



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 2012

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This report, for which the directors (the “Directors”) of Megalogic Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 Megalogic Technology Holdings Limited (the "Company") hereby announces the 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 2012 together with comparable figures for the corresponding period in 2011 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Revenue	5	7,833	15,409	15,935	25,187
Cost of sales of integrated circuits and provision of integrated circuits packaging service		(5,865)	(9,246)	(10,891)	(15,126)
Gross profit		1,968	6,163	5,044	10,061
Other income	6	54	1	383	2
Staff costs		(1,788)	(1,124)	(3,130)	(2,398)
Depreciation		(324)	(299)	(625)	(572)
Operating lease rental — land and buildings		(93)	(93)	(185)	(185)
Other operating expenses		(2,064)	(897)	(3,643)	(1,384)
Expenses incurred in connection with Listing		—	—	(9,272)	—
Finance costs	7	—	—	—	(8)
(Loss)/profit before income tax		(2,247)	3,751	(11,428)	5,516
Income tax credit/(expense)	8	310	(621)	204	(912)
(Loss)/profit for the period	9	(1,937)	3,130	(11,224)	4,604
(Loss)/profit attributable to owners of the Company and total comprehensive (loss)/ income for period		(1,937)	3,130	(11,224)	4,604
(Loss)/earnings per share	10				
Basic		HK(0.97) cents	HK2.09 cents	HK(5.75) cents	HK3.07 cents
Diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Financial Position

		As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		3,866	3,443
Current assets			
Inventories		10,099	3,972
Trade receivables	12	8,845	20,381
Deposits and prepayments		1,809	10,182
Tax recoverable		991	991
Bank balances and cash		44,088	7,635
		65,832	43,161
Current liabilities			
Trade payables	13	2,400	1,808
Other payables and accruals		554	946
		2,954	2,754
Net current assets		62,878	40,407
Total assets less current liabilities		66,744	43,850
Non-current liabilities			
Deferred tax liabilities		335	539
Net assets		66,409	43,311
Capital and reserves			
Share capital	14	20,000	380
Reserves		46,409	42,931
Total equity		66,409	43,311

Condensed Consolidated Statement of Changes In Equity

	Share capital	Share premium	Merger revaluation reserve	Assets revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (Audited)	6,249	2,073	—	173	14,021	22,516
Issue of shares of a subsidiary	1,402	8,598	—	—	—	10,000
Total comprehensive income for the period	—	—	—	—	4,604	4,604
At 30 June 2011 (Audited)	7,651	10,671	—	173	18,625	37,120
At 1 January 2012 (Audited)	380	—	17,941	173	24,817	43,311
Capitalisation issue	14,620	(14,620)	—	—	—	—
Placing of share	5,000	35,000	—	—	—	40,000
Share issue expenses	—	(5,678)	—	—	—	(5,678)
Total comprehensive loss for the period	—	—	—	—	(11,224)	(11,224)
At 30 June 2012 (Unaudited)	20,000	14,702	17,941	173	13,593	66,409

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Net cash from/(used in) operating activities	3,125	(1,469)
Net cash used in investing activities	(994)	(1,415)
Net cash from financing activities	34,322	5,700
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Net increase in cash and cash equivalents	36,453	2,816
Cash and cash equivalents at beginning of the period	7,635	5,898
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Cash and cash equivalents at end of the period	44,088	8,714
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Analysis of cash and cash equivalents		
at end of the period		
Bank balances and cash	44,088	8,714
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Notes to the Condensed Consolidated Financial Statements

1. General Information

The Company was incorporated in the Cayman Islands on 31 March 2011, as an exempted company with limited liability. The address of its registered office is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is located at Unit 508-509, 5th Floor, IC Development Centre, No.6 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, Shatin, New Territories, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 January 2012 (the "Listing").

The Company is an investment holding company. The principal activity of its subsidiaries is the provision of integrated circuit ("IC") solutions and is engaged in design, development and sales of ICs.

This condensed consolidated interim financial information has not been audited.

