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 2024

RESULTS HIGHLIGHTS

Revenue of the Group for the Relevant Period decreased by approximately 13.2% to approximately RMB149,654,000 (2023: approximately RMB172,394,000).

Gross profit of the Group for the Relevant Period decreased by approximately 28.0% to approximately RMB48,251,000 (2023: approximately RMB66,977,000).

Profit after income tax of the Group for the Relevant Period was approximately RMB9,662,000, representing a decrease of approximately 58.4% (2023: approximately RMB23,212,000).

Basic earnings per share of the Group for the Relevant Period decreased by approximately 57.8% to approximately RMB1.9 cents (2023: approximately RMB4.5 cents).

The Board does not recommend the payment of any final dividend for the year ended 31 December 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 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Revenue	*4*	**149,654**	172,394
Cost of sales and services		**(101,403)**	(105,417)
Gross profit		**48,251**	66,977
Other income and gains and losses	*5*	**16,496**	9,611
Impairment losses of trade receivables		**(1,712)**	(433)
Research and development expenses		**(19,142)**	(16,282)
Selling and distribution expenses		**(9,929)**	(7,121)
Administrative expenses		**(22,852)**	(25,255)
Finance costs		**(306)**	(144)
Profit before income tax expense	*6*	**10,806**	27,353
Income tax expense	*7*	**(1,144)**	(4,141)
Profit for the year		**9,662**	23,212
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**192**	1,164
Total comprehensive income for the year		**9,854**	24,376
Earnings per share – Basic and diluted	*9*	**0.019**	0.045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	**2024** **RMB'000**	2023 RMB'000
Non-current assets			
Property, plant and equipment		**6,320**	4,886
Intangible assets		**24,114**	15,919
Prepayments		**5,770**	3,794
Finance lease receivable		**491**	–
Deferred tax assets		**1,268**	1,132
Other receivables		**1,272**	–
Bank deposits		**40,000**	–
Total non-current assets		**79,235**	25,731
Current assets			
Inventories		**33,730**	40,454
Trade receivables	*10*	**67,349**	58,433
Deposits, prepayments and other receivables		**26,834**	21,765
Financial assets at fair value through profit or loss		**–**	60,000
Finance lease receivable		**254**	–
Income tax recoverable		**437**	–
Bank deposits		**30,000**	–
Cash and cash equivalents		**172,352**	183,826
Total current assets		**330,956**	364,478
Current liabilities			
Trade payables	*11*	**17,963**	6,187
Accruals and other payables		**8,271**	8,084
Bank borrowings		**10,000**	–
Leases liabilities		**483**	1,411
Contract liabilities		**524**	395
Provisions		**1,368**	2,613
Income tax payable		**–**	184
Total current liabilities		**38,609**	18,874
Net current assets		**292,347**	345,604
Total assets less current liabilities		**371,582**	371,335

	Notes	**2024** *RMB'000*	2023 *RMB'000*
Non-current liabilities			
Leases liabilities		**141**	467
Deferred tax liabilities		**654**	649
Total non-current liabilities		**795**	1,116
NET ASSETS		**370,787**	370,219
Capital and reserves			
Share capital	*12*	**4,325**	4,325
Reserves		**366,462**	365,894
TOTAL EQUITY		**370,787**	370,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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 Stock Exchange. 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

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

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.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability.

These amendments do not have a material impact on these consolidated financial statements.

Amendments to HKAS 1, Non-current Liabilities with Covenants

The 2022 Amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

These amendments do not have a material impact on these consolidated financial statements.

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

These amendments do not have a material impact on these consolidated financial statements.

Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

These amendments do not have a material impact on these consolidated financial statements.

