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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 2022**

HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2022 was approximately RMB75,905,000, representing an increase of approximately 13.0% as compared with that of approximately RMB67,162,000 for the corresponding period in 2021;

Profit for the period of the Group for the six months ended 30 June 2022 was approximately RMB19,986,000, representing an increase of approximately 167.4% as compared with that of approximately RMB7,474,000 for the corresponding period in 2021;

The adjusted net profit of the Group (excluding listing expenses and donation) for the six months ended 30 June 2022 amounted to approximately RMB19,986,000, representing an increase of approximately 18.9% as compared with that of approximately RMB16,812,000 for the corresponding period in 2021; and

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022.

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 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	75,905	67,162
Cost of sales and services		<u>(36,725)</u>	<u>(27,501)</u>
Gross profit		39,180	39,661
Other net income	5	6,663	2,631
(Impairment losses)/reversal of impairment losses of trade receivables		(382)	385
Research and development expenses		(9,754)	(9,280)
Selling and distribution expenses		(2,176)	(2,549)
Administrative expenses		(9,730)	(13,537)
Listing expenses		–	(6,841)
Finance costs		<u>(152)</u>	<u>(87)</u>
Profit before income tax expense	6	23,649	10,383
Income tax expense	7	<u>(3,663)</u>	<u>(2,909)</u>
Profit for the period		19,986	7,474
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>3,110</u>	<u>(647)</u>
Total comprehensive income for the period		<u>23,096</u>	<u>6,827</u>
Earnings per share – Basic and diluted	9	<u>RMB0.039</u>	<u>RMB0.017</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		6,542	7,717
Intangible assets		9,882	10,614
Deferred tax assets		1,011	917
		<hr/>	<hr/>
Total non-current assets		17,435	19,248
Current assets			
Inventories		21,385	17,602
Trade receivables	<i>10</i>	76,100	72,823
Deposits, prepayments and other receivables		14,311	12,138
Cash and cash equivalents		244,406	238,347
		<hr/>	<hr/>
Total current assets		356,202	340,910
Current liabilities			
Trade payables	<i>11</i>	7,809	8,132
Accruals and other payables		7,787	9,742
Bank borrowings		4,000	5,000
Leases liabilities		1,564	1,719
Contract liabilities		5,064	164
Provisions		2,655	2,379
Income tax payable		5,223	2,982
		<hr/>	<hr/>
Total current liabilities		34,102	30,118
Net current assets		<hr/> 322,100 <hr/>	<hr/> 310,792 <hr/>
Total assets less current liabilities		<hr/> 339,535 <hr/>	<hr/> 330,040 <hr/>

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Leases liabilities		1,879	2,365
Deferred tax liabilities		519	493
		<hr/>	<hr/>
Total non-current liabilities		2,398	2,858
		<hr/>	<hr/>
NET ASSETS		337,137	327,182
		<hr/>	<hr/>
Capital and reserves			
Share capital	<i>12</i>	4,325	4,325
Reserves		332,812	322,857
		<hr/>	<hr/>
TOTAL EQUITY		337,137	327,182
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 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 2021, 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 the annual consolidated financial statements for the year ended 31 December 2021.

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 2021.

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 2022 of the Company.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied a number of amended HKFRSs, which are issued by the HKICPA to these interim condensed consolidated financial statements for the current accounting period.

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

Amendments to HKAS 16, Property, plant and equipment: proceeds before intended use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, the proceeds from selling such items, and the cost of producing those items, are recognised in profit or loss.

Amendments to HKAS 37, Onerous contracts – costs of fulfilling a contract

The amendments specify that the “cost of fulfilling a contract” comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3, Reference to the conceptual framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether on the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Annual Improvements to HKFRS Standards 2018–2020, Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the “10 per cent” test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments do not have a material impact on these financial statements.

4. REVENUE AND SEGMENT REPORTING

The executive directors of the Company have been identified as the chief operating decision maker 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 maker 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 and no segment information is presented.