2. Group Reorganization

Pursuant to the group reorganization (the "Reorganization"), the Company has since 20 December 2011 become the holding company of its subsidiaries now comprising the Group. On 20 December 2011, the Company, Minilogic Investment Limited ("Minilogic BVI") and the then shareholders of MiniLogic Device Corporation Limited ("MiniLogic HK") entered into a share swap agreement, pursuant to which Minilogic BVI acquired the entire issued share capital of MiniLogic HK from the said shareholders in consideration of, (i) Minilogic BVI crediting as paid up the initial one nil paid share of Minilogic BVI held by the Company; (ii) the crediting as fully paid at par the initial one nil paid share of the Company and (iii) the issue and allotment of 3,799,999 shares to the said shareholders, all credited as fully paid. Further details of the Reorganization are also set out in the paragraphs headed "The Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" to the prospectus of the Company dated 30 December 2010 (the "Prospectus") in connection with the Listing.

3. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012 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 unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The unaudited condensed consolidated interim financial statements have been prepared under historical cost convention, except for property, plant and equipment which is measured at revalued amounts.

Except as 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 2012, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in the annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the condensed consolidated interim financial information of the Group.

3. Basis of Preparation and Accounting Policies (Continued)

The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations.

The preparation of condensed consolidated interim financial information requires management 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.

In preparing these condensed consolidated interim financial information, 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 annual financial statements for the year ended 31 December 2011.

4. Segment Information

The chief operating decision maker considers that the Group's activities constitute one operating segment as all of the Group's operation relate to the design, development and sales of integrated circuits. The management of the Group makes decisions about resource allocation and performance assessment on a group basis. It was determined that the Group has only one single reporting segment, being the design, development and sales of integrated circuits. As a result, no segment information other than the entity-wide disclosure is presented.

An analysis of the Group's revenue from major products and services is set out in note 5 below.

Information about major customers

The Group's revenue from customers which accounted for 10% or more of the Group's total revenue are as follows:

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Customer A	8,123	9,213
Customer B	N/A*	4,045
Customer C	N/A*	2,536
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	8,123	15,794
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* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. Segment Information (Continued)

Geographical information

The Group's operations are located in Hong Kong. The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or services. The geographical location of the non-current assets is based on the physical location of the assets, in the case of property, plant and equipment. The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are set out below:

Revenue from external customers

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Hong Kong (place of domicile)	2,585	5,599
The PRC, excluding Hong Kong and Taiwan	12,061	13,841
Germany	122	899
Korea	661	1,846
Russia	13	2,536
Taiwan	493	466
	15,935	25,187

Non-current assets

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Hong Kong (place of domicile)	436	598
The PRC, excluding Hong Kong and Taiwan	203	85
Taiwan	2,743	2,312
Korea	484	448
	3,866	3,443

5. Revenue

The Group is principally engaged in the design, development and sales of ICs. Revenue represents the amount received and receivable for goods sold and services provided by the Group at invoiced value, net of returns and discounts, during the period. An analysis of the Group's revenue recognized during the period as follows:

	Three months ended 30 June		Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Revenue from sale of ICs	5,811	10,529	10,436	17,333
Revenue from provision of IC packaging service	2,022	2,880	5,253	4,574
Revenue from provision of ASIC Service	—	2,000	246	3,280
	7,833	15,409	15,935	25,187

6. Other Income

	Three months ended 30 June		Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Interest income	54	1	55	2
Sundry income	—	—	328	—
	54	1	383	2

7. Finance Costs

	Three months ended 30 June		Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Interest on				
Bank borrowings wholly				
repayable within five years	—	—	—	8
	—	—	—	8

8. Income Tax (Credit)/Expense

Income tax (credit)/expense recognized in profit or loss

	Three months ended 30 June		Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Current tax — Hong Kong				
Profits Tax provision for				
the period	(106)	596	—	887
Deferred tax	(204)	25	(204)	25
Total income tax (credit)/				
expense recognized in				
profit or loss for the period	(310)	621	(204)	912

No provision for Hong Kong Profits Tax is required since the Group has no estimated assessable profit for the six months ended 30 June 2012. Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit for the six months ended 30 June 2011.

