

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



MEGAIN Holding (Cayman) Co., Ltd.

美佳音控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6939)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2021 was approximately RMB67,162,000, representing a decrease of approximately 22.4% as compared with that of approximately RMB86,598,000 for the corresponding period in 2020;

Profit for the Period of the Group for the six months ended 30 June 2021 was approximately RMB7,474,000, representing a decrease of approximately 49.2% as compared with that of approximately RMB14,715,000 for the six months ended 30 June 2020;

The adjusted net profit of the Group (excluding listing expenses and donation) for the six months ended 30 June 2021 amounted to approximately RMB16,812,000, representing a decrease of approximately 37.2% as compared with that of approximately RMB26,753,000 for the six months ended 30 June 2020; and

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021.

The Board of MEGAIN Holding (Cayman) Co., Ltd. hereby announces the unaudited condensed consolidated financial results of the Group for the Relevant Period together with the unaudited comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	67,162	86,598
Cost of sales		<u>(27,501)</u>	<u>(40,345)</u>
Gross profit		39,661	46,253
Other net income	5	2,631	2,502
Research and development expenses		(9,280)	(5,943)
Selling and distribution expenses		(2,549)	(3,009)
Administrative expenses		(13,152)	(8,883)
Listing expenses		(6,841)	(12,038)
Finance costs		<u>(87)</u>	<u>(64)</u>
Profit before income tax expense	6	10,383	18,818
Income tax expense	7	<u>(2,909)</u>	<u>(4,103)</u>
Profit for the period		7,474	14,715
Other comprehensive income, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(647)</u>	<u>(155)</u>
Total comprehensive income for the period		<u>6,827</u>	<u>14,560</u>
Earnings per share – Basic and Diluted	9	<u>RMB0.017</u>	<u>RMB0.039</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		30 June	31 December
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		5,915	5,839
Intangible assets		6,882	5,839
Deferred tax assets		665	497
		<hr/>	<hr/>
Total non-current assets		13,462	12,175
		<hr/>	<hr/>
Current assets			
Inventories		12,820	11,583
Trade receivables	<i>10</i>	46,992	39,057
Deposits, prepayments and other receivables		9,037	10,954
Cash and cash equivalents		244,607	123,468
		<hr/>	<hr/>
Total current assets		313,456	185,062
		<hr/>	<hr/>
Current liabilities			
Trade payables	<i>11</i>	8,033	6,454
Accruals and other payables		4,996	11,908
Bank borrowings		5,000	–
Leases liabilities		1,520	1,403
Contract liabilities		171	249
Provisions		1,156	473
Income tax payable		569	1,350
		<hr/>	<hr/>
Total current liabilities		21,445	21,837
		<hr/>	<hr/>
Net current assets		292,011	163,225
		<hr/>	<hr/>
Total assets less current liabilities		305,473	175,400
		<hr/>	<hr/>

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Leases liabilities		678	191
Deferred tax liabilities		–	1,338
		<hr/>	<hr/>
Total non-current liabilities		678	1,529
		<hr/>	<hr/>
NET ASSETS		304,795	173,871
		<hr/>	<hr/>
Capital and reserves			
Share capital	<i>12</i>	4,325	66
Reserves		300,470	173,805
		<hr/>	<hr/>
TOTAL EQUITY		304,795	173,871
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 22 June 2016 as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange on 31 March 2021. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of its subsidiaries is the PRC.

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of research, design, development and sales of compatible cartridge chips.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure provisions of the Listing Rules and Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These interim condensed consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time during the Relevant Period. Details of any changes in accounting policies are set out in Note 3 below.

In preparing these interim condensed consolidated financial statements in compliance with HKAS 34, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to annual consolidated financial statements for the year ended 31 December 2020.

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA. BDO Limited's independent review report to the Board of Directors is included in the interim report 2021 of the Company.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”, which is issued by the HKICPA to these interim condensed consolidated financial statements for the Relevant Period.

The Group has not applied any new standard or interpretation that is not yet effective for the Relevant Period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16: Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on these interim condensed consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

4. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group’s internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in the provision of research, design, development and sales of compatible cartridge chips. The chief operating decision-maker assesses performance of the business based on a measure of operating results and consider the business in a single operating segment. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group’s resources are integrated. Accordingly, the Group has identified one operating segment (six months ended 30 June 2020: one) and no segment information is presented.

All the Group’s revenue is derived from contracts with customers.

(a) **Disaggregation of the Group's revenue from contracts with customers**

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Products		
Sales of chips	60,553	77,776
Trading of integrated circuits and other cartridge components	6,609	8,822
	67,162	86,598
Timing of revenue recognition		
At a point in time	67,162	86,598

(b) **Geographic information**

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. The following table provides an analysis of the Group's revenue from external customers:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from external customers (by customers location):		
PRC	55,512	70,527
Overseas	11,650	16,071
	67,162	86,598

5. OTHER NET INCOME

An analysis of other net income is as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Bank interest income	1,368	785
Exchange gains, net	–	339
Government grants (<i>note</i>)	1,261	1,363
Sundry income	2	15
	<u>2,631</u>	<u>2,502</u>

Note:

Government grants mainly comprised of subsidies related to the Group's innovation projects and refund of value-added tax. There are no unfulfilled conditions or contingencies attaching to these grants.

