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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS HIGHLIGHTS

Revenue of the Group for the Relevant Period decreased by approximately 0.6% to approximately RMB172,394,000 (2022: approximately RMB173,367,000).

Gross profit of the Group for the Relevant Period decreased by approximately 26.1% to approximately RMB66,977,000 (2022: approximately RMB90,625,000).

Profit after income tax of the Group for the Relevant Period was approximately RMB23,212,000, representing a decrease of approximately 48.3% (2022: approximately RMB44,892,000).

Basic earnings per share of the Group for the Relevant Period decreased by approximately 48.3% to approximately RMB4.5 cents (2022: approximately RMB8.7 cents).

The Board recommended the distribution of a final dividend of RMB1.79 cents per share for the year ended 31 December 2023 (2022: RMB3.46 cents), subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Wednesday, 5 June 2024.

The Board of MEGAIN Holding (Cayman) Co., Ltd. is pleased to announce the audited consolidated financial results of the Group for the Relevant Period together with the audited comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*4*	**172,394**	173,367
Cost of sales and services		**(105,417)**	(82,742)
Gross profit		**66,977**	90,625
Other income and gains and losses	*5*	**9,611**	9,574
Impairment losses of trade receivables		**(433)**	(115)
Research and development expenses		**(16,282)**	(18,254)
Selling and distribution expenses		**(7,121)**	(4,974)
Administrative expenses		**(25,255)**	(22,173)
Finance costs		**(144)**	(249)
Profit before income tax expense	*6*	**27,353**	54,434
Income tax expense	*7*	**(4,141)**	(9,542)
Profit for the year		**23,212**	44,892
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,164**	4,859
Total comprehensive income for the year		**24,376**	49,751
Earnings per share – Basic and diluted	*9*	**0.045**	0.087

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Non-current assets			
Property, plant and equipment		**4,886**	5,863
Intangible assets		**15,919**	13,506
Prepayments		**3,794**	–
Deferred tax assets		**1,132**	1,126
Total non-current assets		**25,731**	20,495
Current assets			
Inventories		**40,454**	20,594
Trade receivables	*10*	**58,433**	75,233
Deposits, prepayments and other receivables		**21,765**	10,819
Financial assets at fair value through profit or loss		**60,000**	–
Cash and cash equivalents		**183,826**	277,131
Total current assets		**364,478**	383,777
Current liabilities			
Trade payables	*11*	**6,187**	11,713
Accruals and other payables		**8,084**	10,901
Bank borrowings		**–**	1,000
Leases liabilities		**1,411**	1,804
Contract liabilities		**395**	3,684
Provisions		**2,613**	1,641
Income tax payable		**184**	8,059
Total current liabilities		**18,874**	38,802
Net current assets		**345,604**	344,975
Total assets less current liabilities		**371,335**	365,470
Non-current liabilities			
Leases liabilities		**467**	1,166
Deferred tax liabilities		**649**	512
Total non-current liabilities		**1,116**	1,678
NET ASSETS		**370,219**	363,792
Capital and reserves			
Share capital	*12*	**4,325**	4,325
Reserves		**365,894**	359,467
TOTAL EQUITY		**370,219**	363,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 since 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 engaged in the provision of research, design, development and sales of compatible cartridge chips.

2. ADOPTION OF HKFRSs

(a) Adoption of amended HKFRSs

The HKICPA has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The Group has not early adopted any amended HKFRSs that are not yet effective for the current accounting period.

Impact of the adoption of these amended HKFRSs and HKASs on the Group's results and financial position for current or prior period are discussed below.

HKFRS 17, Insurance Contracts

HKFRS 17 was issued by the HKICPA in 2018 and replaces HKFRS 4 for annual reporting periods beginning on or after 1 January 2023.

HKFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to HKFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with HKFRS 4 permitting many previous accounting approaches to be followed.

The standard does not have impact on these consolidated financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The HKICPA issued HKFRS Practice Statement 2 *Making Materiality Judgements* in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting polices" with "material accounting policy information". The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

The Group has revisited the accounting policy information disclosed and considered it is consistent with the amendments.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments to HKAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments do not have a material impact on these consolidated financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In June 2021, the HKICPA issued amendments to HKAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of HKFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

Prior to the amendments, the Group determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, International Tax Reform – Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with International Accounting Standards Board ("IASB") about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final amendments International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns, on 23 May 2023. The HKICPA published the equivalent amendments to HKAS 12 (the "Amendments") on 21 July 2023. The amendments were effective immediately upon being released.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

Although the Group operates in jurisdictions that fall within the scope of OECD's Pillar Two model rules, the domestic tax laws of these jurisdictions have not been enacted or substantively enacted as at 31 December 2023. Therefore the Amendments to HKAS 12 are not applicable to the Group.

(b) Amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")[1,2]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after 1 January 2024.