9. (Loss)/Profit for the Period

(Loss)/profit for the period has been arrived at after charging :

	Three months ended 30 June		Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Audited) HK\$'000
Auditor's remuneration	100	25	200	50
Cost of inventories recognized as an expense	5,865	8,127	10,891	14,007
Depreciation of property, plant and equipment	324	299	625	572
Net foreign exchange loss/(gain)	15	(1)	91	19
Expenses incurred in connection with Listing	—	—	9,272	—
Staff costs including directors' emoluments				
— salaries, bonus and other benefits	1,743	1,089	3,043	2,325
— retirement benefits scheme contributions	41	33	76	65
— staff welfare	4	2	11	8
And after crediting:				
Bank interest income	54	1	55	2
Net decrease in allowance for doubtful debts on trade receivables	—	—	—	17

10. (Loss)/Earnings Per Share

The calculations of basic earnings per share for the three months and six months ended 30 June 2012 are based on the loss of approximately HK\$1,937,000 and HK\$11,224,000 attributable to the owners of the Company (three months and six months ended 30 June 2011: profit of approximately HK\$3,130,000 and HK\$4,604,000) and the weighted average number of 200,000,000 and 195,054,945 shares in issue for the three months and six months ended 30 June 2012 (weighted average number of share in issue for the three months and six months ended 30 June 2011: 150,000,000 shares) on the assumption that they have been in issue throughout the periods.

Diluted earnings per share for the three months and six months ended 30 June 2012 and the corresponding period in 2011 are not disclosed as no dilutive events existed during these periods.

11. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

12. Trade Receivables

Trade receivables of the Group with aged analysis (based on invoice date) at the reporting date are as follows:

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
0–30 days	2,543	8,462
31–60 days	2,092	4,361
61–90 days	630	3,788
More than 90 days	3,580	3,770
	8,845	20,381

The Group normally allows a credit period ranging from “cash on delivery” to 90 days to its trade customers as at 30 June 2012 and 31 December 2011. An aged analysis of the Group's trade receivables which are past due but not impaired is as follows:

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
0–30 days	249	213
31–60 days	667	2,716
61–90 days	409	4,545
More than 90 days	3,580	2,038
	4,905	9,512

13. Trade Payables

An aging analysis of the Group's trade payables, presented based on the invoice date at the reporting date, are as follows:

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
0–30 days	1,769	1,715
31–60 days	540	2
61–90 days	—	—
More than 90 days	91	91
	2,400	1,808

14. Share Capital

	Number of shares	Nominal value HK\$
Ordinary shares of HK\$0.1 each		
<i>Authorized:</i>		
Upon incorporation on 31 March 2011	3,800,000	380,000
Increase on 23 December 2011	9,996,200,000	999,620,000
At 31 December 2011 and 30 June 2012	10,000,000,000	1,000,000,000
<i>Issued and fully paid:</i>		
Upon incorporation on 31 March 2011	1	—
Issue of shares on Reorganization 20 December 2011	3,799,999	380,000
At 31 December 2011	3,800,000	380,000
Capitalisation issue on 19 January 2012	146,200,000	14,620,000
Placing of shares on 19 January 2012	50,000,000	5,000,000
At 30 June 2012	200,000,000	20,000,000

15. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

Management Discussion and Analysis

The Group is a fabless semiconductor company specializing in provision of IC solutions and is engaged in design, development and sales of ICs. The Group sells IC under its own brand name "MiniLogic" and provides application specific IC service ("ASIC Service") in design and development of tailor-made IC to its customers. The Group provides tailor-made IC solutions and sells tailor-made ICs to customers under the ASIC Service business segment (the "ASIC Segment"); and independently develops and sells generically-applicable ICs for sale in the market under the MiniLogic Brand IC business segment (the "Standard IC Segment").

Business Review

In addition to 5 more new IC models deployed by our R&D team in the first half year of 2012, we had 16 new IC models under development as at 30 June 2012. The completion of development of several new IC models have been extended as the process was prolonged due to customer evaluation, acceptance and modification work.