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Carrying amount of inventories sold	23,264	35,371
Write-down of inventories	436	1,027
Cost of inventories recognised as expense	23,700	36,398
Amortisation of intangible assets	656	425
Auditor's remuneration	434	269
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	1,375	1,070
– Right-of-use assets	942	701
(Reversal of)/provision for impairment of trade receivables	(385)	440
Short-term leases expenses	119	123
Research and developments expenses (other than staff costs)	5,059	3,381
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	9,330	7,797
– Retirement scheme contributions	1,776	704
	<u>11,106</u>	<u>8,501</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax		
– PRC Corporate Income Tax	3,077	4,175
Deferred tax		
– Credited to profit or loss for the period	(1,506)	(4,110)
Withholding tax	1,338	4,038
Income tax expense	<u>2,909</u>	<u>4,103</u>

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Subsidiaries operating in Hong Kong are subject to Hong Kong profits tax. Hong Kong profits tax is calculated at two-tiered tax rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million. For the six months ended 30 June 2021 and 2020, under two-tiered tax rates, if the entity has one or more connected entity, the two tiered tax rates would only apply to the one which is nominated to be chargeable at the two-tiered tax rates.

For those entities which do not qualify for two-tiered profits tax rates, a profits tax rate of 16.5% on assessable profit shall remain in calculating Hong Kong profits tax.

Under the PRC Corporate Income Tax Law (the “CIT Law”), which became effective on 1 January 2008, the Group’s PRC entities are subject to income tax at a rate of 25%, unless otherwise specified. One of the Group’s subsidiaries, Zhuhai Megain is eligible to a preferential income tax rate of 15% as a High New Technology Enterprise during the year. For the six months ended 30 June 2021 and 2020, income tax provision is calculated at 15% of the assessable income of Zhuhai Megain.

8. DIVIDEND

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Final dividend	<u>5,747</u>	<u>29,677</u>

On 6 April 2020 and 30 June 2021, the Company paid a final dividend of RMB29,677,000 and RMB5,747,000, in aggregate to its owners of the Company in respect of the years ended 31 December 2019 and 2020 respectively. The Directors do not recommend the payment of any dividend for the six months ended 30 June 2021 and 2020.

9. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data.

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period	<u>7,474</u>	<u>14,715</u>

	Six months ended 30 June	
	2021	2020
	<i>Number'000</i>	<i>Number'000</i>
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	<u>445,788</u>	<u>375,000</u>

Note:

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue had been effective on 1 January 2020.

Diluted earnings per share were the same as the basic earnings per share as the Group had no potential dilutive ordinary shares during the six months ended 30 June 2021 and 2020.

10. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	48,626	41,076
Less: Loss allowance for trade receivables	(1,634)	(2,019)
	<u>46,992</u>	<u>39,057</u>

Notes:

- (a) All of the trade receivables are expected to be recovered within one year.

As at 30 June 2021 and 31 December 2020, the Group allowed credit periods ranging from 30 to 120 days to its customers. Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit term granted to customers is reviewed regularly.

- (b) Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as at 30 June 2021:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 90 days	21,347	26,881
91 to 180 days	14,716	7,727
Over 180 days	10,929	4,449
	<u>46,992</u>	<u>39,057</u>

11. TRADE PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	8,033	6,454

Notes:

- (a) Credit period granted by suppliers is normally 30 days to 60 days. Due to short maturity periods, the carrying values of the Group's trade payables are considered to be a reasonable approximation of their fair values.
- (b) Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as at 30 June 2021:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 90 days	3,790	1,898
91 to 180 days	790	1,103
Over 180 days	3,453	3,453
	8,033	6,454

12. SHARE CAPITAL

	<i>Notes</i>	Number of share '000	Amount RMB'000
Ordinary shares, issued and fully paid:			
At 31 December 2020 and 1 January 2021		10	66
Repurchase of 10,000 shares at US\$1.00 each	<i>(a)</i>	(10)	(66)
Issue of 10,000 shares at HK\$0.01 each	<i>(a)</i>	10	—*
Issue of shares upon capitalisation	<i>(b)</i>	374,990	3,128
Issue of shares upon the Listing	<i>(c)</i>	125,000	1,041
Issue of additional shares in exercise of over-allotment option	<i>(d)</i>	18,750	156
At 30 June 2021		518,750	4,325

* The balance is less than RMB1,000

The movements in share capital above for the six months ended 30 June 2021 arose from the completion of the Listing as detailed below:

Notes:

- (a) Pursuant to a written resolution of the shareholders of the Company passed on 26 February 2021, the currency denomination of the authorised and issued share capital of the Company was changed from US\$ to HK\$ by (i) increasing the authorised share capital of the Company in HK\$ through the creation of 750,000,000 new shares with a par value of HK\$0.01 each such that the Company had an authorised share capital of US\$50,000 and HK\$7,500,000; (ii) issuing 10,000 shares with a par value of HK\$0.01 each to the then existing shareholders on a pro rata basis; (iii) repurchasing all the 10,000 shares with a par value of US\$1.00 each in issue; and (iv) cancelling all the 50,000 unissued shares with a par value of US\$1.00 each in the authorised share capital of the Company.
- (b) Pursuant to a written resolution of the shareholders of the Company passed on 26 February 2021, a total of 374,990,000 shares of HK\$0.01 each were allotted and issued at par value to the shareholders as of the date immediately before the Listing on a pro rata basis by way of capitalisation of approximately RMB3,128,000 from the Company's share premium account.
- (c) On 31 March 2021, upon the Listing, the Company issued 125,000,000 of new shares at HK\$1.26 each by way of public offering, resulting in the gross proceeds of RMB131,182,000, of which the amount of RMB1,041,000 was credited to the Company's share capital and the remaining amount of RMB130,141,000, net of issuing expenses of approximately RMB21,013,000, were credited to share premium account.
- (d) On 22 April 2021, the Company has fully exercised over-allotment option and to allot and issue 18,750,000 of additional new shares at HK\$1.26 each to cover over-allocations in the international offering, resulting in the gross proceeds of RMB19,675,000, of which the amount of RMB156,000 was credited to the Company's share capital and the remaining amount of RMB19,519,000, were credited to share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of research, design, development and sales of compatible cartridge chips and other chips. Our compatible cartridge chips can be broadly applied to compatible cartridges of (i) desktop laser printers; (ii) desktop inkjet printers; and (iii) commercial printers. Other chips are mainly chips applied to the Hall sensor, a kind of magnetic field sensor which is generally used for positioning, speed detection and proximity sensing and ultimately applied to different kinds of electronic products including automobiles, 5G base stations, fans, toys, etc. In addition, the Group is also engaged in trading of ICs and other cartridge components, including plastic parts and toner, as ancillary services to our customers.