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

(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 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by HKICPA.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred as the "HKFRS") 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 US$, 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:

	2024	2023
	RMB'000	*RMB'000*
Products		
Sales of chips	**122,457**	147,394
Trading of integrated circuits and other cartridge components	**27,197**	21,274
Services		
Technical and design services for chips	**–**	3,726
	149,654	172,394
Timing of revenue recognition		
Point in time	**149,654**	172,111
Over time	**–**	283
	149,654	172,394

(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, financial assets and prepayments:

	2024	2023
	RMB'000	*RMB'000*
External revenue by location of customers		
PRC	**106,577**	153,472
Overseas	**43,077**	18,922
	149,654	172,394

	2024	2023
	RMB'000	*RMB'000*
Non-current assets by location of assets		
PRC	**29,511**	19,965
Overseas	**923**	840
	30,434	20,805

(iii) Information about major customers

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

	2024	2023
	RMB'000	*RMB'000*
Customer A	**36,464**	65,319
Customer B	**N/A[1]**	17,389

[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.

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**67,349**	58,433
Contract liabilities	**524**	395

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 2024, the contract liabilities represented the receipts in advance received from sales of compatible cartridge chips.

As at 31 December 2024, the Group did not have transaction price allocated to performance obligations that are unsatisfied under contracts for technical and design services for chips (2023: RMB Nil).

5. OTHER INCOME AND GAINS AND LOSSES

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

	2024	2023
	RMB'000	*RMB'000*
Bank interest income	**7,379**	4,734
Interest income from finance lease receivables	**8**	–
Interest income from financial assets at fair value through profit or loss	**541**	1,264
Exchange gains, net	**1,387**	975
Government grants *(note)*	**6,124**	2,479
Effect of lease modifications	**44**	(25)
Sundry income	**1,013**	184
	16,496	9,611

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:

	2024	2023
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**90,218**	92,054
Provision for/(reversal of) impairment losses of inventories	**573**	(567)
Cost of inventories recognised as expense	**90,791**	91,487
Amortisation of intangible assets	**3,244**	2,541
Auditor's remuneration	**1,250**	1,077
Bad debt written off	**64**	–
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	**1,851**	1,431
– Right-of-use assets	**1,630**	2,004
Loss on disposal of property, plant and equipment	**363**	57
Impairment losses of trade receivables	**2,004**	433
Short-term leases expenses	**398**	83
Research and development expenses (other than staff costs)	**9,706**	7,661
Interest on lease liabilities	**80**	124
Staff costs (including directors' emoluments		
– Salaries, wages and other benefits	**24,573**	22,214
– Retirement scheme contributions	**4,405**	3,268
	28,978	25,482

7. INCOME TAX EXPENSE

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

	2024	2023
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
– Current year	**580**	3,457
– Under provision in prior years	**46**	40
Deferred tax		
– Charged to profit or loss for the year	**518**	120
Withholding tax	**–**	524
Income tax expense	**1,144**	4,141

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 2024 and 2023, 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 2024, income tax provision is calculated at 15% (2023: 15%) of the assessable income of Zhuhai Megain.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

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 2024 and 2023.

8. DIVIDENDS

	2024	2023
	RMB'000	*RMB'000*
Final dividends – RMB0.0179 per share (2023: RMB0.0346 per share)	**9,286**	17,949

On 30 June 2023 and 28 June 2024, the Company paid a final dividend of RMB17,949,000 and RMB9,286,000, in aggregate to its owners of the Company in respect of the years ended 31 December 2022 and 2023 respectively. The Board did not propose any final dividend for the year ended 31 December 2024.

9. BASIC AND DILUTED EARNINGS PER SHARE

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

	2024	2023
	RMB'000	*RMB'000*
Earnings		
Profit for the year	**9,662**	23,212

	2024	2023
	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 2024 and 2023 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 2024 and 2023.

10. TRADE RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**71,477**	60,889
Less: Loss allowance for trade receivables	**(4,128)**	(2,456)
	67,349	58,433

Notes:

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

During the years ended 31 December 2024 and 2023, 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:

	2024	2023
	RMB'000	*RMB'000*
Within 90 days	**47,125**	41,425
91 to 180 days	**10,754**	10,016
Over 180 days	**9,470**	6,992
	67,349	58,433

(b) As at 1 January 2023, the balance of trade receivables, net of impairment, was RMB75,233,000.

(c) The Group recognised impairment of trade receivables for the years ended 31 December 2024 and 2023 based on the relevant accounting policies.

