(376)	588
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		3,908	3,417
Non-controlling interests		(376)	588
		3,532	4,005
Earnings per share attributable to owners of the Company	10	HK cents	HK cents
Basic and diluted			
For profit for the period		0.23	0.25
For profit for the period from continuing operations		0.23	0.20

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2018

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	(Accumulated losses)/retained profits		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017	139,778	148,287	17,941	—	(40)	(5,905)	300,061	301,935
Profit for the period	—	—	—	—	—	3,463	3,463	4,051
Other comprehensive expense for the period:								
Exchange differences arising on translation of foreign operations	—	—	—	—	(46)	—	(46)	(46)
Total comprehensive (expense)/income for the period	—	—	—	—	(46)	3,463	3,417	4,005
At 31 March 2017	139,778	148,287	17,941	—	(86)	(2,442)	303,478	305,940
At 1 January 2018	139,778	148,287	17,941	508	546	3,582	310,642	313,341
Profit/(loss) for the period	—	—	—	—	—	3,166	3,166	2,790
Other comprehensive expense for the period:								
Exchange differences arising on translation of foreign operations	—	—	—	—	742	—	742	742
Total comprehensive income/(expense) for the period	—	—	—	—	742	3,166	3,908	3,532
At 31 March 2018	139,778	148,287	17,941	508	1,288	6,748	314,550	316,873

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

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 ("HK") through the provision of unsecured and secured loans to customers, including individuals 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").

This condensed consolidated quarterly financial information has not been audited.

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

2. Basis of Preparation

The unaudited condensed consolidated quarterly financial statements of the Group for the three months ended 31 March 2018 have been prepared under historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted are consistent with those applied in the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), except the new and revised HKFRSs, which are effective for the financial year beginning from 1 January 2018. The application of these new and revised HKFRSs has not had material impact on the unaudited condensed consolidated quarterly financial statements of the Group.

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

3. Revenue

Revenue represents the net invoice value of goods sold after allowances for returns and trade discounts, the value of services rendered, and interest income from money lending business during the reporting periods. An analysis of the Group's revenue from continuing operations is as follows:

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Sales of ICs	2,827	4,703
Provision of ASIC Service	387	501
Interest from money lending business	4,929	5,855
Provision of property management services	9,756	5,817
	17,899	16,876

4. Other Income

An analysis of other income from continuing operations is as follows:

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest income from:		
— Bank deposit	2	3
— Others	168	—
Sundry income	88	34
	258	37

5. Other Gains and Losses

An analysis of other gains and losses from continuing operations is as follows:

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss on disposal of property, plant and equipment, net	—	(1)
Exchange gain/(loss), net	3	(60)
	3	(61)

6. Finance Cost

An analysis of finance cost incurred in continuing operations is as follows:

Three months ended 31 March		
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Accumulated interest on promissory note	—	477
	—	477

7. Income Tax Expense

An analysis of income tax expense from continuing operations is as follows:

Three months ended 31 March		
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax:		
Charge for the period		
Hong Kong Profits Tax	516	661
PRC Enterprise Income Tax	1,070	855
	1,586	1,516

Hong Kong Profits Tax is provided at a rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

Under the Enterprise Income Tax ("EIT") law of the PRC and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary are subject to 25%.

No deferred tax has been provided as the Group did not have any material temporary differences which gave rise to a deferred tax asset or liability for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

8. Profit Before Tax

The Group's profit before tax from continuing operations is arrived at after charging:

Three months ended 31 March		
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
(a) Staff costs		
Staff costs including directors' emoluments		
— Salaries, allowances and benefits in kind	4,423	3,546
— Retirement benefit contributions	317	113
	4,740	3,659
(b) Other items		
Auditor's remuneration	154	118
Cost of inventories recognised as an expense*	1,933	3,586
Design and development costs	221	203

* including a reversal provision of approximately HK\$4,000 for slow-moving and obsolete inventories (three months ended 31 March 2017: provision of HK\$239,000).