2 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company do not anticipate that the application of the above amendments and revision in the future will have significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Listing Rules.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency

The functional currency of the Company is USD, while the consolidated financial statements are presented in RMB. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated. The consolidated financial statements are presented in RMB as in the opinion of the Directors, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

4. REVENUE AND SEGMENT INFORMATION

The executive director of the Company has been identified as the chief operating decision maker of the Group who reviews the Group's internal reporting in order to assess the 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 the 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.

(i) Disaggregation of the Group's revenue from contracts with customers:

	2023	2022
	RMB'000	*RMB'000*
Products		
Sales of chips	**147,394**	142,246
Trading of integrated circuits and other cartridge components	**21,274**	31,121
Services		
Technical and design services for chips	**3,726**	–
	172,394	173,367
Timing of revenue recognition		
Point in time	**172,111**	173,367
Over time	**283**	–
	172,394	173,367

(ii) 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:

	2023	2022
	RMB'000	*RMB'000*
External revenue by location of customers		
PRC	**153,472**	155,012
Overseas	**18,922**	18,355
	172,394	173,367

	2023	2022
	RMB'000	*RMB'000*
Non-current assets by location of assets		
PRC	**19,965**	17,926
Overseas	**840**	1,443
	20,805	19,369

(iii) Information about major customers

Revenue from customers contributing over 10% or more of the Group's revenue is as follow:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**65,319**	36,872
Customer B	**17,389**	25,092
Customer C	**N/A**[1]	18,583

1 Revenue from the customer contributed less than 10% of the total revenue of the Group for the current year.

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

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**58,433**	75,233
Contract liabilities	**395**	3,684

Contract liabilities represent receipts in advance from customers for goods or services that have not yet been transferred to the customers. As at 31 December 2023, the contract liabilities represented the receipts in advance received from sales of compatible cartridge chips.

As at 31 December 2023, the Group did not have transaction price allocated to performance obligations that are unsatisfied under contracts for technical and design services for chips (2022: RMB7,896,000).

5. OTHER INCOME AND GAINS AND LOSSES

An analysis of other income and gains and losses is as follows:

	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**5,998**	3,710
Exchange gains, net	**975**	2,549
Government grants *(note)*	**2,479**	3,017
Effect of lease modifications	**(25)**	33
Sundry income	**184**	265
	9,611	9,574

Note: Government grants were 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:

	2023	2022
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**92,054**	75,942
(Reversal of)/provision for impairment losses of inventories	**(567)**	1,460
Cost of inventories recognised as expense	**91,487**	77,402
Amortisation of intangible assets	**2,541**	2,215
Auditor's remuneration	**1,077**	1,050
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	**1,431**	1,815
– Right-of-use assets	**2,004**	1,729
Loss on disposal of property, plant and equipment	**57**	34
Impairment losses of trade receivables	**433**	115
Short-term leases expenses	**83**	94
Research and development expenses (other than staff costs)	**7,661**	9,634
Interest on lease liabilities	**124**	141
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	**22,214**	20,546
– Retirement scheme contributions	**3,268**	2,965
	25,482	23,511

7. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2023	2022
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
– Current year	**3,457**	9,251
– Under provision in prior years	**40**	–
Deferred tax		
– Charged/(credited) to profit or loss for the year	**120**	(233)
Withholding tax	**524**	524
Income tax expense	**4,141**	9,542

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 years ended 31 December 2023 and 2022, under the two-tiered tax rates regime, 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 year ended 31 December 2023, income tax provision is calculated at 15% (2022: 15%) of the assessable income of Zhuhai Megain.

Withholding tax arose from the payment of a withholding tax at 10%, for the dividend paid by Zhuhai Megain to its immediate holding company outside the PRC, Megain Group (HK) in respect of the years ended 31 December 2023 and 2022.

8. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Final dividends	**17,949**	13,141

On 30 June 2022 and 30 June 2023, the Company paid a final dividend of RMB13,141,000 and RMB17,949,000, in aggregate to its owners of the Company in respect of the years ended 31 December 2021 and 2022 respectively. The final dividend proposed by the board of directors for the year ended 31 December 2023 which will be approved at the Company's shareholders at the forthcoming annual general meeting.

9. BASIC AND DILUTED EARNINGS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit for the year	**23,212**	44,892

	2023	2022
	Number'000	*Number'000*
Number of shares		
Weighted average number of ordinary shares	**518,750**	518,750

Note:

Weighted average of 518,750,000 shares for the years ended 31 December 2023 and 2022 represent the number of shares in issue throughout the year.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential ordinary shares for the years ended 31 December 2023 and 2022.

10. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**60,889**	77,256
Less: Loss allowance for trade receivables	**(2,456)**	(2,023)
	58,433	75,233

Notes:

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

During the years ended 31 December 2023 and 2022, 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.

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of each of the reporting periods:

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**41,425**	58,235
91 to 180 days	**10,016**	9,598
Over 180 days	**6,992**	7,400
	58,433	75,233

(b) As at 1 January 2022, the balance of trade receivables, net of impairment, was RMB72,823,000.