All of 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Products		
Sales of chips	62,041	60,553
Trading of integrated circuits and other cartridge components	13,864	6,609
	<u>75,905</u>	<u>67,162</u>
Timing of revenue recognition		
Point in time	<u>75,905</u>	<u>67,162</u>

(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 and non-current assets other than deferred tax assets:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
External revenue by location of the customers:		
PRC	67,455	55,512
Overseas	8,450	11,650
	<u>75,905</u>	<u>67,162</u>

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets by location of assets:		
PRC	14,971	16,991
Overseas	<u>1,453</u>	<u>1,420</u>
	<u>16,424</u>	<u>18,331</u>

5. OTHER NET INCOME

An analysis of other net income is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Bank interest income	1,713	1,368
Exchange gains, net	2,191	–
Government grants (<i>note</i>)	2,631	1,261
Effect of early termination of leases	26	–
Sundry income	<u>102</u>	<u>2</u>
	<u>6,663</u>	<u>2,631</u>

Note:

Government grants were mainly comprised of subsidies related to the Group's innovation projects, listing incentives 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying amount of inventories sold	33,887	23,264
Provision for impairment of inventories	–	436
	<hr/>	<hr/>
Cost of inventories recognised as expense	33,887	23,700
Amortisation of intangible assets	1,057	656
Auditor's remuneration	752	434
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	825	1,375
– Right-of-use assets	981	942
Impairment losses/(reversal of impairment losses) of trade receivables	382	(385)
Short-term leases expenses	7	119
Research and developments expenses (other than staff costs)	4,555	5,059
	<hr/>	<hr/>
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	10,262	9,330
– Retirement scheme contributions	1,715	1,776
	<hr/>	<hr/>
	11,977	11,106
	<hr/>	<hr/>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax	3,757	3,077
Deferred tax		
– Credited to profit or loss for the period	(94)	(1,506)
Withholding tax	–	1,338
	<hr/>	<hr/>
Income tax expense	3,663	2,909
	<hr/>	<hr/>

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 2022 and 2021, under two-tiered tax rates, if an entity has one or more connected entities, 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 the 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 Enterprise Income Tax 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 for a preferential income tax rate of 15% as a High New Technology Enterprise during the year. For the six months ended 30 June 2022 and 2021, income tax provision is calculated at 15% of the assessable income of Zhuhai Megain.

8. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividends	13,141	5,747

On 30 June 2021 and 30 June 2022, the Company paid a final dividend of RMB5,747,000 and RMB13,141,000, in aggregate to its owners of the Company in respect of the years ended 31 December 2020 and 2021 respectively. The Directors do not recommend the payment of any dividend for the six months ended 30 June 2022 and 2021.

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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period	19,986	7,474
Number of shares		
Weighted average number of ordinary shares	518,750	445,788

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 2021.

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 2022 and 2021.

10. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	79,112	75,453
Less: Loss allowance for trade receivables	(3,012)	(2,630)
	<u>76,100</u>	<u>72,823</u>

Notes:

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

During the Relevant Period, the Group offered 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 the end of the Relevant Period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 90 days	29,465	59,051
91 to 180 days	29,822	8,687
Over 180 days	16,813	5,085
	<u>76,100</u>	<u>72,823</u>

11. TRADE PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	7,809	8,132

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 the end of the Relevant Period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 30 days	3,762	7,000
31 to 90 days	1,240	1,088
Over 90 days	2,807	44
	7,809	8,132

12. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:			
At 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 upon exercise of over-allotment option	<i>(d)</i>	18,750	156
At 31 December 2021 and 30 June 2022		518,750	4,325

* The balance is less than RMB1,000.

The movements in share capital above 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 USD to HKD by (i) increasing the authorised share capital of the Company in HKD through the creation of 750,000,000 new shares with a par value of HK\$0.01 each such that the Company will have 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 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, was credited to share premium amount.
- (d) On 22 April 2021, the Company has fully exercised the over-allotment option and to allot and issue 18,750,000 additional new shares at HK\$1.26 each to cover the 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, was credited to share premium amount.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the 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 the trading of ICs and other cartridge components, including plastic parts and toners, as ancillary services to our customers, and the provision of technical and design services for chips at the request of customers.

