10-Q 1 logq_10q.htm QUARTERLY REPORT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2017

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission file number: 000-22711

LOGICQUEST TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Nevada	**76-0640970**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
5 Independence Way, Suite 300, Princeton, NJ, U.S.A.	**08540**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code 609-514-5136

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☑
(Do not check if a smaller reporting company)	Emerging growth company ☐

If an emerging growth company, indicate by checkmark if the registrant has not elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

On May 12, 2017, the registrant had outstanding 2,301,968 shares of Common Stock, $0.001 par value per share.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LOGICQUEST TECHNOLOGY, INC.
BALANCE SHEETS

		March 31 2017 (Unaudited)		December 31, 2016
ASSETS				
Current assets:				
Prepaid expenses and other current assets	$	5,519	$	7,394
Total current assets		5,519		7,394
Intangible assets, net		20,005		20,583
Total assets	$	25,524	$	27,977
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Accrued liabilities	$	2,589,946	$	2,518,111
Due to related party		421,877		380,196
Note payable		1,337,600		1,337,600
Total current liabilities		4,349,423		4,235,907
Stockholders' deficit:				
Undesignated preferred stock, $.001 par value, 9,999,942 shares authorized, none issued and outstanding		—		—
Series C Convertible Non-Redeemable preferred stock, $.001 par value, 48 shares authorized, issued and outstanding at March 31, 2017 and December 31, 2016; $12,500 per share liquidation preference ($600,000 aggregate liquidation preference at March 31, 2017)		—		—
Series D Convertible Non-Redeemable preferred stock, $.001 par value, 10 shares authorized, issued and outstanding at March 31, 2017 and December 31, 2016; $8,725 per share liquidation preference ($87,250 aggregate liquidation preference at March 31, 2017)		—		—
Common stock, $0.001 par value, 200,000,000 shares authorized, 2,301,968 shares issued and outstanding at March 31, 2017 and December 31, 2016		2,302		2,302
Additional paid-in capital		22,487,937		22,487,937
Accumulated deficit		(26,814,138)		(26,698,169)
Total stockholders' deficit		(4,323,899)		(4,207,930)
Total liabilities and stockholders' deficit	$	25,524	$	27,977

See accompanying notes to unaudited financial statements

LOGICQUEST TECHNOLOGY, INC.
STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2017 AND 2016
UNAUDITED

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Operating expenses		
Selling, general and administrative expenses	$ 36,496	$ 42,228
Loss from operations	(36,496)	(42,228)
Interest expense	(79,473)	(80,023)
Net loss	$ (115,969)	$ (122,251)
Net loss per share – basic and diluted	$ (0.05)	$ (0.05)
Basic and diluted weighted average shares outstanding	2,301,968	2,301,968

See accompanying notes to unaudited financial statements

LOGICQUEST TECHNOLOGY, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
UNAUDITED

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows from operating activities:		
Net loss	$ (115,969)	$ (122,251)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	578	156
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	1,875	4,776
Accrued liabilities	113,516	117,319
Net cash used in operating activities	—	—
Net decrease in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	$ —	$ —
Supplemental information:		
Cash paid for interest	$ —	$ —
Cash paid for income taxes	—	—
Non-cash transactions:		
Transfer of prepaid expenses to intangible assets	$ —	$ 6,551
Operating expenses directly paid by related party	$ 41,681	$ 33,617

See accompanying notes to unaudited financial statements

LOGICQUEST TECHNOLOGY, INC.
NOTES TO FINANCIAL STATEMENTS
UNAUDITED

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Logicquest Technology, Inc. ("we", "our", "Logicquest" or the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in Logicquest's Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which substantially duplicate the disclosure contained in the audited financial statements for the year ended December 31, 2016 as reported in the Form 10-K have been omitted.

2. GOING CONCERN CONSIDERATIONS

During the three months ended March 31, 2017, Logicquest has been unable to generate cash flows sufficient to support its operations and has been dependent on debt raised from a related party and an independent third party. In addition to negative cash flow from operations, Logicquest has experienced recurring net losses, and has a negative working capital and stockholders' deficit.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if Logicquest is unable to continue as a going concern.

3. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings and financial position.