Consolidation of Compatible Cartridge Chips Business

The business environment of compatible cartridge chips industry in which the Group operated for the Relevant Period was challenging. The recent fluctuation of the pandemic of COVID-19 and its variants casted a shadow over the global economy and affected the pace of production and investment of the compatible cartridge producers. The market competition in the compatible cartridge chips industry remained as keen as last year.

In addition, during the Relevant Period, similar to the year 2020, new printer models launched by the original-brand printer companies were very limited. As a result, new models of chip that the Group could launch were limited. During the Relevant Period, the Group developed 48 new models of chips, including 4 for the desktop laser printers, 40 for the desktop inkjet printers and 4 for the commercial printers. During the six months ended 30 June 2020, the Group developed 81 new models of chips, including 68 for the desktop laser printers, nil for the desktop inkjet printers and 13 for the commercial printers. Facing the lack of new original-brand printers, the Group exerted its strength in research and development. In addition to continuing the launch of new models of compatible cartridge chip for both the desktop inkjet and laser printers, we upgraded some existing models of chip for desktop inkjet printers so that their demand and gross profit margins could be maintained. Consequently, although the sales volume of the chips for the desktop inkjet printers for the Relevant Period decreased to approximately 1,965,000 pieces from approximately 4,982,000 pieces for the corresponding period in 2020, the gross profit margin for the sales of chips for desktop inkjet printers increased from approximately 63.6% for the six months ended 30 June 2020 to approximately 66.4% for the Relevant Period. Meanwhile, the sales volume of chips for desktop laser printers for the Relevant Period increased to approximately 5,985,000 pieces from approximately 5,721,000 pieces for the corresponding period in 2020 and the gross profit margin for the sales of chips for desktop laser printers increased from approximately 49.2% for the six months ended 30 June 2020 to approximately 64.9% for the Relevant Period due to the launch of certain new models of chip for desktop laser printers by the Group which had a higher profit margin. A breakdown of our gross profit and gross profit margin for each of the product categories by application is set out in the table under the sub-section “Gross profit and gross profit margin” in the “Financial Review” section.

Diversification of Product Portfolio

The launch of new products is vital in that it has the effect of revitalising the business. In June 2021, the Group successfully developed a new IoT product, the Hall sensor chip. The Hall sensor is a kind of magnetic field sensor made based on the Hall effect, which is generally used for positioning, speed detection and proximity sensing and is ultimately applied to different kinds of electronic products including automobiles, 5G base stations, fans and toys. The market for the Hall sensor in the PRC is a high growth market with an estimated annual compound growth rate of 11.8%. We believe that the Hall sensor chip can diversify the Group's business scope with a view to broaden the Group's revenue base and offer better returns to the Shareholders. During the Relevant Period, the Hall sensor chip business of our Group was at the very early stage of development, we intend to launch progressively new series of Hall sensor chips so that they can be applied to more kinds of electronic product such as car, 5G base station, fan, toy, etc.

Strengthening of Research and Development Capacity

In order to maintain the competitiveness and the leading position of the Group in the industry, we continue to spend investment in strengthening our research and development capacity. During the Relevant Period, the Group has established a new research center in Taiwan in order to enhance our capacity in IC design. The newly established research center equipped with advanced instruments and professional staff allows the Group to enter into a more specialized area of IC design and can save our costs of IC purchase in the long run.

As a result of continuous effort and investment in our research and development capability, the Group has gradually developed a strong patent portfolio. During the Relevant Period, we submitted in total 47 applications for the registration of patent in the PRC, in which 8 patents were successfully registered while 39 applications were pending. Our patents mainly involve the designs and technologies relating to chips testing and measurement devices.

As a symbol of our research achievement, Zhuhai Megain has been recognised as a High and New Technology Enterprise in China (高新技術企業) by the regulatory authorities in Guangdong province since 2016.

FINANCIAL REVIEW

Revenue

Our overall revenue decreased by approximately 22.4% from approximately RMB86.6 million for the six months ended 30 June 2020 to approximately RMB67.2 million for the Relevant Period. The following table summarises the revenue for each of the product categories by application during the periods indicated:

	Six months ended 30 June							
	2021 (Unaudited)				2020 (Unaudited)			
	Revenue	% of total revenue	Sales volume 000' pieces of chips	Average	Revenue	% of total revenue	Sales volume 000' pieces of chips	Average
				selling price				selling price
RMB'000	%		RMB	RMB'000	%		RMB	
Sales of chips								
Product category-application								
– Desktop laser printers	33,241	49.5	5,985	5.6	26,274	30.3	5,721	4.6
– Desktop inkjet printers	23,434	34.9	1,965	11.9	49,359	57.0	4,982	9.9
– Commercial printers ¹	2,989	4.5	172	17.4	2,143	2.5	122	17.5
Sub-total	59,664	88.8	8,121	7.3	77,776	89.8	10,825	7.2
Sales of other chips	888	1.3	13	66.3	–	–	–	–
Trading of ICs and other cartridge components ²	6,609	9.8	N/A	N/A	8,822	10.2	N/A	N/A
Total	67,162	100			86,598	100		

Notes:

1. Includes mainly commercial laser printers.
2. In addition to provision of chips, we also engaged in trading of ICs and other cartridge components, including plastic parts and toner, as ancillary services to our customers.