Compatible Cartridge Chips Business

During the Relevant Period, the global and regional economic situation changed drastically, the supply chain in the semiconductor industry continued to be strained which put pressure on the cost of our direct materials and constrained our production capacity. In the meantime, the COVID-19 pandemic recurred frequently in various cities in the PRC. Many major cities such as Shanghai implemented strict measures to deal with the outbreaks which led to suspension of production and operations of enterprises including our suppliers of raw materials such as ICs. As a result, new models of chips that the Group could launch were limited. We could only postpone the launch of some new models of chips to the second half of 2022. During the Relevant Period, the Group launched 4 new models of chips, all for desktop laser printers. During the six months ended 30 June 2021, the Group launched 48 new models of chips, including 4 for desktop laser printers, 40 for desktop inkjet printers and 4 for commercial printers.

Internet of Things Chips Business

The Group believes that 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 broadening the Group's revenue base and offer better returns to the Shareholders.

Unlike our customers of compatible printer cartridge chips, customers of IoT chips are scattering over various industries, and each order of purchase is relatively small. It requires more effort and time to build up our customer base. Our market development strategy on this new business is to let our IoT solutions fit the customised need of a few large customers and build up long term relationship with them, instead of playing guerrilla warfare in the market.

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 invest in strengthening our research and development capacity. 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 15 applications for the registration of patent in the PRC. All applications were pending for registration. Our patents mainly involve the designs and technologies relating to chips 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 for the past five years.

FINANCIAL REVIEW

Revenue

Our overall revenue increased by approximately 13.0% from approximately RMB67.2 million for the six months ended 30 June 2021 to approximately RMB75.9 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							
	2022 (Unaudited)				2021 (Unaudited)			
	Revenue	% of total revenue	Sales volume 000' pieces of chips	Average selling price RMB	Revenue	% of total revenue	Sales volume 000' pieces of chips	Average selling price RMB
	RMB'000	%			RMB'000	%		
Sales of chips								
Product category-application								
– Desktop laser printers	54,581	71.9	3,784	14.4	33,241	49.5	5,985	11.9
– Desktop inkjet printers	5,853	7.7	684	8.6	23,434	34.9	1,965	5.6
– Commercial printers ¹	1,607	2.1	117	13.7	2,989	4.5	172	17.4
Sub-total	62,041	81.7	4,585	13.5	59,664	88.8	8,121	7.3
Sales of other chips	1,841	2.4	36	50.4	888	1.3	13	66.3
Trading of ICs and other cartridge components ²	12,023	15.9	N/A	N/A	6,609	9.8	N/A	N/A
Total	75,905	100			67,162	100		

Notes:

1. Includes mainly commercial laser printers.
2. In addition to the provision of chips, we also engaged in the 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 increased by approximately 4.0% from approximately RMB59.7 million for the six months ended 30 June 2021 to approximately RMB62.0 million for the Relevant Period. The increase was mainly attributable to the increase in revenue from the sales of our chips for desktop laser printers from approximately RMB33.2 million for the six months ended 30 June 2021 to approximately RMB54.6 million for the Relevant Period.

During the Relevant Period, the shortage of raw materials such as ICs constrained our production capacity for the reasons mentioned in the business review section. The sales volume of compatible cartridge chips reduced to approximately 4,585,000 pieces for the Relevant Period from approximately 8,121,000 pieces for the corresponding period of last year. Fortunately, the market demand for our compatible cartridge chips was still strong in 2022, we could transfer partially the increased costs of raw materials to our customers, so the average selling price of our compatible cartridge chips could increase to approximately RMB13.5 per piece for the Relevant Period from approximately RMB7.3 per piece for the corresponding period of last year.

(ii) Sales of other chips

Our Hall sensor chip is mainly applied in magnetic field sensor. It was a newly launched product of the Group in June 2021. The sales of the Hall sensor chip for the Relevant Period amounted to approximately RMB1.8 million, representing an increase of approximately 107.3% as compared with that of approximately RMB0.9 million for the corresponding period of last year. We believe that the Hall sensor chip will become a driver of our total revenue growth after taking into consideration the large demand for the Hall sensor chips in different business 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 increased by approximately 81.9% from approximately RMB6.6 million for the six months ended 30 June 2021 to approximately RMB12.0 million for the Relevant Period mainly due to the increase in the sales of toner and components of toner cartridge.