(c) The Group recognised impairment of trade receivables for the years ended 31 December 2023 and 2022 based on the relevant accounting policies.

11. TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**6,187**	11,713

Notes:

(a) A credit period granted by suppliers is normally 30 days to 60 days. Due to the 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 of the end of each of the reporting periods:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**4,478**	3,908
31 to 90 days	**1,683**	7,628
Over 90 days	**26**	177
	6,187	11,713

12. SHARE CAPITAL

	Number of share	**Amount**
	'000	*RMB'000*
Ordinary shares, issued and fully paid:		
At 31 December 2022 and 2023	**518,750**	**4,325**

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 IoT related chips such as Hall sensor chips, power management ICs ("PMICs"), battery charge management ICs, 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

The operating environment of our Group was very challenging during the Relevant Period. Although the economy of China experienced a recovery for the Relevant Period, the economic growth was sluggish. The demand for compatible printer cartridge chips was moderate. Some of our customers downgraded their production scales and extended their procurement cycles. In addition, the competition among industry players was fierce. Although the sales volume of compatible cartridge chips for desktop laser printers of the Group during the Relevant Period increased by 26.3% as compared with that of last year, the average selling price of them fell significantly due to the price competition launched by some compatible cartridge chips producers with an aim to increase their market shares. The sales of compatible cartridge chips for desktop inkjet printers of the Group during the Relevant Period performed better, attributable to the introduction of many new models and the development of new customers, but the gross profit margin of this sector has been squeezed significantly as we received more orders for customized chips, which incurred higher production costs.

During the Relevant Period, the Group developed 955 new models of chips, including 199 for the desktop laser printers, 756 for the desktop inkjet printers and nil for the commercial printers, and upgraded 62 models of chips, 58 for the desktop laser printers and 4 for the desktop inkjet printers. During the year ended 31 December 2022, the Group developed 35 new models of chips, including 20 for the desktop laser printers, 15 for the desktop inkjet printers and nil for the commercial printers, and upgraded 468 models of chips, all for the desktop laser 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. On top of the Hall sensor chip we developed in 2021, which is generally used for positioning, speed detection and proximity sensing, during the Relevant Period, the Group developed some new IoT chips such as PMICs, battery charge management ICs in order to strengthen our IoT chips portfolio. PMICs are used to regulate electricity flow and voltage in an electronic device while battery charge management ICs can be applied to the electricity flow and voltage control during recharging of mobile devices such as mobile phones, tablet computers, power banks, etc. We finished the development of 4 models of PMICs and 15 models of metal–oxide–semiconductor field-effect transistor ("MOSFET") during the Relevant Period. Our new IoT chips are still at the early stage of production and market development.

Our market development strategies on this new business are to (i) establish sales channels in our target sales regions such as Shenzhen, Shanghai and Taiwan; (ii) develop long-term relationship with sales agents and let them participate into our chips' technical design; and (iii) promote our products and business strategies by seeking assistance of some industry experts and through participation of industry conferences and exhibitions.

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 58 applications for the registration of patent in the PRC. 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 since 2016.

FINANCIAL REVIEW

Revenue

Our overall revenue decreased slightly by approximately 0.6% from approximately RMB173.4 million for the year ended 31 December 2022 to approximately RMB172.4 million for the Relevant Period. The following table summarises the revenue for each of the product categories by application during the periods indicated:

	Year ended 31 December								
	2023				2022				
	Revenue	**% of total revenue**	**Sales volume**	**Average selling price**	Revenue	% of total revenue	Sales volume	Average selling price	Percentage increase/ (decrease) in revenue
	RMB'000	***%***	***000' pieces of chips***	***RMB***	*RMB'000*	*%*	*000' pieces of chips*	*RMB*	*%*
Sales of chips									
Product category-application									
– Desktop laser printers	**110,456**	**64.1**	**10,344**	**10.7**	130,787	75.4	8,190	16.0	(15.5)
– Desktop inkjet printers	**30,013**	**17.4**	**4,013**	**7.5**	8,427	4.9	1,141	7.4	256.2
– Commercial printers[1]	**2,348**	**1.4**	**282**	**8.3**	3,032	1.7	221	13.7	(22.6)
Sub-total	**142,816**	**82.8**	**14,639**	**9.8**	142,246	82.0	9,552	14.9	0.4
Sales of other chips	**4,578**	**2.7**	**4,293**	**1.1**	9,786	5.7	110	89.0	(53.2)
Trading of ICs and other cartridge components[2]	**21,274**	**12.3**	**N/A**	**N/A**	21,335	12.3	N/A	N/A	(0.3)
Other revenue[3]	**3,726**	**2.2**	**N/A**	**N/A**	–	–	N/A	N/A	N/A
Total	**172,394**	**100.0**			173,367	100.0			(0.6)

Notes:

1. Commercial printers include 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.

3. The Group provided technical and design services for chips at the request of our customers.

(i) ***Sales of compatible cartridge chips***

Our revenue from the sales of compatible cartridge chips increased slightly by approximately 0.4% from approximately RMB142.2 million for the year ended 31 December 2022 to approximately RMB142.8 million for the Relevant Period. The increase was mainly attributable to the increase in revenue from the sales of our chips for inkjet printers from approximately RMB8.4 million for the year ended 31 December 2022 to approximately RMB30.0 million for the Relevant Period as a result of the introduction of 756 new models of chips for inkjet printers.