4. DUE TO RELATED PARTY

The due to related party is summarized below:

	3/31/2017	12/31/2016
Expenses paid by Logicquest Technology Limited, a company controlled by the Company's Chief Financial Officer, Cheng Yew Siong, on behalf of the Company	$ 421,877	$ 380,196

5. INTANGIBLE ASSETS

The following table presents the detail of intangible assets for the periods presented:

	3/31/2017	12/31/2016
Trademarks		
Gross Carrying Value	$ 22,473	$ 22,473
Less: Accumulated Amortization Total	(2,468)	(1,890)
Trademarks, net	$ 20,005	$ 20,583

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENT

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited financial statements are stated in United States Dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles. All references to "common shares" refer to the common shares in our capital stock.

The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report.

As used in this quarterly report, the terms "we", "us", "our" and "our company" mean Logicquest Technology, Inc., unless otherwise indicated.

General Overview

Our company was formed on July 23, 2001 when Solis Communications, Inc., a company incorporated in the State of Texas on February 26, 2001, completed the acquisition of Berens Industries, Inc., a company originally incorporated in the State of Nevada on January 9, 1985. On September 17, 2001, we changed our name to Crescent Communications Inc. d.b.a Crescent Broadband. On November 15, 2004, we changed our name to Bluegate Corporation. On March 19, 2015, we changed our name to Logicquest Technology, Inc.

We are a Nevada corporation that previously operated as a broadband network service provider, providing internet connectivity to corporate clients on a subscription basis. During May 2014 our board of directors authorized an orderly wind-down of our Company's internet connectivity business which ceased effective June 30, 2014.

Our Current Business

We are currently a company with no operations. To sustain our company's operation, our board is currently seeking investment opportunities in the IT field in the Greater China Region, and is targeting to successfully locate at least one in the second quarter of 2017.

At this stage, we can provide no assurance that we will be able to locate compatible business opportunities, what additional financing we will require to complete a business opportunity, or whether the opportunity's operations will be profitable.

If we are unable to secure adequate capital to continue our business, our shareholders will lose some or all of their investment and our business will likely fail.

Results of Operations

Three Months Ended March 31, 2017 compared to the Three Months Ended March 31, 2016

We had a net loss of $115,969 for the three month period ended March 31, 2017, which was $6,282 less than the net loss of $122,251 for the three month period ended March 31, 2016. The change in our results over the two periods is a result of a decrease in Selling, general and administrative expenses.

The following table summarizes key items of comparison and their related increase (decrease) for the three month periods ended March 31, 2017 and 2016:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Increase (Decrease) 2017 from 2016
Revenue	$ —	$ —	$ —
Selling, general and administrative expenses	36,496	42,228	(5,732)
Loss from operations	(36,496)	(42,228)	(5,732)
Interest expense	(79,473)	(80,023)	(550)
Net loss	$ (115,969)	$ (122,251)	$ (6,282)

Revenue

We have not earned any revenues during the quarter of March 31, 2017 and we do not anticipate earning revenues in the upcoming quarter.

Liquidity and Capital Resources

As of March 31, 2017, our cash and cash equivalents were nil; total current liabilities were $4,349,423 and total stockholders' deficit was $4,323,899.

Working Capital

	At March 31, 2017	At December 31, 2016
Current assets	$ 5,519	$ 7,394
Current liabilities	4,349,423	4,235,907
Working capital	$ (4,343,904)	$ (4,228,513)

We anticipate generating losses and, therefore, may be unable to continue operations further in the future.

Financial Condition

	Three Months Ended March 31		Increase (Decrease) 2017 from 2016
	2017	2016	
Net cash (used in) operating activities	$ —	$ —	$ —
Net cash provided by financing activities	—	—	—
Net decrease in cash during period	$ —	$ —	$ —
Cash balance at end of period	—	—	

Operating Activities

Net cash used in operating activities during the three months ended March 31, 2017 was $0 and $0 during the three months ended March 31, 2016.

Financing Activities

Cash provided by financing activities during the three months ended March 31, 2017 was $0 and $0 during the three months ended March 31, 2016.

To date we have relied on proceeds from the sale of our shares and on loans from officers and directors, related companies and an independent third party in order to sustain our basic, minimum operating expenses; however, we cannot guarantee that we will secure any further sales of our shares or that our officers and directors, related companies or the independent third party will provide us with any future loans. We intend to use debt to cover the anticipated negative cash flows until we can operate at a break-even cash flow mode. We may seek additional capital to fund potential costs associated with possible expansion and/or acquisitions. We believe that future funding may be obtained from public or private offerings of equity securities, debt or convertible debt securities, or other sources. Stockholders should assume that any additional funding will likely be dilutive.

We are not aware of any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in our liquidity increasing or decreasing in any material way.