Cost of sales and services

Our cost of sales and services increased from approximately RMB27.5 million for the six months ended 30 June 2021 to approximately RMB36.7 million for the Relevant Period. The increase was mainly caused by the rise in direct materials costs, in particular the cost of semi-conductors.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately 1.2% from approximately RMB39.7 million for the six months ended 30 June 2021 to approximately RMB39.2 million for the Relevant Period. Our overall gross profit margin decreased from approximately 59.1% for the six months ended 30 June 2021 to approximately 51.6% 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			
	2022		2021	
	(Unaudited)		(Unaudited)	
	Gross profit	Gross profit	Gross profit	Gross profit
	RMB'000	margin	RMB'000	margin
		%		%
Sales of chips				
Product category-application				
– Desktop laser printers	35,852	65.7	21,569	64.9
– Desktop inkjet printers	1,762	30.1	15,555	66.4
– Commercial printers	760	47.3	2,062	69.0
Sub-total	38,374	61.9	39,187	65.7
Sales of other chips	326	17.7	101	11.4
Trading of ICs and other cartridge components	480	4.0	373	5.6
Total	39,180	51.6	39,661	59.1

(i) Sales of compatible cartridge chips

The gross profit from the sales of compatible cartridge chips decreased from approximately RMB39.2 million for the six months ended 30 June 2021 to approximately RMB38.4 million for the Relevant Period, mainly due to the decrease in gross profit from the sales of our chips for desktop inkjet printers and commercial printers from approximately RMB15.6 million and RMB2.1 million respectively for the six months ended 30 June 2021 to approximately RMB1.8 million and RMB0.8 million respectively for the Relevant Period, which was mainly due to the reduction in production capacity caused by the shortage of raw materials.

Our gross profit margin of compatible cartridge chips decreased from approximately 65.7% for the six months ended 30 June 2021 to approximately 61.9% for the Relevant Period, mainly due to the rise in direct materials costs, in particular the cost of semi-conductors.

(ii) Sales of other chips

The gross profit from the sales of Hall sensor chips amounted to approximately RMB0.3 million for the Relevant Period. The gross profit margin of the sales of Hall sensor chips was approximately 17.7% for the Relevant Period. The Group was on the point of establishing its customer base for the IoT chips business and formulating its market niche. We intend to launch progressively new series of Hall sensor chips so that they can be applied to different kinds of electronic products 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 increased from approximately RMB0.37 million for the six months ended 30 June 2021 to approximately RMB0.48 million for the Relevant Period. The decrease in gross profit margin from approximately 5.6% for the six months ended 30 June 2021 to approximately 4.0% for the Relevant Period was mainly due to the squeeze of the gross profit margin from the trading of toner cartridge components resulting from increased cost.

(iv) Other revenue

Occasionally, the Group provides technical and design services for chips at the request of our customers. During the Relevant Period and for the corresponding period of last year, the Group did not recognise any revenue from the provision of such services.

Other net income

Our other net income increased by approximately 153.2% from approximately RMB2.6 million for the six months ended 30 June 2021 to approximately RMB6.7 million for the Relevant Period, which was mainly due to the increase in government grants and exchange gain during the Relevant Period.

Research and development expenses

Our research and development expenses increased by approximately 5.1% from approximately RMB9.3 million for the six months ended 30 June 2021 to approximately RMB9.8 million for the Relevant Period. Such increase was mainly due to the increase in staff salaries and welfare for R&D team.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 14.6% from approximately RMB2.5 million for the six months ended 30 June 2021 to approximately RMB2.2 million for the Relevant Period. Such decrease was mainly attributable to the decrease in staff costs for sales team.

Administrative expenses

Our administrative expenses decreased by approximately 28.1% from approximately RMB13.5 million for the six months ended 30 June 2021 to approximately RMB9.7 million for the Relevant Period mainly due to the decrease in donation.

Listing expenses

Our listing expenses decreased by approximately 100% from approximately RMB6.8 million for the six months ended 30 June 2021 to nil for the Relevant Period due to the completion of the Listing.

Income tax expenses

Our income tax expenses increased by approximately 25.9% from approximately RMB2.9 million for the six months ended 30 June 2021 to approximately RMB3.7 million for the Relevant Period, which was in line with the increase 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 increased by approximately 167.4% from approximately RMB7.5 million for the six months ended 30 June 2021 to approximately RMB20.0 million for the Relevant Period mainly because (i) the revenue from the sales of compatible cartridge chips and other chips increased; (ii) the other net income increased due to the increase in government grants and exchange gain; and (iii) the listing related expenses and donation did not recur for the Relevant Period due to the completion of the Listing in 2021.