11. TRADE PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payables	**17,963**	6,187

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:

	2024	2023
	RMB'000	*RMB'000*
Within 30 days	**13,686**	4,478
31 to 90 days	**1,759**	1,683
Over 90 days	**2,518**	26
	17,963	6,187

12. SHARE CAPITAL

	Number of share	**Amount**
	'000	*RMB'000*
Ordinary shares, issued and fully paid:		
At 31 December 2023 and 2024	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, the sales of printer consumables, and the provision of technical and design services for chips at the request of customers.

Compatible Cartridge Chips Business

During the Relevant Period, China's economy developed steadily. The PRC government adopted a series of economic stimulus measures, which restored some momentum to growth. However, under the shadow of the Sino-US trade war and the unstable geopolitics, the economic outlook looks uncertain and the pace of economic growth has been stagnant.

During the Relevant Period, although the demand for compatible printer cartridge chips increased, the intense competition among producers in the compatible printer cartridge chips industry negatively affected the gross profit of the Group. During the Relevant Period, the Group's sales volume of compatible printer cartridge chips increased from approximately 14,639,000 pieces for the year ended 31 December 2023 to approximately 15,291,000 pieces for the Relevant Period, representing an increase of approximately 4.4%. However, the average selling price per piece of the Group's compatible printer cartridge chips decreased by approximately 22.4% from approximately RMB9.8 per piece in the same period last year to approximately RMB7.6 per piece during the Relevant Period. The Group's gross profit margin of compatible printer cartridge chips for the Relevant Period decreased from approximately 43.8% in the same period last year to 39.3% for the Relevant Period.

The number of newly developed compatible printer cartridge chips of the Group as at 31 December 2024 and the comparative data of that of 31 December 2023 are as follows:

	As at 31 December	
	2024	2023
	Number of newly developed compatible printer cartridge chips	Number of newly developed compatible printer cartridge chips
Compatible printer chips applied to the following products:		
Desktop laser printer	**325**	199
Desktop inkjet printer	**57**	756
Commercial printer	**–**	–
Total:	**382**	955

The total number of newly developed compatible cartridge chips as at 31 December 2024 was less than that as at 31 December 2023 because less original models of printer have been developed by the printers manufacturers.

IoT Chips Business

Since the commencement of the IoT chips business, the Group has developed a series of IoT chips such as Hall sensor chips, PMICs, battery charge management ICs, etc. At the same time, we have also developed IoT products such as temperature and humidity measuring instruments to provide customers with IoT solutions. During the Relevant Period, the Group successfully developed 2 models of IoT chips, including low-dropout regulating chips (the "LDO") for power management, and 28 kinds of IoT products.

The IoT chips market is huge, with a characteristics of having a wide range of applications, a large number of buyers but small amount for each transaction, and hence it takes a long time to build up a customer base. The Group has just entered this market, which is still in the early stage of production and market development, and has not yet achieved economies of scale. Coupled with the modest recovery of China's manufacturing industry, the Group has put more effort into various aspects such as marketing and hopes to improve the performance of the IoT chips business.

Trading of ICs and other Cartridge Components

We also engaged in the trading of ICs and other cartridge components, including plastic parts and toner, as ancillary services to our customers.

In order to further increase the Group's sales channels and product categories, the Group commenced an online sales business during the Relevant Period, mainly selling compatible printer cartridges, toner and other finished printer consumables. The Group is very encouraged by having an additional source of revenue.

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 to strengthen our research and development capacity. As a result of the 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 33 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 by approximately 13.2% from approximately RMB172.4 million for the year ended 31 December 2023 to approximately RMB149.7 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								
	2024				2023				
	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	**93,204**	**62.3**	**11,222**	**8.3**	110,456	64.1	10,344	10.7	(15.6)
– Desktop inkjet printers	**20,030**	**13.4**	**3,824**	**5.2**	30,013	17.4	4,013	7.5	(33.3)
– Commercial printers[1]	**2,568**	**1.7**	**245**	**10.5**	2,348	1.4	282	8.3	9.4
Sub-total	**115,802**	**77.4**	**15,291**	**7.6**	142,816	82.8	14,639	9.8	(18.9)
Sales of other chips	**6,655**	**4.4**	**12,822**	**0.5**	4,578	2.7	4,293	1.1	45.4
Trading of ICs and other cartridge components[2]	**27,197**	**14.7**	**N/A**	**N/A**	21,274	12.3	N/A	N/A	27.8
Other revenue[3]	**–**	**–**	**N/A**	**N/A**	3,726	2.2	N/A	N/A	(100.0)
Total	**149,654**	**100.0**			172,394	100.0			(13.2)

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, and the sales of compatible cartridges, toner and other printer consumables in online shops and through our sales channels.