(i) Sales of compatible cartridge chips

Our revenue from the sales of compatible cartridge chips decreased by approximately 23.3% from approximately RMB77.8 million for the six months ended 30 June 2020 to approximately RMB59.7 million for the Relevant Period.

The decrease in revenue was mainly due to (i) the decrease in revenue from the sales of our chips for desktop inkjet printers to our customers from approximately RMB49.4 million for the six months ended 30 June 2020 to approximately RMB23.4 million for the Relevant Period mainly because the sales of Ink Cartridge Chip Models was recorded high during the six months ended 30 June 2020; (ii) the rebound of the COVID-19 pandemic during the Relevant Period resulting in the economic and social disruption of many countries and hence the weak demand for compatible printer cartridges; and (iii) the reduction in the export of compatible printer cartridges to European and the US markets due to the shortage of shipping containers.

(ii) Sales of other chips

Our Hall sensor chip is mainly applied in magnetic field sensor. As it was just a newly launched product of the Group in June 2021, the sales of the Hall sensor chip for the Relevant Period just amounted to approximately RMB0.9 million. We believe that the Hall sensor chip will become a driver of our total revenue growth after taking into consideration of the large demand for the Hall sensor chips in different areas such as automobiles, 5G base stations, fans, toys, etc.

(iii) Trading of ICs and other cartridge components

Our revenue generated from trading of ICs and other cartridge components decreased from approximately RMB8.8 million for the six months ended 30 June 2020 to approximately RMB6.6 million for the Relevant Period mainly due to the decrease in the sales of toner.

Cost of sales

Our cost of sales decreased from approximately RMB40.3 million for the six months ended 30 June 2020 to approximately RMB27.5 million for the Relevant Period. The decrease was mainly in line with the decrease in the sales of compatible inkjet cartridge chips, and the decrease in average cost per unit of compatible laser cartridge chips from approximately RMB2.26 for the six months ended 30 June 2020 to approximately RMB1.84 for the Relevant Period as a result of (i) the positive exchange rate effect of RMB appreciation against USD during the Relevant Period as we purchased ICs from overseas suppliers and settled in USD, and (ii) the increase in the proportion of compatible laser cartridge chips with lower production cost in the overall sales volume of compatible laser cartridge chips.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately 14.3% from approximately RMB46.3 million for the six months ended 30 June 2020 to approximately RMB39.7 million for the Relevant Period. Our overall gross profit margin increased from approximately 53.4% for the six months ended 30 June 2020 to approximately 59.1% for the Relevant Period. The following table sets forth a breakdown of our gross profit and gross profit margin for each of the product categories by application during the periods indicated:

	Six months ended 30 June			
	2021		2020	
	(Unaudited)		(Unaudited)	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	RMB'000	%	RMB'000	%
Sales of chips				
Product category-application				
– Desktop laser printers	21,569	64.9	12,934	49.2
– Desktop inkjet printers	15,555	66.4	31,408	63.6
– Commercial printers	2,062	69.0	1,456	67.9
Sub-total	39,187	65.7	45,798	58.9
Sales of other chips	101	11.4	–	–
Trading of ICs and other cartridge components	373	5.6	455	5.2
Total	39,661	59.1	46,253	53.4

(i) Sales of compatible cartridge chips

The gross profit from the sales of compatible cartridge chips decreased from approximately RMB45.8 million for the six months ended 30 June 2020 to approximately RMB39.2 million for the Relevant Period, mainly due to the decrease in gross profit from the sales of our chips for desktop inkjet printers from approximately RMB31.4 million for the six months ended 30 June 2020 to approximately RMB15.6 million for the Relevant Period, which was mainly due to the slowdown of the sales of our compatible cartridge chips for desktop inkjet printers.

Our gross profit margin of compatible cartridge chips increased from approximately 58.9% for the six months ended 30 June 2020 to approximately 65.7% for the Relevant Period, mainly due to (i) the increase in gross profit margin of our chips for desktop laser printers from approximately 49.2% for the six months ended 30 June 2020 to approximately 64.9% for the Relevant Period due to the higher gross profit margin of certain models of chips for desktop laser printers we newly launched and the decrease in average cost per unit of chips for desktop laser printers during the Relevant Period due to the reasons discussed in the paragraph “Cost of Sales”; and (ii) the increase in gross profit margin of chips for desktop inkjet printers from approximately 63.6% for the six months ended 30 June 2020 to approximately 66.4% for the Relevant Period mainly attributable to the upgrading of some existing chips for desktop inkjet printers.

(ii) Sales of other chips

The gross profit from the sales of Hall sensor chips amounted to approximately RMB0.1 million for the Relevant Period. The gross profit margin of the sales of Hall sensor chips was approximately 11.4% for the Relevant Period. The Group just launched the Hall sensor chip business and did not go into mass production. We intend to launch progressively new series of Hall sensor chips so that they can be applied to different kinds of electronic product such as cars, 5G base stations, fans, toys, etc.