The Directors believe that developing IC products with suitable technology that appeal to the market is the key to the Group's long-term success. Hence, developing new IC products and expanding the range of the Group's products as well as broadening the customer base are essential for growth of the Group's IC solutions and design, development and sales of ICs business.

ASIC Segment

Under the ASIC Segment, the major IC products are Electronic Cigarette ICs, CCD Surveillance System ICs and DVD Player ICs. In view of markets being driven by poor sentiment causing sluggish market demand resulted in the significant decrease of ASIC service income and drop in sales of ASIC products in the first half year of 2012, the revenue of the ASIC Segment for the first half year of 2012 dropped by HK\$5.0 million at 27.6% to approximately HK\$13.1 million (six months ended 30 June 2011: approximately HK\$18.1 million).

Standard IC Segment

Under the Standard IC Segment, the major IC products are Power Management ICs, LCD Driver ICs for instrument panel and LED Lighting Driver ICs. Due to uncertain economic outlook in Europe causing significant drop in volume demand of LCD Driver ICs for instrument panel, the revenue of the Standard IC Segment for the first half year of 2012 decreased by HK\$4.3 million at 60.6% to approximately HK\$2.8 million (six months ended 30 June 2011: approximately HK\$7.1 million).



Financial Review

The Group recorded a total revenue of approximately HK\$15.4 million for the first half year of 2012 (six months ended 30 June 2011: approximately HK\$25.2 million), representing a decrease of approximately 38.9% as compared from the previous period of last year. On top of the reasons stated above, the increased competition in the IC industry and the debt crisis in Europe had an impact on the demand for the Group's products and on the drop in revenue of the Group for the first half year of 2012.

Cost of Sales and Gross Profit

Cost of sales of the Group decreased by 27.8% from approximately HK\$15.1 million for the first half year of 2011 to approximately HK\$10.9 million for the first half year of 2012.

The overall gross profit of the Group decreased from approximately HK\$10.1 million in the first half year of 2011 to approximately HK\$5.0 million in the first half year of 2012, representing a decrease of 50.5%. The gross profit of the ASIC Segment declined by approximately HK\$3.7 million to approximately HK\$4.4 million in the first half year of 2012 (six months ended 30 June 2011: approximately HK\$8.1 million), and gross profit margin of ASIC Segment was 33.9%, representing a drop of 11.1% from that of the first half year of 2011, primarily due to the decrease in ASIC service income in the first half year of 2012. The gross profit of the Standard IC Segment decreased by approximately HK\$1.4 million to approximately HK\$0.6 million in the first half year of 2012 (six months ended 30 June 2011: approximately HK\$2.0 million), and the gross profit margin of Standard IC Segment in the first half year of 2012 was 21.2%, representing a drop of 5.8% from that of the first half year of 2011, primarily due to drop in sales of higher margin products in the first half year of 2012.

Expenses

Staff costs for the first half year of 2012 were approximately HK\$3.1 million (six months ended 30 June 2011: approximately HK\$2.4 million), representing an increase of approximately HK\$0.7 million with that period in previous year, which was mainly due to the increase in headcount and general pay level to cope with the need of business development and listing.

Depreciation for the first half year of 2012 was approximately HK\$0.6 million, which was similar with that for the same period in previous year.

Other operating expenses for the first half year of 2012 were approximately HK\$12.9 million (six months ended 30 June 2011: approximately HK\$1.4 million), representing an increase of approximately HK\$11.5 million with that period in previous year. The increase was primarily attributable to expenses incurred in connection with Listing of approximately HK\$9.3 million, which are non-recurrent in nature, to be recognized upon of the completion of the listing on 19 January 2012, increase in product development expenses and other on-going administrative expenses for listing.

(Loss)/Profit Attributable to Owners

The loss attributable to owners of the Company for the six months ended 30 June 2012 was approximately HK\$11.2 million, compared with a profit of approximately HK\$4.6 million for the six months ended 30 June 2011.