The sales volume of compatible cartridge chips of the Group increased to approximately 14,639,000 pieces for the Relevant Period from approximately 9,552,000 pieces for the corresponding period of last year as a result of the introduction of more new models of compatible cartridge chips and active promotion endeavour.

(ii) ***Sales of other chips***

In addition to the Hall sensor chips the Group launched in 2021, the Group developed some new IoT chips such as PMICs, battery management ICs, etc. We also provide customised IoT solution to clients. The sales of other chips for the Relevant Period decreased by approximately 53.2% from approximately RMB9.8 million for the year ended 31 December 2022 to approximately RMB4.6 million for the Relevant Period. The decrease was mainly due to the decrease in the sales of Hall sensor chips.

(iii) ***Trading of ICs and other cartridge components***

Our revenue generated from trading of ICs and other cartridge components decreased slightly by approximately 0.3% from approximately RMB21.34 million for the year ended 31 December 2022 to approximately RMB21.27 million for the Relevant Period mainly due to the decrease in the demand for toner and components of toner cartridge. In the late 2023, we also established our own e-commerce platform to sell toner and cartridges. The e-commerce business is just on the embryonic stage and needs more time to develop. As a result, the revenue generated from our e-commerce business was minimal.

(iv) ***Other revenue***

Occasionally, the Group provides technical and design services for chips at the request of our customers. The Group recorded a revenue of approximately RMB3.7 million from the provision of technical and design services for chips during the Relevant Period. The Group did not recognise any revenue from the provision of such services for the year ended 31 December 2022.

Cost of sales and services

Our cost of sales and services increased from approximately RMB82.7 million for the year ended 31 December 2022 to approximately RMB105.4 million for the Relevant Period. The increase was mainly caused by the increase in direct materials costs, in particular, the purchase of semi-finished semi-conductors which were used to produce customized chips and involved higher purchase costs.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately 26.1% from approximately RMB90.6 million for the year ended 31 December 2022 to approximately RMB67.0 million for the Relevant Period. Our overall gross profit margin decreased from approximately 52.3% for the year ended 31 December 2022 to approximately 38.9% 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:

	Year ended 31 December			
	2023		2022	
	Gross profit *RMB'000*	**Gross profit margin** %	Gross profit *RMB'000*	Gross profit margin %
Sales of chips				
Product category-application				
– Desktop laser printers	**60,581**	**54.8**	85,800	65.6
– Desktop inkjet printers	**866**	**2.9**	1,792	21.3
– Commercial printers	**1,139**	**48.5**	1,502	49.5
Sub-total	**62,586**	**43.8**	89,094	62.6
Sales of other chips	**166**	**3.6**	931	9.5
Trading of ICs and other cartridge components	**1,281**	**6.0**	600	2.8
Other revenue	**2,944**	**79.0**	–	–
Total	**66,977**	**38.9**	90,625	52.3

(i) Sales of compatible cartridge chips

The gross profit from the sales of compatible cartridge chips decreased from approximately RMB89.1 million for the year ended 31 December 2022 to approximately RMB62.6 million for the Relevant Period, mainly due to (i) the decrease in gross profit from the sales of our chips for desktop laser printers from approximately RMB85.8 million for the year ended 31 December 2022 to approximately RMB60.6 million for the Relevant Period, primarily a result of keen price competition; and (ii) the decrease in gross profit from the sales of chips for desktop inkjet printers from approximately RMB1.8 million for the year ended 31 December 2022 to approximately RMB0.9 million, mainly attributable to the purchase of costlier semi-finished semi-conductors for the production of customized chips.

Our gross profit margin of compatible cartridge chips decreased from approximately 62.6% for the year ended 31 December 2022 to approximately 43.8% for the Relevant Period, mainly due to the increase in direct materials costs, in particular the costs of semi-finished semi-conductors ,and price competition, as mentioned above.

(ii) ***Sales of other chips***

The gross profit from the sales of other chips amounted to approximately RMB0.2 million for the Relevant Period. The gross profit margin of the sales of other chips was approximately 3.6% for the Relevant Period. The Group was on the point of establishing its customer base for the IoT chips business, therefore the competitive edge of our Group on the business still was not reflected in the gross profit margin.

(iii) ***Trading of ICs and other cartridge components***

Our gross profit from trading of ICs and other cartridge components increased from approximately RMB0.6 million for the year ended 31 December 2022 to approximately RMB1.3 million for the Relevant Period. The increase in gross profit margin from approximately 2.8% for the year ended 31 December 2022 to approximately 6.0% for the Relevant Period was mainly due to the increase in the proportion of the revenue from trading of toner (which had a higher gross profit margin) in the total revenue from the trading of ICs and other cartridge components.