(iii) Trading of ICs and other cartridge components

Our gross profit from trading of ICs and other cartridge components decreased from approximately RMB0.46 million for the six months ended 30 June 2020 to approximately RMB0.37 million for the Relevant Period. The increase in gross profit margin from approximately 5.2% for the six months ended 30 June 2020 to approximately 5.6% for the Relevant Period was mainly due to the higher proportion of the sales of toner, which had a higher gross margin, in the revenue from the trading of ICs and other cartridge components.

Other net income

Our other net income increased by approximately 5.2% from approximately RMB2.5 million for the six months ended 30 June 2020 to approximately RMB2.6 million for the Relevant Period, which was mainly due to the increase in bank interest income.

Research and development expenses

Our research and development expenses increased by approximately 56.2% from approximately RMB5.9 million for the six months ended 30 June 2020 to approximately RMB9.3 million for the Relevant Period. Such increase was mainly due to (i) the increase in staff costs attributable to the increase in headcount for our research and development team; (ii) the increase in raw material cost in relation to research and development; and (iii) the increase in other expenses.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 15.3% from approximately RMB3.0 million for the six months ended 30 June 2020 to approximately RMB2.5 million for the Relevant Period. Such decrease was mainly attributable to the decrease in staff cost such as rebate as a result of reduction in the sales of compatible cartridge chips.

Administrative expenses

Our administrative expenses increased by approximately 48.1% from approximately RMB8.9 million for the six months ended 30 June 2020 to approximately RMB13.2 million for the Relevant Period mainly due to the increase in donation, director's fee, audit fee and costs for the setup of a new office.

Listing expenses

Our listing expenses decreased by approximately 43.2% from approximately RMB12.0 million for the six months ended 30 June 2020 to approximately RMB6.8 million for the Relevant Period due to the completion of the Listing.

Income tax expenses

Our income tax expenses decreased by approximately 29.1% from approximately RMB4.1 million for the six months ended 30 June 2020 to approximately RMB2.9 million for the Relevant Period in line with the decrease in the profit before income tax expense for the Relevant Period due to the reasons discussed above.

Net profit and net profit margin

Our profit for the period decreased by approximately 49.2% from approximately RMB14.7 million for the six months ended 30 June 2020 to approximately RMB7.5 million for the Relevant Period mainly due to (i) our revenue was recorded high for the six months ended 30 June 2020 due to the sales of new models of compatible cartridge chips designed for certain desktop inkjet printer models which we developed in 2019, (ii) the increase in research and development expenses due to the reasons discussed above, and (iii) the increase in administrative expenses due to the reasons discussed above.

Certain expenses incurred for the Relevant Period and the corresponding period in 2020 were listing-related. Our adjusted net profit (excluding the listing expenses and donation) for the Relevant Period amounted to approximately RMB16.8 million which was maintained at the similar level to that of approximately RMB16.6 million for the six months ended 31 December 2020, demonstrating the stability of our operating performance. Our adjusted net profit (excluding the listing expenses and donation) decreased by approximately 37.2% from approximately RMB26.8 million for the six months ended 30 June 2020 to approximately RMB16.8 million for the Relevant Period, indicating that our financial results were less volatile as compared with the decrease of approximately 49.2% in the net profit (including the listing expenses and donation) from the six months ended 30 June 2020 to the Relevant Period.

Our net profit margin decreased from 17.0% for the six months ended 30 June 2020 to 11.1% for the Relevant Period mainly due to the reasons discussed above.

Net Current Assets

We recorded net current assets of approximately RMB292.0 million as at 30 June 2021 and RMB163.2 million as at 31 December 2020 respectively. Our current assets increased from approximately RMB185.1 million as at 31 December 2020 to approximately RMB313.5 million as at 30 June 2021, mainly due to the increase in cash and cash equivalents as a result of funds raised from the Listing. Our current liabilities decreased from approximately RMB21.8 million as at 31 December 2020 to approximately RMB21.4 million as at 30 June 2021 primarily due to the decrease in accruals and other payables.

Property, plant and equipment

The net book value of our property, plant and equipment increased from approximately RMB5.8 million as at 31 December 2020 to approximately RMB5.9 million as at 30 June 2021 mainly due to the increase in right-of-use assets originated from certain leases (partly offset by the depreciation charge) and the addition of office equipment.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net book value of our intangible assets increased from approximately RMB5.8 million as at 31 December 2020 to approximately RMB6.9 million as at 30 June 2021 mainly due to the increase in license fee for using a technology platform.

Inventories

Inventories primarily comprised raw materials, finished goods, goods-in-transit and right to recover returned goods. Inventories increased from approximately RMB11.6 million as at 31 December 2020 to approximately RMB12.8 million as at 30 June 2021 mainly due to the increase in the purchase of raw materials in order to avoid shortage of raw materials in the future and the increase in finished goods caused by the decrease in sales of compatible cartridge chips.

Trade receivables

The following sets forth our trade receivables as at 31 December 2020 and 30 June 2021, respectively:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables	48,626	41,076
Less: Loss allowance	(1,634)	(2,019)
	<u>46,992</u>	<u>39,057</u>

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables decreased from approximately RMB11.0 million as at 31 December 2020 to approximately RMB9.0 million as at 30 June 2021 mainly due to the decrease in prepayment to suppliers as a result of the decrease in the sales of compatible cartridge chips.

Trade payables

Our trade payables increased from RMB6.5 million as at 31 December 2020 to RMB8.0 million as at 30 June 2021 mainly due to the increase in the purchase of raw materials.