9. Dividends

No dividends was declared or paid during the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

10. Earnings Per Share

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

Three months ended 31 March		
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit attributable to owners of the Company:		
From continuing operations	3,166	2,743
From discontinued operation	—	720
	3,166	3,463

Number of shares (thousands)		
Shares		
Weighted average number of ordinary shares in issue during the period	1,397,782	1,397,782

The Group did not have any dilutive potential ordinary shares during the three months ended 31 March 2018 and 2017.

11. Comparative Amounts

As a result of disposal of subsidiaries in prior year, 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 quarter of 2018, the principal activities of the Group are: (1) the provision of IC 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 individuals 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.

Business Review

IC Business

The Group sells IC under its own brand name “MiniLogic” and provides application specific IC service (the “ASIC Service”) in design and development of tailor-made IC to its customers. The Group also provides tailor-made IC solutions and sells tailor-made ICs to customers under the ASIC Service business section (the “ASIC Section”); and independently develops and sells generically-applicable ICs for sale in the market under the MiniLogic Brand IC business section (the “Standard IC Section”).

During the first quarter of 2018, the research and development (the “R&D”) team deployed 1 more new IC models. The Group had 15 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, CCD Surveillance ICs and Motor Driver ICs. There was no new IC model launched during the first quarter of 2018. Due to the downward pressure in the IC industry, revenue and selling price from Power Management ICs, DVD Player ICs, and Electronic Cigarette ICs decreased when compared to the same period last year. Revenue from the ASIC products significantly decreased from approximately HK\$3.9 million for the first quarter of 2017 to approximately HK\$1.8 million for that of 2018.

At the same time, revenue from the provision of ASIC Service decreased from approximately HK\$0.5 million for the first quarter of 2017 to approximately HK\$0.4 million for that of 2018. Due to the decrease in revenue from the ASIC Service and ASIC products, particularly in Power Management ICs, DVD player ICs, and Electronic Cigarette ICs, the overall revenue from the ASIC Section notably dropped by 50.0% from approximately HK\$4.4 million for the first quarter of 2017 to approximately HK\$2.2 million for that of 2018.

Standard IC Section

Under the Standard IC Section, the major products are LCD Driver ICs for instrument panel and Power Management ICs. A new IC model was launched for the first quarter of 2018. In view of the continuing improvement in the market sentiment for the LCD Driver ICs, there was an increase in overall revenue for the first quarter of 2018. Accordingly, the overall revenue from the Standard IC Section increased by 25.0% from approximately HK\$0.8 million for the first quarter of 2017 to approximately HK\$1.0 million for that of 2018.

Money Lending Business

The Group engages in the money lending business, such as providing secured and unsecured loans to customers comprising individuals and corporations to earn interest income. As the market competition is still keen and challenging, the Group's loans receivables, which are repayable according to repayment schedules with contractual maturity ranging from 4 months to 12 years, increased from approximately HK\$135.4 million as at 31 December 2017 to approximately HK\$159.4 million as at 31 March 2018. The revenue decreased by 16.9% from approximately HK\$5.9 million for the first quarter of 2017 to approximately HK\$4.9 million for that of 2018.

Property Management Business in the PRC

The Group has also 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 property management services to property owners and residents such as predelivery services, move-in assistance services, security, cleaning, gardening, repair and maintenance, the revenue of this section increased significantly by 130.3% from approximately HK\$3.3 million for the first quarter of 2017 to approximately HK\$7.6 million for that of 2018.

As at 31 March 2018, the Group 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 management and real estate agency services in respect of commercial and residential buildings in the PRC. The revenue of this section for the first quarter of 2018 was approximately HK\$0.1 million, similar to that of the corresponding period in previous year.

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 section decreased by 12.5% from approximately HK\$2.4 million for the first quarter of 2017 to approximately HK\$2.1 million for that of 2018.

Financial Review

Below is an analysis of our key financial indicators including, but not limited to revenue, cost of sales and services and gross profit, which reflected the financial position of the business.