Other net income

Our other net income remains stable at approximately RMB9.6 million for the year ended 31 December 2022 and the Relevant Period, which was mainly due to the increase in bank interest income.

Research and development expenses

Our research and development expenses decreased by approximately 10.8% from approximately RMB18.3 million for the year ended 31 December 2022 to approximately RMB16.3 million for the Relevant Period. Such decrease was mainly due to the slow progress in some research and development projects.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 43.2% from approximately RMB5.0 million for the year ended 31 December 2022 to approximately RMB7.1 million for the Relevant Period. Such increase was mainly attributable to the increase in travelling expenses due to the resumption of face-to-face business interactions with target customers, and staff costs due to the setup of e-commerce department.

Administrative expenses

Our administrative expenses increased by approximately 13.9% from approximately RMB22.2 million for the year ended 31 December 2022 to approximately RMB25.3 million for the Relevant Period mainly due to the increase in expenses related to the written-off of materials.

Income tax expense

Our income tax expense decreased by approximately 56.6% from approximately RMB9.5 million for the year ended 31 December 2022 to approximately RMB4.1 million for the Relevant Period. The decrease in income tax expenses was in line with the decrease in the profit before income tax for the Relevant Period.

Net profit and net profit margin

Our net profit after income tax decreased by approximately 48.3% from approximately RMB44.9 million for the year ended 31 December 2022 to approximately RMB23.2 million for the Relevant Period. The movement of the net profit after income tax during the Relevant Period was mainly attributable to the reasons for the movements of revenue and expenses of the Group discussed above.

Our net profit margin decreased from 25.9% for the year ended 31 December 2022 to 13.5% for the Relevant Period mainly due to the reasons for the movements of revenue and expenses of the Group discussed above.

Net current assets

We recorded net current assets of approximately RMB345.6 million as at 31 December 2023 and approximately RMB345.0 million as at 31 December 2022 respectively. Our current assets decreased from approximately RMB383.8 million as at 31 December 2022 to approximately RMB364.5 million as at 31 December 2023, mainly due to the decrease in trade receivables. Our current liabilities decreased from approximately RMB38.8 million as at 31 December 2022 to approximately RMB18.9 million as at 31 December 2023 primarily due to the decrease in trade payables, accruals and other payables, income tax payable, contract liabilities and bank borrowings.

Property, plant and equipment

The net carrying amount of our property, plant and equipment decreased from approximately RMB5.9 million as at 31 December 2022 to approximately RMB4.9 million as at 31 December 2023 mainly due to the termination of certain leases and annual depreciation.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net carrying amount of our intangible assets increased from approximately RMB13.5 million as at 31 December 2022 to approximately RMB15.9 million as at 31 December 2023 mainly due to the increase in acquisition of patents.

Inventories

Inventories primarily comprised raw materials, finished goods, goods-in-transit, right to recover returned goods and contract costs capitalised. Inventories increased from approximately RMB20.6 million as at 31 December 2022 to approximately RMB40.5 million as at 31 December 2023 mainly due to the increase in the purchase of raw materials, mainly wafer.

Trade receivables

Our trade receivables decreased from approximately RMB75.2 million as at 31 December 2022 to approximately RMB58.4 million as at 31 December 2023 mainly due to the effort to increase the receivables recovery rate.

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables increased from approximately RMB10.8 million as at 31 December 2022 to approximately RMB21.8 million as at 31 December 2023 mainly due to the increase in prepayments for acquisition of property, plant and equipment and intangible assets, purchases of raw materials and subcontracting services of various research and development projects.

Trade payables

Our trade payables decreased from RMB11.7 million as at 31 December 2022 to RMB6.2 million as at 31 December 2023, mainly due to the slowdown of 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 31 December 2023 ***RMB'000*** **(Audited)**	As at 31 December 2022 *RMB'000* (Audited)
Current liabilities		
Bank borrowings due within one year	**–**	1,000
Lease liabilities	**1,411**	1,804
Non-current liabilities		
Lease liabilities	**467**	1,166
	1,878	3,970

As at 31 December 2023, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB1.9 million in aggregate in relation to the remaining lease terms of 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.

KEY FINANCIAL RATIOS

The following table sets forth key financial ratios as of and for the years indicated:

		Year ended/As at 31 December	
	Notes	**2023**	2022
Current ratio	*1*	**19.3**	9.9
Quick ratio	*2*	**17.2**	9.4
Return on equity	*3*	**6.3%**	12.3%
Return on total assets	*4*	**5.9%**	11.1%
Gross profit margin	*5*	**38.9%**	52.3%
Net profit margin	*6*	**13.5%**	25.9%

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective dates.

2. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities as at the respective dates.

3. Return on equity is calculated by dividing profit after income tax for the year by closing balance of total equity and multiplying the resulting value by 100%.

4. Return on total assets is calculated by dividing profit after income tax for the year by closing balance of total assets and multiplying the resulting value by 100%.