Certain expenses incurred for the corresponding period in 2021 were listing-related. Our adjusted net profit (excluding the listing expenses and donation) increased by approximately 18.9% from approximately RMB16.8 million for the six months ended 30 June 2021 to approximately RMB20.0 million for the Relevant Period.

Our net profit margin increased from 11.1% for the six months ended 30 June 2021 to 26.3% for the Relevant Period mainly due to the reasons discussed above.

Net current assets

We recorded net current assets of approximately RMB322.1 million as at 30 June 2022 and RMB310.8 million as at 31 December 2021 respectively. Our current assets increased from approximately RMB340.9 million as at 31 December 2021 to approximately RMB356.2 million as at 30 June 2022, mainly due to the increase in cash and cash equivalents and trade receivables. Our current liabilities increased from approximately RMB30.1 million as at 31 December 2021 to approximately RMB34.1 million as at 30 June 2022 primarily due to the increase in contract liabilities and income tax payable.

Property, plant and equipment

The net book value of our property, plant and equipment decreased from approximately RMB7.7 million as at 31 December 2021 to approximately RMB6.5 million as at 30 June 2022 mainly due to depreciation and the decrease in right-of-use assets caused by early termination of a lease.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net book value of our intangible assets decreased from approximately RMB10.6 million as at 31 December 2021 to approximately RMB9.9 million as at 30 June 2022 mainly due to the amortisation of the intangible assets.

Inventories

Inventories primarily comprised raw materials, finished goods, goods-in-transit and right to recover returned goods. Inventories increased from approximately RMB17.6 million as at 31 December 2021 to approximately RMB21.4 million as at 30 June 2022 mainly due to the increase in the raw materials for the production of IoT chips and the increase in finished goods.

Trade receivables

The following sets forth our trade receivables as at 31 December 2021 and 30 June 2022, respectively:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables	79,112	75,453
Less: Loss allowance	(3,012)	(2,630)
	<u>76,100</u>	<u>72,823</u>

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables increased from approximately RMB12.1 million as at 31 December 2021 to approximately RMB14.3 million as at 30 June 2022 mainly due to the increase in prepayments to suppliers.

Trade payables

Our trade payables decreased from RMB8.1 million as at 31 December 2021 to RMB7.8 million as at 30 June 2022 mainly due to the reduction in the trade payables in relation to the trading of ICs and other cartridge components.

Indebtedness

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Current liabilities		
Bank borrowings due within one year	4,000	5,000
Lease liabilities	1,564	1,719
Non-current liabilities		
Lease liabilities	1,879	2,365
	7,443	9,084

As at 30 June 2022, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB3.4 million in aggregate in relation to the remaining lease terms of certain lease contracts, which were 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

Although the global economic situation will be complex and uncertain due to the anxiety of economic recession caused by interest rate rise launched by major countries to tame soaring inflation, and regional political and military disputes and tension, the Group is prudently optimistic about our business growth as many countries have started to walk through the haze of COVID-19 pandemic and brought economic activities back to normal. In the second half of 2022, the Group will launch more new models of compatible cartridge chips and further strengthen its new business in IoT chips while shortage of raw materials and inflation are our major concerns.

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 in our industry in the PRC. Most of the strategies of the Group aim at strengthening this core competency. Save as disclosed above, as at 30 June 2022, the Group did not have any plans for material investments and capital assets in the second half of 2022.

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 2022, the Group had cash and cash equivalents of approximately RMB244.4 million (as at 31 December 2021: approximately RMB238.3 million).

As at 30 June 2022, the Group had net current assets of approximately RMB322.1 million (as at 31 December 2021: approximately RMB310.8 million) and net assets of approximately RMB337.1 million (as at 31 December 2021: approximately RMB327.2 million).

Taking into account the cash flow generated from operations and the net proceeds 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 end of the Relevant Period.