Revenue, Cost of Sales and Services and Gross Profit

The total revenue of the Group from continuing operations slightly increased by 5.9% from approximately HK\$16.9 million for the first quarter of 2017 to approximately HK\$17.9 million for that of 2018. The increase was mainly due to the revenue generated from the property management business in the PRC.

Cost of sales and services of the Group from continuing operations related to the IC and the property management business in the PRC increased by 20.0% from approximately HK\$5.5 million for the first quarter of 2017 to approximately HK\$6.6 million for that of 2018.

The gross profit of the ASIC Section from continuing operations decreased by 38.5% from approximately HK\$1.3 million for the first quarter of 2017 to approximately HK\$0.8 million for that of 2018, and gross profit margin of the ASIC Section from continuing operations was 35.1% for the first quarter of 2018, representing an increase of 2.0 percentage points from 33.1% for that of 2017. The increase in gross profit margin of ASIC Section was mainly due to the decrease in cost of sales of ASIC products. The gross profit of the Standard IC Section from continuing operations increased significantly by 66.7% from approximately HK\$0.3 million for the first quarter of 2017 to approximately HK\$0.5 million for that of 2018, and the gross profit margin of Standard IC Section from continuing operations was 49.5% for the first quarter of 2018, representing a rise of 8.6 percentage points from 40.9% for that of 2017. 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 decreased by 1.0% from approximately HK\$11.4 million for the first quarter of 2017 to approximately HK\$11.3 million for that of 2018, and the overall gross profit margin of the Group from continuing operations was 63.1%, representing a decrease of 4.2 percentage points from 67.3% for the first quarter of 2017. The overall gross profit margin decreased as the profit margin of the property management business in the PRC was lower.

Expenses

Staff costs from continuing operations increased by 27.0% from approximately HK\$3.7 million for the first quarter of 2017 to approximately HK\$4.7 million for that of 2018. The increase was primarily attributable to general pay rise and the property management business in the PRC.

Depreciation from continuing operations for the first quarter of 2018 was approximately HK\$0.4 million, similar to that of the corresponding period in previous year.

Operating lease rentals from continuing operations increased by 20.0% from approximately HK\$0.5 million for the first quarter of 2017 to approximately HK\$0.6 million for that of 2018, which was mainly due to the property management business in the PRC.

Other operating expenses from continuing operations decreased by 33.3% from approximately HK\$2.1 million for the first quarter of 2017 to approximately HK\$1.4 million for that of 2018. The decrease was mainly attributable to the less spending for the expansion and development of the business, such as legal and professional fee.

Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company from continuing operations for the first quarter of 2018 was approximately HK\$3.2 million. For the first quarter of 2017, the consolidated profit attributable to owners of the Company was approximately HK\$2.7 million. The increase was approximately HK\$0.5 million, or 18.5%. The increase was mainly attributable to the increase in overall revenue and gross profit generated from the property management business in the PRC.

Outlook

The global economies are full of uncertainty, as clouded by the trade war initiated by the President of the United States of America, and the interference of Syrian civil war by different countries. These issues volatiled the stock and commodity markets. Facing the challenging environment in Hong Kong and the PRC, 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 property management business in the PRC respectively.

Looking forward, the management expects the global business environment to remain challenging in this year, but it will continue to exercise prudence in looking for any suitable business opportunities in future, so as to broaden the source of our revenues and cash flows, taking into account the funding requirement and associated business risk.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2018, 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 and underlying share of the Company

Name of Directors	Capacity/Nature of interests	Number of the Company's issued ordinary shares held (Note 1)	Approximate percentage of total issued shares capital of the Company (Note 2)
Executive Directors			
Mr. Zhang Qing	Personal interest	4,000,000(L)	0.29%
Dr. Sung Tak Wing Leo	Personal interest	10,000,000(L)	0.72%
Mr. Lau Mo	Interest of a controlled corporation (Note 3)	415,000,000(L)	29.69%
		278,000,000(S)	19.89%

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 31 March 2018.
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 415,000,000 ordinary shares of the Company in which Champsword Limited is beneficially interested. As disclosed in the announcement of the Company dated 11 September 2017, Champsword Limited has pledged the 278,000,000 ordinary shares of the Company in favour of U Credit (HK) Limited as security for a term loan facility provided to Champsword Limited. U Credit (HK) Limited thus has security interest over these shares.