5. Gross profit margin is calculated by dividing gross profit for the year by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of sales.

6. Net profit margin is calculated by dividing profit after income tax for the year by revenue and multiplying the resulting value by 100%.

Current ratio and quick ratio

The current ratio of the Group was approximately 9.9 and 19.3 as of 31 December 2022 and 2023 respectively. The quick ratio of the Group was approximately 9.4 and 17.2 as of 31 December 2022 and 2023 respectively. The increase in both current ratio and quick ratio of the Group was mainly due to the higher percentage decrease in current liabilities than percentage decrease in current assets as a result of the decrease in trade payable, contract liabilities, income tax payable and bank borrowings on the current liabilities side. As both current ratio and quick ratio of the Group as at 31 December 2023 were greater than 1, the short-term liquidity of the Group was healthy.

Return on equity

The return on equity of the Group decreased from approximately 12.3% for the year 31 December 2022 to approximately 6.3% for the Relevant Period. The decrease was mainly attributable to the decrease in net profit of the Group for the Relevant Period.

Return on assets

The return on assets of the Group decreased from approximately 11.1% for the year 31 December 2022 to approximately 5.9% for the Relevant Period. Such decrease was primarily attributable to the decrease in net profit of the Group during the Relevant Period.

Gross profit margin

The gross profit margin of the Group decreased from approximately 52.3% for the year ended 31 December 2022 to approximately 38.9% for the Relevant Period. The decrease was a result of the decrease in gross profit of the Group during the Relevant Period due to the reasons discussed above.

Net profit margin

The net profit margin of the Group decreased from approximately 25.9% for the year ended 31 December 2022 to approximately 13.5% for the Relevant Period. The decrease was mainly attributable to the reasons discussed above.

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 31 December 2023, the Group had cash and cash equivalents of approximately RMB183.8 million, and wealth management product amounted to RMB60.0 million stated at fair value (as at 31 December 2022: cash and cash equivalents of approximately RMB277.1 million).

As at 31 December 2023, the Group had net current assets of approximately RMB345.6 million (as at 31 December 2022: approximately RMB345.0 million) and net assets of approximately RMB370.2 million (as at 31 December 2022: approximately RMB363.8 million).

Taking into account the cash flow generated from operations, the loan facilities provided by banks 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 31 December 2023 was nil (as at 31 December 2022: RMB1.0 million). During the Relevant Period, the Group did not experience any difficulties in utilising its banking facilities with its lenders.

B. Gearing Ratio

As at 31 December 2023, the Group's gearing ratio was 0.0% (as at 31 December 2022: 0.3%), calculated as the total debt divided by the total equity as at the end of the Relevant Period multiplied by 100%, as it did not have any financial borrowing. The Group's gearing ratio demonstrated that the financial position of the Group was healthy as at the end of the Relevant Period.

Pledge of Assets

As at 31 December 2023, the Group did not pledge any assets of the Group.

Contingent Liabilities

As at 31 December 2023 and 2022, the Group did not have any material contingent liabilities.

Capital Expenditure

The Group's capital expenditure requirements were mainly related to additions of its property, plant and equipment such as rights-of-use assets generated from property leases, the newly purchased machinery and equipment, and leasehold improvement. For the Relevant Period, the Group spent approximately RMB2.2 million on the addition of its property, plant and equipment.

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

To enhance the capital efficiency and maximise the return of the Group's internal financial resources, the Group conduct subscriptions and redemptions of wealth management products for treasury management purposes which offered a better return than deposit interest rates generally offered by commercial banks in the PRC taking into account of (i) the investment terms of the wealth management products; (ii) the risks associated with the wealth management products; and (iii) the expected return of the wealth management products.

During the Relevant Period, Zhuhai Megain, an indirect wholly-owned subsidiary of the Company, subscribed for two wealth management products at an aggregate principal amount of RMB50,000,000, details of the which are as follow:

Name of the product	:	Exchange Rate Linked and Cumulative RMB-denominated Corporate Structured Deposit Product of Industrial and Commercial Bank of China Limited (中國工商銀行掛鈎匯率區間人民幣結構性存款產品)	Exchange Rate Linked and Cumulative RMB-denominated Corporate Structured Deposit Product of Industrial and Commercial Bank of China Limited (中國工商銀行掛鈎匯率區間人民幣結構性存款產品)
Principal amount of subscription	:	RMB20,000,000	RMB30,000,000
Fair value as of 31 December 2023	:	RMB20,000,000	RMB30,000,000
Percentage to the Group's total assets as of 31 December 2023	:	Approximately 5.1%	Approximately 7.7%

The wealth management products represent RMB-denominated wealth management products with interest rates ranging from 1.99% to 2.79% per annum and maturity period of 7 to 92 days, allowing for revolving. As all wealth management products were subscribed by the Group shortly before 31 December 2023 and did not reach maturity, no gain or loss was recognized during the Relevant Period. These wealth management products were offered by a licensed bank in the PRC and the Group has adopted prudent and pragmatic investment strategies to select short-term financial products that had relatively low associated risk to secure a stable investment income. Prior to making an investment, the Group had ensured that there remains sufficient working capital for the requirements of the Group's business operations and capital expenditures.