Future Financings

We anticipate continuing to rely on loans from a related company. We may obtain funding through equity sales of our common stock in order to continue to fund our business operations. Issuances of additional shares will result in dilution to our existing stockholders. There is no assurance that we will achieve any additional sales of our equity securities or arrange for debt or other financing to fund our planned business activities.

We presently do not have any arrangements for additional financing for the expansion of our exploration operations, and no potential lines of credit or sources of financing are currently available for the purpose of proceeding with our plan of operations.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, and capital expenditures or capital resources that are material to stockholders.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon financial statements which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate these estimates. We base our estimates on historical experience and on assumptions that are believed to be reasonable. These estimates and assumptions provide a basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and these differences may be material.

We believe that the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Stock-Based Compensation

Accounting Standard 718, "Accounting for Stock-Based Compensation" ("ASC 718") established financial accounting and reporting standards for stock-based employee compensation plans. It defines a fair value based method of accounting for an employee stock option or similar equity instrument. In January 2006, we implemented ASC 718, and accordingly, we account for compensation cost for stock option plans in accordance with ASC 718.

We account for share based payments to non-employees in accordance with ASC 505-50 “Accounting for Equity Instruments Issued to Non-Employees for Acquiring, or in Conjunction with Selling, Goods or Services”.

Going Concern

We remain dependent on outside sources of funding for continuation of our operations. Our independent registered public accounting firm issued a going concern qualification in their report dated March 30, 2017 (included in our annual report on Form 10-K for the year ended December 31, 2016), which raises substantial doubt about our ability to continue as a going concern.

During the three months ended March 31, 2017 and the year ended December 31, 2016, we have been unable to generate cash flows sufficient to support our operations and have been dependent on debt raised from a related party.

During the three months ended March 31, 2017 and 2016, we experienced negative financial results as follows:

	Three Months Ended March 31,	
	2017	2016
Net loss	$ (115,969)	$ (122,251)
Negative working capital	(4,343,904)	(3,839,308)
Stockholders' deficit	(4,323,899)	(3,832,913)

These factors raise substantial doubt about our ability to continue as a going concern. The financial statements contained herein do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should we be unable to continue in existence. Our ability to continue as a going concern is dependent upon our ability to generate sufficient cash flows to meet our obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain profitable operations. However, there is no assurance that profitable operations or sufficient cash flows will occur in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

We are required to maintain "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. In designing and evaluating our disclosure controls and procedures, our management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Based on their evaluation as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective such that the information relating to our company, required to be disclosed in our Securities and Exchange Commission reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as a result of continuing weaknesses in our internal control over financial reporting.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016, based on management's assessment of the effectiveness of our internal controls over financial reporting, management concluded that our internal controls over financial reporting were not effective as of December 31, 2016, due to insufficiently qualified accounting and other finance personnel with an appropriate level of U.S. GAAP knowledge and experience. Management believes that our lack of experience with U.S. GAAP constitutes a material weakness in our internal control over financial reporting. Until such time, if ever, that we remediate the material weakness in our internal control over financial reporting we expect that the material weaknesses in our disclosure controls and procedures will continue.

Changes in internal control over financial reporting.

There was no change in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

ITEM 1A. RISK FACTORS

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Name
3.1	Articles of incorporation (incorporated by reference to Form SB-2 filed June 3, 2005 as Exhibit 3.1).
3.2	Bylaws (incorporated by reference to Form SB-2 filed June 3, 2005 as Exhibit 3.2).
10.1	Memorandum of Understanding between our company and Logicquest dated March 31, 2016 (incorporated by reference to our Current Report on Form 8-K filed on April 7, 2016 as Exhibit 10.1).
31.1	CERTIFICATION REQUIRED BY RULE 13a - 14(a) OR RULE 15d - 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 OF THE CHIEF EXECUTIVE OFFICER
31.2	CERTIFICATION REQUIRED BY RULE 13a - 14(a) OR RULE 15d - 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 OF THE CHIEF FINANCIAL OFFICER AND PRINCIPAL ACCOUNTING OFFICER
32.1	CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350), OF THE CHIEF EXECUTIVE OFFICER
32.2	CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350), OF THE CHIEF FINANCIAL OFFICER AND PRINCIPAL ACCOUNTING OFFICER
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Logicquest Technology, Inc.

Date: May 12, 2017

By: /s/ Ang Woon Han
Ang Woon Han
Director, Chief Executive Officer and President

Logicquest Technology, Inc.

Date: May 12, 2017

By: /s/ Cheng Yew Siong
Cheng Yew Siong
Director, Chief Financial Officer and Principal Accounting Officer