Save as disclosed above, as at 31 March 2018, so far as is known to the Directors or Chief Executive Officer of the Company, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 March 2018, so far as is known to the Directors or Chief Executive Officer of the Company, the following persons or corporations (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to 336 of the SFO:

Long and Short Positions

Ordinary shares of the Company

Name of shareholders	Capacity/Nature of interests	Total number of the Company's issued ordinary shares held (Note 1)	Approximate percentage of total issued share capital of the Company
Champsword Limited	Beneficial owner (Note 2)	415,000,000(L)	29.69%
		278,000,000(S)	19.89%
Mr. Lau Mo	Interest of a controlled corporation (Note 2)	415,000,000(L)	29.69%
		278,000,000(S)	19.89%
U Credit (HK) Limited	Beneficial owner of security interest (Notes 2 and 3)	278,000,000(L)	19.89%
China Strategic Financial Holdings Limited	Interest of a controlled corporation (Note 3)	278,000,000(L)	19.89%
China Strategic Asset Holdings Limited	Interest of a controlled corporation (Note 3)	278,000,000(L)	19.89%
China Strategic Holdings Limited	Interest of a controlled corporation (Note 3)	278,000,000(L)	19.89%

Notes:

1. The letter “L” denotes long positions in the shares and underlying shares of the Company and the letter “S” denotes short positions in the shares and underlying shares of the Company.
2. Mr. Lau Mo is the beneficial owner of all of the issued share capital of Champsword Limited, and is therefore deemed to be interested in the 415,000,000 ordinary shares of the Company in which Champsword Limited is beneficially interested. As disclosed in the announcement of the Company dated 11 September 2017, Champsword Limited has pledged the 278,000,000 ordinary shares of the Company in favour of U Credit (HK) Limited as security for a term loan facility provided to Champsword Limited. U Credit (HK) Limited thus has security interest over these shares.
3. U Credit (HK) Limited is wholly-owned by China Strategic Financial Holdings Limited. China Strategic Financial Holdings Limited is wholly-owned by China Strategic Asset Holdings Limited which in turn is wholly-owned by China Strategic Holdings Limited. Thus China Strategic Financial Holdings Limited, China Strategic Asset Holdings Limited and China Strategic Holdings Limited are deemed to be interested in the 278,000,000 ordinary shares of the Company in which U Credit (HK) Limited has security interest.

Save as disclosed above, as at 31 March 2018, so far as is known to the Directors and Chief Executive Officer of the Company, and based on the public records filed on the website of Hong Kong Exchanges and Clearing Limited and records kept by the Company, no other persons or corporations (other than Directors and Chief Executive Officer of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2018.

INTEREST IN A COMPETING BUSINESS

During the three months ended 31 March 2018, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group or any other conflict of interest with the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the specific enquiry made to all the Directors, the Company was not aware of any non-compliance with the Model Code regarding securities transactions by Directors during the three months ended 31 March 2018.

CORPORATE GOVERNANCE PRACTICES

The Group has committed to upholding high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of shareholders of the Group.

The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code and has complied with the CG Code for the three months ended 31 March 2018, 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. Liu Kam Lung (being an non-executive Director at the relevant time) was unable to attend the annual general meeting of the Company held on 27 April 2018 as he was obliged to be away for his business matter.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is currently composed of the 3 independent non-executive Directors, namely Mr. Cheung Chi Man Dennis, Mr. Chiu Yu Wang and Mr. Ko Yin Wai, and chaired by Mr. Cheung Chi Man Dennis, who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018, which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosure have been made.

By Order of the Board
Megalogic Technology Holdings Limited
Mr. Zhang Qing
Chairman

Hong Kong, 4 May 2018

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 Director is 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.