Liquidity, Financial Resources and Capital Structure

The Group generally financed its daily operations from internally generated cash flows. As at 30 June 2012, the Group had bank and cash balances of approximately HK\$44.1 million (31 December 2011: approximately HK\$7.6 million) and did not have any borrowings, banking facilities or any loan arrangement containing any covenant (31 December 2011: nil). Taking into account the cash reserves, net proceeds from placing upon Listing and recurring cash flows from its core business, the Group's financial position is healthy, positioning the Group advantageously to expand its core business and to achieve its business objectives.

Charges on Assets

As at 31 December 2011 and 30 June 2012, the Group did not have any charges on its assets.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in United States dollars, Hong Kong dollars and RMB. 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 the foreign exchange exposure if it is significant to the Group.

Contingent Liabilities and Capital Commitment

As at 31 December 2011 and 30 June 2012, six and seven employees of the Group respectively have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance"), to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the circumstances specified in the Ordinance.

If the termination of all such employees met the circumstances set out in the Ordinance, the Group's liability as at 31 December 2011 and 30 June 2012 would be approximately HK\$140,700 and HK\$203,500 respectively. No provision has been made for these amounts in the combined financial statements as the Directors are of the view that these amounts are not expected to crystallize in the foreseeable future.

Save as disclosed above, the Group did not have any significant contingent liabilities or capital commitment as at 31 December 2011 and 30 June 2012.



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

Save for those disclosed in this report, there were no significant investments held as at 30 June 2012, nor were there material acquisitions and disposals of subsidiaries during the six months ended 30 June 2012. There is no plan for material investments or capital assets as at the date of this report.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

Employees and Remuneration Policies

The Group had 19 employees as at 30 June 2012. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee.

We recognize the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances. Other benefits include training and discretionary bonus.

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.

From the adoption date of the Scheme to 30 June 2012, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 23 December 2011, being the latest practicable date as defined in the Prospectus (“LPD”) to 30 June 2012 (the “Review Period”) with the Group’s actual business progress for the Review Period is set out as follows:

Business Objective for the Review Period	Actual Business Progress for the Review Period
Enhancing product development by diversifying into new IC products and improving existing IC products	
Develop and launch 6 new MiniLogic Brand IC models	<p>5 new MiniLogic Brand IC models were still under development, including (i) ML1370 LED Light Tube Driver IC, (ii) MP1110 24V LED Backlight Driver with dimming control IC which was sold to ASIC customer with its development work in progress, (iii) ML1361 MR16 LED Lighting Driver with Buck/Boost Feature IC, (iv) ML1372 E27 LED Light Bulb Driver IC and (vi) MP1205 USB Backup Power Supply IC, during the Review Period. The completion of development of these new IC models have been extended as the process was prolonged due to customer evaluation, acceptance and modification work.</p> <p>As to LED Light Bulb Driver with PFC feature IC, under the category of LED Lighting Driver ICs, the project had not been deployed due to the specification of market demand being unclear.</p>



Enhancing product development by diversifying into new IC products and improving existing IC products (Continued)

Develop and launch 6 new ASIC products

6 new ASIC products were still under development, including (i) MP1103 18V Dual Channel Buck Converter IC, (ii) MP1109 Portable DVD Power Management Unit IC, (iii) MP1113 Class-D Stereo and Subwoofer Audio Power Amplifier IC, (iv) Ai9123 Low Voltage Video Amplifier with Low Pass Filter IC, (v) Ai8149 Power Management Unit for CCD Camera ICs and (vi) MP1017 Portable Electronic Charger IC, during the Review Period. The completion of development of these new IC models have been extended as the process was prolonged due to customer evaluation, acceptance and modification work.

Nevertheless, the development of 3 more new IC models of ASIC products, namely (i) MP1201 Electronic Cigar IC, (ii) MP1202 Single Time Electronic Cigarette with blue LED IC and (iii) MP1204 LDO and Tray Driver IC, were also deployed in response to the need of the customers.

Improve and launch 2 modified existing IC models

2 modified existing IC models were still under improvement, including (i) MP1105 Static LCD COG Driver IC and (ii) MP1203 Rechargeable Electronic Cigarette IC, during the Review Period. The completion of development of these new IC models have been extended as the process was prolonged due to customer evaluation, acceptance and modification work.