Indebtedness

The table below sets out the breakdown of the indebtedness of our Group as at the respective dates indicated:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Current liabilities		
Bank borrowings due within one year	5,000	–
Lease liabilities	1,520	1,403
Non-current liabilities		
Lease liabilities	678	191
	<u>7,198</u>	<u>1,594</u>

As at 30 June 2021, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB2.2 million in aggregate in relation to the remaining lease terms of certain lease contracts, which is unsecured and unguaranteed. Our lease liabilities represented the related liabilities arisen when obtaining the right to use certain properties through tenancy agreements.

Outlook and Future Plan

In the second half of 2021, China's economy is expected to continue to maintain a stable recovery, which will provide a stable business environment for the production of our industry. However, there remains unstable and uncertain factors in the global economic recovery and epidemic prevention and control. Shortage in semi-conductors may has a ripple effect on the price of raw materials of all industries. The Company expects that the operating environment will be complex and uncertain.

The principal goal of the Group is to maintain and strengthen our position as a leading compatible cartridge chips provider in the PRC. To meet our goal, we intend to implement the following key business strategies:

- (i) to strengthen our product development capacity and diversify our product portfolio;
- (ii) to accelerate the development of our hardware design capabilities through acquisition of IC design company;
- (iii) to increase our presence in the compatible cartridge industry through forward vertical expansion;
- (iv) to step up our sales and marketing efforts to cater for the expansion of our product offerings; and
- (v) to improve the functionality of our back office to support our business growth.

The core strength of the Group is its research and development capabilities which is also one of the key success factors of our industry in the PRC. Most strategies of the Group aim at strengthening this core competency.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

During the Relevant Period, the Group financed its operations mainly by cash generated from operations, debt financing, and the proceeds of the Listing.

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB244.6 million (as at 31 December 2020: approximately RMB123.5 million).

As at 30 June 2021, the Group had net current assets of approximately RMB292.0 million (as at 31 December 2020: approximately RMB163.2 million) and net assets of approximately RMB304.8 million (as at 31 December 2020: approximately RMB173.9 million).

Taking into account the cash flow generated from operations and the net proceed from the Listing, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

Capital Structure

A. *Borrowing*

The total bank borrowing of the Group as at 30 June 2021 was approximately RMB5.0 million (as at 31 December 2020: nil) which was originally denominated in RMB, so it did not have any foreign exchange impact on our financial statements during the Relevant Period. The bank borrowing was interest-bearing and unsecured. During the Relevant Period, the Group did not experience any difficulties in utilising its banking facilities with its lenders.

B. *Gearing Ratio*

As at 30 June 2021, the Group's gearing ratio was approximately 1.6% (as at 31 December 2020: nil), calculated as the total debt divided by total equity as at the end of the Relevant Period multiplied by 100%. The increase was mainly due to an increase in debt as at the end of the Relevant Period. The Group's gearing ratio demonstrated that the financial position of the Group was healthy as the debt level of the Group was very low as at the end of the Relevant Period.

Pledge of Assets

As at 30 June 2021, the Group did not pledge any assets of the Group.

Contingent Liabilities

As at 30 June 2021 and 2020, the Group did not have any material contingent liabilities.

Material Acquisition and Disposal by the Group

During the Relevant Period, the Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures.

Significant Investments

The Group did not hold any significant investments as at 30 June 2021.

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and part of the Group's assets such as cash and cash equivalents and trade receivables, were denominated in USD or HKD. We are exposed to foreign currency risk arising from fluctuations in exchange rates between RMB against USD or HKD. During the Relevant Period, the change of RMB against USD or HKD did not have any significant effect from translation. During the Relevant Period, the Group did not engage in any hedging activities and the Group has no intention to carry out any hedging activities in near future. The management of the Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Human Resources

As at 30 June 2021, we had approximately 148 full-time employees, of which 127 were based in the PRC and 21 were based in Taiwan and Hong Kong. The Group has adopted policies on recruitment, compensation, dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. The Group provides induction to new employees on its business, culture, structure, and products. We also provide regular trainings to our employees. Our employees' remuneration comprises salaries, bonuses, employee retirement fund and social security contributions and other welfare payments. The Group also adopted the Share Option Scheme as part of the incentive package. We regularly assess the performance of our employees, the results of which would form the basis for salary increments, bonuses and promotions.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(A) Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As far as the Company is aware, as at 30 June 2021, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our 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 which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange, will be as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares⁽¹⁾	Approximate Percentage of Shareholding
Mr. Cheng	Interest in a controlled corporation; interest held jointly with another person ⁽²⁾	191,250,000 (L)	36.87%
Mr. Lee	Interest in a controlled corporation; interest held jointly with another person ⁽³⁾	191,250,000 (L)	36.87%
Mr. Lam	Beneficial owner	86,250,000 (L)	16.63%

Notes:

- (1) The letter “L” denotes a long position in the Shares.
- (2) As at 30 June 2021, the Company is approximately 19.27% directly owned by GMTL. As at 30 June 2021, GMTL was wholly owned by Mr. Cheng. By virtue of the Concert Parties Confirmatory Deed, Mr. Cheng is deemed to be interested in all the Shares held by GMTL and AGL.
- (3) As at 30 June 2021, the Company is approximately 17.6% directly owned by AGL. As at 30 June 2021, AGL was wholly owned by Mr. Lee. By virtue of the Concert Parties Confirmatory Deed, Mr. Lee is deemed to be interested in all the Shares held by AGL and GMTL.

Save as disclosed above, none of the Directors and the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2021.