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 decreased by approximately 18.9% from approximately RMB142.2 million for the year ended 31 December 2023 to approximately RMB115.8 million for the Relevant Period. The decrease was mainly attributable to the decrease in revenue from the sales of chips for (i) laser printers from approximately RMB 110.0 million for the year ended 31 December 2023 to approximately RMB 93.2 million for the Relevant Period, and (ii) inkjet printers from approximately RMB30.0 million for the year ended 31 December 2023 to approximately RMB20.0 million for the Relevant Period.

The sales volume of compatible cartridge chips of the Group increased to approximately 15,291,000 pieces for the Relevant Period from approximately 14,639,000 pieces for the corresponding period of last year. However, the average selling price of our compatible cartridge chips decreased to approximately RMB7.6 per piece for the Relevant Period from approximately RMB9.8 per piece for the corresponding period of last year. The decrease in average selling price was mainly due to the intensifying competition in the industry.

(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 increased by approximately 45.4% from approximately RMB4.6 million for the year ended 31 December 2023 to approximately RMB6.7 million for the Relevant Period. The increase was mainly due to the increase in the sales of humidity and temperature measuring instruments, which is a type of IoT products.

(iii) Trading of ICs and other cartridge components

Our revenue generated from trading of ICs and other cartridge components increased by approximately 27.8% from approximately RMB21.3 million for the year ended 31 December 2023 to approximately RMB27.2 million for the Relevant Period, mainly due to the increase in the demand for inkjet cartridges, toner and toner cartridges. During the Relevant Period, the Group started to engage in the sales of compatible cartridges, toner and other printer consumables in its online shop in order to expand our sales network.

(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 for the year ended 31 December 2023. The Group did not recognise any revenue from the provision of such services during the Relevant Period as we did not receive any order for such services placed by customers.

Cost of sales and services

Our cost of sales and services decreased from approximately RMB105.4 million for the year ended 31 December 2023 to approximately RMB101.4 million for the Relevant Period. The decrease was mainly caused by the decrease in the cost of IC chips, as a result of our effort to design IC chips ourselves.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately 28.0% from approximately RMB67.0 million for the year ended 31 December 2023 to approximately RMB48.3 million for the Relevant Period. Our overall gross profit margin decreased from approximately 38.9% for the year ended 31 December 2023 to approximately 32.2% 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			
	2024		2023	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Sales of chips				
Product category-application				
– Desktop laser printers	**45,678**	**49.0**	60,581	54.8
– Desktop inkjet printers	**(1,325)**	**(6.6)**	866	2.9
– Commercial printers	**1,116**	**43.5**	1,139	48.5
Sub-total	**45,469**	**39.3**	62,586	43.8
Sales of other chips	**704**	**10.6**	166	3.6
Trading of ICs and other cartridge components	**2,078**	**32.6**	1,281	6.0
Other revenue	**–**	**–**	2,944	79.0
Total	**48,251**	**32.2**	66,977	38.9

(i) Sales of compatible cartridge chips

The gross profit from the sales of compatible cartridge chips decreased from approximately RMB62.6 million for the year ended 31 December 2023 to approximately RMB45.5 million for the Relevant Period, mainly due to the decrease in gross profit from the sales of our chips for desktop laser printers and inkjet printers from approximately RMB60.6 million and RMB0.9 million respectively for the year ended 31 December 2023 to approximately RMB45.7 million and negative RMB1.3 million respectively for the Relevant Period, which was mainly due to the keen price competition in the compatible cartridge chips industry.