Save as disclosed above, the Group did not have other significant investments during the Relevant Period.

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, changes of RMB against USD or HKD did not have any significant effect on 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 the 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 31 December 2023, we had approximately 154 full-time headcounts (including Directors), of which 134 were based in the PRC and 20 were based in Taiwan, Hong Kong and overseas. 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.

Outlook and Future Plan

The performance of the Group is closely related to the economic cycle. The Group expects that in 2024, opportunities and challenges coexist in an undulating operating environment full of uncertainties. We expect the authorities of China will introduce more fiscal and monetary policies to boost the economy. The State Council of the PRC has already set the target growth rate of gross domestic product of China in 2024 at around 5 per cent. Globally, the balance of risks to the global economy in 2024 remained inclined to the downsides. Slow economic recovery, persistent high interest rate in the US, Sino-US trade dispute, Ukraine War, and geopolitical fragmentation are negative factors which may adversely affect the global economy. Although the future is nebulous, the Group is prudently optimistic about our business growth. In 2024, the Group will launch more new models of compatible cartridge chips and further strengthen its new business in IoT chips.

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 31 December 2023, the Group did not have plans for material investments and capital assets in the coming year.

DIVIDEND

The Board has recommended the payment of a final dividend for the year ended 31 December 2023 of RMB1.79 cents per Share to the Shareholders whose names appear on the register of members of the Company on Friday, 21 June 2024, being the record date for determining the entitlement of Shareholders to the proposed final dividend, amounting to approximately RMB9.3 million in aggregate, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 5 June 2024. The above-mentioned final dividend is expected to be paid on or before Friday, 28 June 2024.

The Company is not aware of any arrangement under which a shareholder has waived or agreed to waive any dividends.

CLOSURE OF THE REGISTER OF MEMBERS

To be eligible to attend and vote in the forthcoming annual general meeting

The register of members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified to attend and vote at the forthcoming annual general meeting, all Share transfer documents must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 30 May 2024.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified to receive the proposed final dividends, all Share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 June 2024.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As far as the Company is aware, as at the date of this announcement, 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, 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[(2)]	151,812,500(L)	29.27%
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 the date of this announcement, the Company is approximately 29.27% directly owned by GMTL. As at the date of this announcement, GMTL was wholly owned by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in all the Shares held by 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 the date of this announcement.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares

So far as the Directors are aware, as at the date of this announcement, 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(2)	151,812,500(L)	29.27%
Mr. Cheng	Interest in a controlled corporation(2)	151,812,500(L)	29.27%
GLC	Beneficial owner(3)	97,500,000(L)	18.80%
Mr. Yu	Interest in a controlled corporation(3)	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 the date of this announcement, our Company is approximately 29.27% directly owned by GMTL. As at the date of this announcement, GMTL was wholly owned by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in all the Shares held by GMTL.

(3) As at the date of this announcement, our Company is approximately 18.80% directly owned by GLC. As at the date of this announcement, 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 the date of this announcement, 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 2023.

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 the date of this announcement, the Company maintained the amount of public float as required under the Listing Rules.

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

Since the Listing Date and up to the date of this announcement, 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 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 Offering 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 31 December 2023:

Use of Proceeds	**Allocation of net proceeds as disclosed in the Prospectus** *(RMB million)* **(approximately)**	**Actual utilised amount as at 31 December 2023** *(RMB million)* **(approximately)**	**Unutilised amount as at 31 December 2023 (RMB million) (approximately)**
Strengthen our product development capacity and diversify our product portfolio	50.7	33.0	17.7
– Development of the software component	7.5	0.7	6.8
– Development of the hardware component	40.7	31.2	9.5
– Acquisition from the market of new models of original brand printers	2.5	1.1	1.4
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	2.5	–
– Increasing budget of marketing activities, in particular participating in industry fairs and exhibitions in the PRC and at international level	1.7	1.7	–
– Employing additional members of sales and marketing staff	0.8	0.8	–
Improve the functionality of our back office to support our business growth	2.5	0.8	1.7
– 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	0.8	0.4
General working capital	9.9	9.9	–
Total:	98.5	46.1	52.4

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

UPDATE ON THE EXPECTED TIMETABLE FOR THE USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The Board wishes to inform the Shareholders that the net proceeds from the Global Offering which remained unutilised as of 31 December 2023 were approximately HK$57.9 million# (the "Unutilised Net Proceeds"). Having considered the reasons set out in the sub-paragraph headed "Reasons for the updated expected timetable for the use of the net proceeds from the Global Offering" below, the Board has resolved to extend the expected deadline for the use of the Unutilised Net Proceeds from 31 December 2023 to 31 December 2024. The unutilised net proceeds have been deposited into interest-bearing accounts with licensed banks.