(B) Substantial Shareholders’ Interests and Short Positions in the Shares and Underlying Shares

So far as the Directors are aware, as at 30 June 2021, the following persons have an interest or a short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares⁽¹⁾	Approximate Percentage of Shareholding
GMTL	Beneficial owner, interest held jointly with another person ⁽²⁾	191,250,000 (L)	36.87%
AGL	Beneficial owner, interest held jointly with another person ⁽³⁾	191,250,000 (L)	36.87%
Mr. Cheng	Interest in a controlled corporation, interest held jointly with another person ⁽²⁾	191,250,000 (L)	36.87%
Mr. Lee	Interest in a controlled corporation, interest held jointly with another person ⁽³⁾	191,250,000 (L)	36.87%
GLC	Beneficial owner ⁽⁴⁾	97,500,000 (L)	18.80%
Mr. Yu	Interest in a controlled corporation ⁽⁴⁾	97,500,000 (L)	18.80%
Mr. Lam	Beneficial owner	86,250,000 (L)	16.63%

Notes:

- (1) The letter “L” denotes a long position in the Shares.
- (2) As at 30 June 2021, our Company is approximately 19.27% directly owned by GMTL. As at 30 June 2021, GMTL was wholly owned by Mr. Cheng. By virtue of the SFO and the Concert Parties Confirmatory Deed, GMTL and Mr. Cheng are deemed to be interested in all the Shares held by GMTL and AGL.
- (3) As at 30 June 2021, our Company is approximately 17.6% directly owned by AGL. As at 30 June 2021, AGL was wholly owned by Mr. Lee. By virtue of the SFO and the Concert Parties Confirmatory Deed, AGL and Mr. Lee are deemed to be interested in all the Shares held by AGL and GMTL.
- (4) As at 30 June 2021, our Company is approximately 18.80% directly owned by GLC. As at 30 June 2021, GLC was wholly owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in all the Shares held by GLC.

Save as disclosed herein, our Directors are not aware of any person who, as at 30 June 2021, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE OPTION SCHEME

On 26 February 2021, the Company conditionally adopted the Share Option Scheme. Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing from 26 February 2021 offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for Shares. Details of the Share Option Scheme are set out in the section headed “Report of the Directors” in the Company’s annual report for the year ended 31 December 2020.

No share option has been granted by the Company under the Share Option Scheme since its adoption.

SUFFICIENCY OF PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, upon the Listing on the Main Board of the Stock Exchange on 31 March 2021 and up to 30 June 2021, the Company maintained the amount of public float as required under the Listing Rules.

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

Upon the listing on the Main Board of the Stock Exchange on 31 March 2021 and up to 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

GOING CONCERN

Based on the current financial position and the available financing facilities, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements in this announcement were prepared on a “going concern” basis.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offer and the exercise of over-allotment option of approximately HKD118 million (equivalent to approximately RMB98.5 million). The following table illustrates the status of the use of net proceeds according to the section headed “Future Plans and Use of Proceeds” in the Prospectus dated 18 March 2021 as at 30 June 2021:

	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (approximately)	Actual utilised amount as at 30 June 2021 (RMB million) (approximately)	Unutilised amount as at 30 June 2021 (RMB million) (approximately)
Use of Proceeds			
Strengthen our product development capacity and diversify our product portfolio	50.7	3.0	47.7
– Development of the software component	7.5	0	7.5
– Development of the hardware component	40.7	2.9	37.8
– Acquisition from the market of new models of original brand printers	2.5	0.1	2.4
Accelerating the development of our hardware design capabilities through acquisition of IC design company	16.6	0	16.6
Increase our presence in the compatible cartridge industry through forward vertical expansion	16.6	0	16.6
Step up our sales and marketing efforts to cater for the expansion of our product offerings	2.5	0	2.5
– Increasing budget of marketing activities, in particular participating in industry fairs and exhibitions in the PRC and at international level	1.7	0	1.7
– Employing additional members of sales and marketing staff	0.8	0	0.8

	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (approximately)	Actual utilised amount as at 30 June 2021 (RMB million) (approximately)	Unutilised amount as at 30 June 2021 (RMB million) (approximately)
Use of Proceeds			
Improve the functionality of our back office to support our business growth	2.5	0	2.5
– Employing additional members of legal and compliance staff	1.3	0	1.3
– Upgrading and maintaining our enterprise resource planning (ERP) system to facilitate the implementation of our expansion strategy and to optimise our operational efficiency	1.3	0	1.3
General working capital	9.9	0	9.9
Total:	98.5	3.0	95.5

The unutilised net proceeds have been deposited into interest-bearing accounts with licensed banks and shall be utilised according to the plans described in the Prospectus.

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the CG Code contained in Appendix 14 to the Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

Since the Listing Date to 30 June 2021, the Company complied with the code provisions as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code governing securities transactions of the Directors.

Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

We have established the Audit Committee on 26 February 2021 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code.

The Audit Committee has three members, namely Mr. Li Huaxiong, Mr. Chen Mark Da-jiang and Mr. Kao Yi-Ping, all being our Independent Non-executive Directors. Mr. Li Huaxiong has been appointed as the chairman of the Audit Committee, and is the Independent Non-executive Director possessing the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The financial statements in this announcement have been reviewed but not been audited by the auditor of the Company, BDO Limited. The Audit Committee has reviewed with the management of the Company the unaudited financial statements, the interim results announcement and the interim report of the Company for the Relevant Period and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements of the Company for the Relevant Period complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE RELEVANT PERIOD

There is no material event after the Relevant Period and up to the date of approving this interim results.