Our gross profit margin of compatible cartridge chips decreased from approximately 43.8% for the year ended 31 December 2023 to approximately 39.3% for the Relevant Period, mainly due to price competition as mentioned above.

(ii) Sales of other chips

The gross profit from the sales of other chips amounted to approximately RMB0.7 million for the Relevant Period, representing an increase of approximately 324.1% as compared with RMB 0.2 million for the corresponding period of last year. The gross profit margin of the sales of other chips increased from approximately 3.6% to approximately 10.6% for the Relevant Period. The increase in gross margin of the sales of other chips was attributable to the higher gross margin of humidity and temperature measuring instruments than that of other IoT products.

(iii) Trading of ICs and other cartridge components

Our gross profit from trading of ICs and other cartridge components increased from approximately RMB1.3 million for the year ended 31 December 2023 to approximately RMB2.1 million for the Relevant Period. The increase in gross profit margin from approximately 6.0% for the year ended 31 December 2023 to approximately 32.6% for the Relevant Period was mainly the higher gross profit margin of the sales of printer consumables business the Group launched during the Relevant Period. The gross profit margin for the sales of printer consumables of the Group during the Relevant Period was 30.3%.

Other net income

Our other net income increased by approximately 71.6% from approximately RMB9.6 million for the year ended 31 December 2023 to approximately RMB16.5 million for the Relevant Period, which was mainly due to the increase in bank interests, government grants and exchange gain.

Research and development expenses

Our research and development expenses increased by approximately 17.6% from approximately RMB16.3 million for the year ended 31 December 2023 to approximately RMB19.1 million for the Relevant Period. Such increase was mainly due to the increase in costs for research staff and expenses of research and testing in relation to compatible cartridge chips.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 39.4% from approximately RMB7.1 million for the year ended 31 December 2023 to approximately RMB9.9 million for the Relevant Period. Such increase was mainly attributable to more marketing activities being conducted for strengthening the development of new businesses of the Group such as chips for internet of things and online sales.

Administrative expenses

Our administrative expenses decreased by approximately 9.5% from approximately RMB25.3 million for the year ended 31 December 2023 to approximately RMB22.9 million for the Relevant Period mainly due to the decrease in expenses related to the written-off of materials and sales related additional tax.

Income tax expense

Our income tax expense decreased by approximately 71.4% from approximately RMB4.1 million for the year ended 31 December 2023 to approximately RMB1.1 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 58.4% from approximately RMB23.2 million for the year ended 31 December 2023 to approximately RMB9.7 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 disclosed above, in particular the decrease in the gross profit of compatible printer cartridge chips.

Our net profit margin decreased from 13.5% for the year ended 31 December 2023 to 6.5% for the Relevant Period mainly due to the reasons for the movements of revenue and expenses of the Group disclosed above, in particular the decrease in the gross profit margin of compatible printer cartridge chips.

Net current assets

We recorded net current assets of approximately RMB292.3 million as at 31 December 2024 and approximately RMB345.6 million as at 31 December 2023 respectively. Our current assets decreased from approximately RMB364.5 million as at 31 December 2023 to approximately RMB331.0 million as at 31 December 2024, mainly due to the re-allocation of funds to non-current bank deposits. Our current liabilities increased from approximately RMB18.9 million as at 31 December 2023 to approximately RMB38.6 million as at 31 December 2024 primarily due to the increase in trade payables and bank borrowings.

Property, plant and equipment

The net carrying amount of our property, plant and equipment increased from approximately RMB4.9 million as at 31 December 2023 to approximately RMB6.3 million as at 31 December 2024 mainly due to the purchase of mask (光罩) assets for the production of compatible printer cartridge chips, equipment for chips and smart hardware testing, and printers for research and development.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net carrying amount of our intangible assets increased from approximately RMB15.9 million as at 31 December 2023 to approximately RMB24.1 million as at 31 December 2024 mainly due to the increase in acquisition of right-of-use of data for production and enterprise resources planning software.

Inventories

Inventories primarily comprised raw materials, finished goods, goods-in-transit, right to recover returned goods and contract costs capitalised. Inventories decreased from approximately RMB40.5 million as at 31 December 2023 to approximately RMB33.7 million as at 31 December 2024 mainly due to the decrease in the purchase of raw materials.