Strengthening R&D capabilities by establishing a research and development centre and sales office in Suzhou, the PRC

Establish Suzhou office

Visits have been made to Suzhou Industrial Park, Suzhou, the PRC by the management of the Group. However, in view of uncertain economic outlook in the PRC market, the establishment of Suzhou office would be delayed until the market becomes positive.

Recruit 3 new employees with engineering expertise

Not yet commenced

Support Hong Kong R&D team

Not yet commenced

Expanding the customer base and sales network in the PRC

Formulate an marketing plan

In view of uncertain economic outlook in the PRC market, the formulation of a marketing plan would be delayed until the market becomes positive.

Recruit 3 new sales and marketing staff

Not yet commenced

Explore and develop new sales and marketing network in Suzhou region

Not yet commenced



Use of Proceeds

The net proceeds from the issue of new shares of the Company under the placing as set out in the Prospectus were approximately HK\$24.3 million, which was different from the estimated net proceeds of approximately HK\$33.8 million (estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). We intend to adjust the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, and approximately HK\$11.9 million, HK\$10.7 million, HK\$1.6 million and HK\$0.1 million were adjusted for enhancing product development by diversifying into new IC products and improving existing IC products, establishing a research and development centre and sales office in Suzhou, the PRC, expanding PRC customer base and sales network and working capital of the Group respectively. As at the date of this report, we do not anticipate any change to the plan. During the Review Period, the Group has applied the net proceeds as follows:

		Adjusted use of proceeds in the same manner and proportion as stated in Prospectus	Actual usage
	<i>Notes</i>	HK\$' million	HK\$' million
Enhancing product development by diversifying into new IC products and improving existing IC products	1	3.5	1.9
Strengthening R&D capabilities by establishing a research and development centre and sales office in Suzhou, the PRC	2	2.0	—
Expanding the customer base and sales network in the PRC	2	0.2	—
Working capital		0.1	0.1
		<hr/>	<hr/>
		5.8	2.0
		<hr/>	<hr/>

Notes:

1. The completion of development of several new IC models have been extended as the process was prolonged due to customer evaluation, acceptance and modification work. Thus, the actual use of proceed was less than the expected amount as stated in the Prospectus.
2. Visits have been made to Suzhou Industrial Park, Suzhou, the PRC by the management of the Group. However, in view of uncertain economic outlook in the PRC market, the establishment of Suzhou office would be delayed until the market becomes positive.

The remaining unused net proceeds as at 30 June 2012 have been placed as interest bearing deposits with licensed bank in Hong Kong and will be used as intended and as stated in the Prospectus.

Outlook

The Group was listed on 19 January 2012. The funds raised from the Listing have helped lay a solid foundation for the future development of the Group.

The global economy is currently clouded by the debt crises hitting Europe. In view of the uncertain economic outlook, and markets being driven by poor sentiment, we shall remain cautious of cost control in order to preserve our financial resources for market recovery. Nevertheless, the profit margin of the Group's IC products is under pressure due to the anticipated increasing competition in the IC industry. Meanwhile, the Group is facing production capacity shortage problem of IC packaging factories and taking customer orders in a prudent way, which should have a negative effect on the sales of the Group's IC products. The management is actively seeking for solutions in this regard, including sourcing for other IC packaging factories.

The Group will focus its future development on IC products for "green energy" devices. One example is LED Lighting Driver ICs for energy saving lighting appliances. Other than LED Lighting Driver ICs, the Group will continue to explore other potential green energy products. Besides the green energy products, the Group will explore other new ASIC products that will be demanded by its existing and new customers in order to expand its product and customer base.

Looking forward, the Group will remain committed to the development of our core business. Apart from enhancing product development and strengthening R&D capabilities, the Group aims to expand its customer base and sales network in the PRC. We would actively make substantial progress to enhance growth and strive for potential business opportunities to synergize with our existing businesses and products.



Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

At 30 June 2012, the interest of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules were as follows:

Long Positions

Ordinary shares of the Company

Name of Director	Capacity/Nature of Interest	Number of issued ordinary Shares held	Approximate percentage of the issued share capital of the Company
Mr. Hui King Chun	Interest of a controlled company (Note)	78,018,829	39.01%
Mr. Li Kwei Chung	Beneficial owner	11,762,842	5.88%

Note: These shares are beneficially owned by Kith Technologies Limited, which is wholly owned by Kith Enterstand Limited; Kith Enterstand Limited is a wholly owned subsidiary of Kith Limited, which is wholly owned by Kith Holdings Limited; Mr. Hui King Chun has an indirect interest of 61.58% in Kith Holdings Limited.

Substantial Shareholders and Other Persons Interests in Shares

At 30 June 2012, the register of substantial shareholders and other persons maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of the Company

Name of shareholder	Capacity/Nature of Interest	Number of issued ordinary Shares held	Approximate percentage of the issued share capital of the Company
Kith Technologies Limited	Beneficial owner (<i>Note 1</i>)	78,018,829	39.01%
Kith Enterstand Limited	Interest of a controlled company (<i>Note 1</i>)	78,018,829	39.01%
Kith Limited	Interest of a controlled company (<i>Note 1</i>)	78,018,829	39.01%
Kith Holdings Limited	Interest of a controlled company (<i>Note 1</i>)	78,018,829	39.01%
Richly Global Investments Limited	Beneficial owner (<i>Note 2</i>)	27,489,276	13.74%
Mr. Cheng Tun Nei	Interest of a controlled company (<i>Note 2</i>)	27,489,276	13.74%
China Angel Fund	Beneficial owner	12,500,000	6.25%
Ms. Tong Suk Fun Sabrina	Beneficial owner	11,762,842	5.88%

Notes:

- (1) These shares are beneficially owned by Kith Technologies Limited, which is wholly owned by Kith Enterstand Limited; Kith Enterstand Limited is a wholly owned subsidiary of Kith Limited, which is wholly owned by Kith Holdings Limited.
- (2) These shares are beneficially owned by Richly Global Investments Limited, which is wholly owned by Mr. Cheng Tun Nei.

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 2012.

Interest in a Competing Business

As at 30 June 2012, none of the Directors, the controlling shareholders of the Company and their respective 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 which any such person has or may have with the Group.

Directors Securities Transactions

The Company 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 effective from 19 January 2012 upon the Listing. On specific enquiry made, all the Directors have confirmed compliance with the Model Code from 19 January 2012 to 30 June 2012.

Interests of the Compliance Adviser

As notified by the compliance adviser of the Company, Ample Capital Limited, as at 30 June 2012, except for the compliance adviser agreement entered into between the Company and Ample Capital Limited dated 29 December 2011, neither Ample Capital Limited or its directors, employees or associates had any interest in relation to the Group.

Corporate Governance Practices

The Group is committed to uphold 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 Company.

The Company adopted the provision of Appendix 15 Code on Corporate Governance Practices of the GEM Listing Rules as its own code (the "CG Code") effective from 19 January 2012 upon the Listing and had complied with the CG Code from 19 January 2012 to 30 June 2012.

Audit Committee

The Audit Committee is currently composed of the four independent non-executive Directors, namely Mr. Chan Sun Kwong, Mr. Chan Chi Kwong Dickson, Mr. Ko Yin Wai and Mr. Sung Tak Wing Leo, and chaired by Mr. Chan Sun Kwong, 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 2012, which is of the opinion that such statements comply with the applicable accounting standards and other relevant requirements and that adequate disclosure have been made.

By Order of the Board
Megalogic Technology Holdings Limited
Mr. Hui King Chun
Chairman

Hong Kong, 7 August 2012

As at the date of this report, the non-executive director of the Company is Mr. Hui King Chun; the executive directors of the Company are Mr. Li Kwei Chung, Mr. Liu Kam Lung, Mr. Liu Loi Ying and Mr. Lee Cheung Ming; and the independent non-executive directors of the Company are Mr. Chan Sun Kwong, Mr. Chan Chi Kwong, Dickson, Mr. Ko Yin Wai and Mr. Sung Tak Wing, Leo.