Capital Structure

A. *Borrowing*

The total bank borrowing of the Group as at 30 June 2022 was approximately RMB4.0 million (as at 31 December 2021: RMB5.0 million) 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 2022, the Group's gearing ratio was approximately 1.2% (as at 31 December 2021: approximately 1.5%), calculated as the total debt divided by total equity as at the end of the Relevant Period multiplied by 100%. The decrease was mainly due to the decrease in bank borrowing 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 2022, the Group did not pledge any assets of the Group.

Contingent Liabilities

As at 30 June 2022 and 2021, 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 2022.

Foreign Currency Exposure

The majority 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 2022, we had approximately 136 full-time employees, of which 114 were based in the PRC and 22 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 2022.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As far as the Company is aware, as at 30 June 2022, 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 are 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 2022, the Company is approximately 19.27% directly owned by GMTL. As at 30 June 2022, 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 2022, the Company is approximately 17.6% directly owned by AGL. As at 30 June 2022, 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 2022.

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

So far as the Directors are aware, as at 30 June 2022, 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 2022, our Company is approximately 19.27% directly owned by GMTL. As at 30 June 2022, 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 2022, our Company is approximately 17.6% directly owned by AGL. As at 30 June 2022, 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 2022, our Company is approximately 18.80% directly owned by GLC. As at 30 June 2022, 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 2022, has 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 on 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 the 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 2021.

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

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the Relevant Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING INTERESTS

During the Relevant Period, none of the Directors or their respective close associates (other than members of the Group) has any interest in a business, apart from the business of the Group, which competes or likely competes, either directly or indirectly, with the business of the Group which would require disclosure under Rule 8.10 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the Relevant Period, the Company maintained the amount of public float as required under the Listing Rules.

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

During the Relevant Period, 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 2022:

Use of Proceeds	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (approximately)	Actual utilised amount as at 30 June 2022 (RMB million) (approximately)	Unutilised amount as at 30 June 2022 (RMB million) (approximately)
Strengthen our product development capacity and diversify our product portfolio	50.7	21.3	29.3
– Development of the software component	7.5	0.6	6.9
– Development of the hardware component	40.7	20.2	20.5
– Acquisition from the market of new models of original brand printers	2.5	0.5	2.0
Accelerate the development of our hardware design capabilities through acquisition of IC design company	16.6	–	16.6
Increase our presence in the compatible cartridge industry through forward vertical expansion	16.6	–	16.6
Step up our sales and marketing efforts to cater for the expansion of our product offerings	2.5	0.4	2.0
– Increasing budget of marketing activities, in particular participating in industry fairs and exhibitions in the PRC and at international level	1.7	0.2	1.5
– Employing additional members of sales and marketing staff	0.8	0.2	0.6

Use of Proceeds	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (approximately)	Actual utilised amount as at 30 June 2022 (RMB million) (approximately)	Unutilised amount as at 30 June 2022 (RMB million) (approximately)
Improve the functionality of our back office to support our business growth	2.5	0.1	2.4
– Employing additional members of legal and compliance staff	1.3	–	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	1.2
General working capital	9.9	9.9	–
Total:	98.5	31.7	66.8

Note: The figures in the above table are subject to rounding adjustments. The discrepancy between totals and sums of separate figures listed are due to rounding.

As disclosed above, the actual application of the net proceeds was slower than expected as disclosed in the section “Future Plans and Use of Proceeds” in the Prospectus and such delay was mainly due to the impacts of the COVID-19 pandemic, which has caused the slowdown of our business development, the difficulty in recruiting suitable candidates and the delay in upgrading the Group’s information technology system. The unutilised net proceeds are expected to be fully utilised by 31 December 2023 as disclosed in the section “Future Plans and Use of Proceeds” in the Prospectus and have been deposited into interest-bearing accounts with licensed banks.

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.

During the Relevant Period, 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 during the Relevant Period.

REVIEW BY AUDIT COMMITTEE

We 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 announcement.

DISCLOSURE OF INFORMATION

The interim results announcement for the six months ended 30 June 2022 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 2022 will be sent to the 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, 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
“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
“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
“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

“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, 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, 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
“Independent Non-executive Director(s)”	independent non-executive director(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 enables 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 commenced 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
“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
“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 2022
“RMB”	Renminbi, the lawful currency of the PRC
“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\$” or “USD”	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.
Cheng Hsien-Wei
Chairman

Hong Kong, 30 August 2022

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