REASONS FOR THE UPDATED EXPECTED TIMETABLE FOR THE USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The intended use of the net proceeds from the Global Offering as disclosed in the Prospectus was based on the best estimation made by the Board in relation to the then future market conditions and business plans as at the latest practicable date of the Prospectus.

As disclosed in the interim report of the Company for the six months ended 30 June 2023, while part of the net proceeds from the Global Offering were applied in accordance with the intended usage set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus within the timeframe indicated in the Prospectus, the actual utilisation of the net proceeds from the Global Offering was slower than expected. The delay was mainly caused by the impacts of the COVID-19 pandemic which has resulted in the slowdown of the Group's business development as a whole and the fierce competition for the talent in the research and development of semi-conductors from different industries such as artificial intelligence, electric vehicle, internet, smartphone, etc. Specifically, while the Group has been persistently striving for strengthening its product development capacity and diversifying its products portfolio, the keen competition for the talent in the research and development of semi-conductors made it difficult to expand its research and development team for hardware and software components on schedule. As a result, although the Group has utilised approximately RMB33.0 million, representing approximately 33.5% of the net proceeds allocated to "strengthening the Group's product development capacity and diversifying the Group's product portfolio", the Unutilised Net Proceeds in such regard were to approximately RMB17.7 million as at 31 December 2023. Regarding the net proceeds allocated to "accelerating the development of the Group's hardware design capabilities through acquisition of integrated circuit design company" and "increasing the Group's presence in the compatible cartridge industry through forward vertical expansion", although the Company strived to seek potential acquisition opportunities that are in line with the Group's business strategy, in view of the uncertain economic outlook due to the COVID-19 pandemic, the Group has taken a prudent approach in acquisition. As a result, additional time is required for the investment in and acquisition of the potential targets that are complementary to the Group's business. As at the date of this announcement, the Group is in the process of identifying suitable acquisition opportunities. Regarding the net proceeds allocated to "improving the functionality of the Group's back office to support its business growth", the Company needs more time to search for a suitable enterprise resource planning system that can facilitate its expansion to some new product lines such as chips for internet of things, on top of the existing compatible printer cartridge chips.

The exchange rate adopted in this section of the announcement is HK$1.00 equivalent to RMB0.90564 based on the central parity rate published by the People's Bank of China as of 2 January 2024, being the date of announcement of the Company regarding the update on the expected timetable for the Unutilised Net Proceeds.

The Board confirms that there is no material change in the use of the net proceeds from the Global Offering as at the date of this announcement. Save as the changes disclosed above, there are no other proposed changes in the use of the net proceeds from the Global Offering. The Unutilised Net Proceeds will be utilised in a manner consistent with the above usage.

The expected timetable to use the Unutilised Net Proceeds is based on the Directors' best estimation, barring any unforeseen circumstances, and it may be subject to change based on the market conditions. In the event of any material change in the timetable of the use of the Unutilised Net Proceeds, the Company will make appropriate announcement(s) in due course.

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the CG Code contained in Appendix 14 (which has been re-numbered as Appendix C1 with effect from 31 December 2023) 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.

The Company complied with the code provisions as set out in Appendix 14 (which has been re-numbered as Appendix C1 with effect from 31 December 2023) to the Listing Rules during the Relevant Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 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 consolidated financial statements in this announcement were agreed by the auditor of the Company, BDO Limited. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement. The Audit Committee has reviewed with the management of the Company the audited consolidated financial statements, the annual results announcement and the annual 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 consolidated 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 REPORTING PERIOD

As of the approval date on this announcement, the Group had no significant events after the Relevant Period.

DISCLOSURE OF INFORMATION

The annual results announcement for the year ended 31 December 2023 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 annual report of the Company for the year ended 31 December 2023 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:

"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
"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
"Corporate Governance Code(s)" or "CG Code(s)"	the Corporate Governance Code set out in Appendix 14 (which has been re-numbered as Appendix C1 with effect from 31 December 2023) 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
"Financial Statements"	the audited consolidated financial statements of the Group for the year ended 31 December 2023, comprising the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies
"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 HK$1.26
"GMTL"	GLOBAL MEGAIN TECHNOLOGY PTE. LTD., an international business company incorporated in Belize on 23 December 2014 and wholly owned by Mr. Cheng, and a substantial shareholder of the Company
"Group"	the Company and its subsidiaries

"HK$", "HKD" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKASs"	Hong Kong Accounting Standards
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"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 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

"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (which has been re-numbered as Appendix C3 with effect from 31 December 2023) to the Listing Rules
"Mr. Cheng"	Mr. Cheng Hsien-Wei (鄭憲徽), an Executive Director, the chairman of our Board and a substantial shareholder of our Company
"Mr. Lam"	Mr. Lam Tsz Leung (林子良), a Non-executive Director and a substantial shareholder of our Company
"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 year ended 31 December 2023
"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$", "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.
Cheng Hsien-Wei
Chairman

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises Mr. Cheng Hsien-Wei as Executive Director; 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*