DISCLOSURE OF INFORMATION

The interim results announcement for the six months ended 30 June 2021 is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.megaincayman.com>). The interim report of the Company for the six months ended 30 June 2021 will be sent to Shareholders in due course, and will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.megaincayman.com>) under “Investor Relations”.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“AGL”	ARISTA GLOBAL LTD., an international business company incorporated in Belize on 19 December 2014 and wholly owned by Mr. Lee, and one of our Controlling Shareholders
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“BDO Limited”	BDO Limited Certified Public Accountants
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Cayman Islands Companies Act” or “Companies Act”	the Companies Act Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“China” or “PRC”	the People’s Republic of China and, for the sole purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	MEGAIN Holding (Cayman) Co., Ltd. (美佳音控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2016, which is the holding company of our Group and the Shares of which are listed on the Main Board
“Concert Parties Confirmatory Deed”	the confirmatory deed dated 4 January 2019 and entered into by Mr. Cheng and Mr. Lee, our Controlling Shareholders, to acknowledge and confirm, among other things, that they are parties acting in concert in relation to our Group
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, means Mr. Cheng, Mr. Lee, GMTL and AGL

“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code(s)” or “CG Code(s)”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Covid-19”	the Coronavirus Disease 2019
“Deed of Non-competition”	the deed of non-competition undertakings dated 26 February 2021 executed by our Controlling Shareholders in favour of our Company, the particulars of which are set out in the section headed “Relationship with Controlling Shareholders – Deed of Non-competition” in the Prospectus
“Director(s)”	the director(s) of our Company
“Executive Director(s)”	the executive director(s) of our Company
“GLC”	GOOD LOYAL CORPORATION (忠好有限公司), a company incorporated in the BVI with limited liability on 7 July 2017 and wholly owned by Mr. Yu, and a substantial shareholder of our Company
“Global Offering”	the offer of 37,500,000 new Shares for subscription by the public in Hong Kong and the conditional placing of 87,500,000 new Shares to international investors by our Company at the offer price of HKD1.26
“GMTL”	GLOBAL MEGAIN TECHNOLOGY PTE. LTD., an international business company incorporated in Belize on 23 December 2014 and wholly owned by Mr. Cheng, and one of our Controlling Shareholders
“Group”	the Company and its subsidiaries
“HK\$”, “HKD” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IC”	integrated circuit, a set of electronic circuits where all the elements of the circuit are integrated together on a single semiconductor chipset

“Ink Cartridge Chip Models”	a number of models of compatible ink cartridge chips launched by the Group in 2019, mostly in the second or third quarter, which possess advanced quality, functionality and upward compatibility and were designed for compatible ink cartridge models having high popularity and demand in the market, with very limited number of competitors having then launched comparable chip models
“Independent Non-executive Director(s)”	independent non-executive director(s) of our Company
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not connected person(s) of our Company
“IoT”	Internet of Things being a system of interrelated computing devices, mechanical and digital machines, objects and people with the ability to transfer data over a network; the system includes physical devices, vehicles, home appliances and other items embedded with electronics, software, sensors and actuators, which enable these objects to connect, collect and exchange data through various communication protocols
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	31 March 2021, the date on which the Shares are listed and dealings in the Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Megain Group (HK)”	MEGAIN GROUP (HK) LIMITED (香港美佳印科技股份有限公司), a company incorporated in Hong Kong with limited liability on 22 July 2015 and a direct wholly-owned subsidiary of our Company
“Megain Holding (BVI)”	MEGAIN HOLDING (BVI) PTE, LTD., a company incorporated in the BVI with limited liability on 30 July 2015 and an indirect wholly-owned subsidiary of our Company

“Megain International”	MEGAIN INTERNATIONAL (HK) Limited (香港美佳印國際有限公司), a company incorporated in Hong Kong with limited liability on 14 July 2016 and an indirect wholly-owned subsidiary of our Company
“Mr. Cheng”	Mr. Cheng Hsien-Wei (鄭憲徽), an Executive Director, the chairman of our Board and one of our Controlling Shareholders
“Mr. Lam”	Mr. Lam Tsz Leung (林子良), a Non-executive Director and a substantial shareholder of our Company
“Mr. Lee”	Mr. Lee Kuo-Chang (李國彰), an Executive Director and one of our Controlling Shareholders
“Mr. Yu”	Mr. Yu Yiding (余一丁), a substantial shareholder of our Company
“Non-executive Director(s)”	non-executive director(s) of our Company
“PCB”	printed circuit board, a supporting board for electronic components, on which metal conductors connect the electronic components to form an electrical circuit
“PCBA”	printed circuit board assembly, a chip set with IC, PCB and other components assembled with no firmware installed
“Prospectus”	the prospectus of the Company dated 18 March 2021 in relation to the Global Offering and the Listing
“Relevant Period”	the six months ended 30 June 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 26 February 2021
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US”	the United States of America
“US\$”, “USD” or “US dollar(s)”	United States dollars, the lawful currency of the United States
“Zhuhai Megain”	Zhuhai Megain Technology Co., Ltd.* (珠海美佳音科技有限公司), a company incorporated in the PRC with limited liability on 13 September 2010 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

By Order of the Board
MEGAIN Holding (Cayman) Co., Ltd.
Lee Kuo-Chang
Executive Director

Hong Kong, 30 August 2021

As at the date of this announcement, the Board comprises Mr. Cheng Hsien-Wei and Mr. Lee Kuo-Chang as executive Directors; Mr. Lam Tsz Leung and Ms. Yu Erhao as non-executive Directors; and Mr. Chen Mark Da-jiang, Mr. Kao Yi-Ping and Mr. Li Huaxiong as independent non-executive Directors.

* For identification purpose only