Trade receivables

Our trade receivables increased from approximately RMB58.4 million as at 31 December 2023 to approximately RMB67.3 million as at 31 December 2024 mainly due to the increase in overall sales in the fourth season of 2024.

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables increased from approximately RMB21.8 million as at 31 December 2023 to approximately RMB26.8 million as at 31 December 2024 mainly due to the increase in interest income receivables from bank deposits and increase in rental deposit for new office of the Group.

Trade payables

Our trade payables increased from RMB6.2 million as at 31 December 2023 to RMB18.0 million as at 31 December 2024, mainly due to the increase in purchase of printer related products for trading.

Indebtedness

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

	As at 31 December 2024 *RMB'000* **(Audited)**	As at 31 December 2023 *RMB'000* (Audited)
Current liabilities		
Bank borrowings due within one year	**10,000**	–
Lease liabilities	**483**	1,411
Non-current liabilities		
Lease liabilities	**141**	467
	10,624	1,878

As at 31 December 2024, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB0.6 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:

	Notes	**Year ended/As at 31 December** **2024**	2023
Current ratio	*1*	**8.6**	19.3
Quick ratio	*2*	**7.7**	17.2
Return on equity	*3*	**2.6%**	6.3%
Return on total assets	*4*	**2.4%**	5.9%
Gross profit margin	*5*	**32.2%**	38.9%
Net profit margin	*6*	**6.5%**	13.5%

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 19.3 and 8.6 as of 31 December 2023 and 2024 respectively. The quick ratio of the Group was approximately 17.2 and 7.7 as of 31 December 2023 and 2024 respectively. The decrease in both current ratio and quick ratio of the Group was mainly due to the increase in current liabilities as a result of the increase in trade payable and bank borrowings and the decrease in current assets as a result of re-allocation of funds to non-current bank deposits. As both current ratio and quick ratio of the Group as at 31 December 2024 were greater than 1, the short-term liquidity status of the Group was healthy.

Return on equity

The return on equity of the Group decreased from approximately 6.3% for the year 31 December 2023 to approximately 2.6% 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 5.9% for the year 31 December 2023 to approximately 2.4% 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 38.9% for the year ended 31 December 2023 to approximately 32.2% 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 in the section “Gross profit and gross profit margin”.

Net profit margin

The net profit margin of the Group decreased from approximately 13.5% for the year ended 31 December 2023 to approximately 6.5% for the Relevant Period. The decrease was mainly attributable to the reasons discussed in the section “Gross profit and gross profit margin”.

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 2024, the Group had cash and cash equivalents of approximately RMB172.4 million , current bank deposits of approximately RMB 30 million, and non-current bank deposits of approximately of RMB 40 million (as at 31 December 2023: 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 2024, the Group had net current assets of approximately RMB292.3 million (as at 31 December 2023: approximately RMB345.6 million) and net assets of approximately RMB370.8 million (as at 31 December 2023: approximately RMB370.2 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 2024 was RMB 10 million (as at 31 December 2023: nil). 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 2024, the Group's gearing ratio was 2.7% (as at 31 December 2023: 0.0%), calculated as the total borrowing divided by the total equity as at the end of the Relevant Period multiplied by 100%. 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 2024, the Group did not pledge any assets of the Group.

Contingent Liabilities

As at 31 December 2024 and 2023, 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 RMB6.5 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.

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 2024, we had approximately 161 full-time headcounts (including Directors), of which 139 were based in the PRC and 22 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. Looking forward, we expect that the pace of China's economic development, Sino-US trade disputes, regional military conflicts, and interest rate movement shall still affect the global economic development, indirectly affecting the demand for compatible printer cartridge chips. We believe the authorities of China will introduce more fiscal and monetary policies to boost the economy, so we are still prudently optimistic to the performance of the Group in the future.

Coupled with the nebulous future, we shall continue the strategy of developing IoT business, so that the Group can fully take advantage of its research capability and expand our business horizon. In addition, we have diversified our sales platform by establishing online shops, so that the Group can sell its products overseas.

The principal goal of the Group is to maintain and strengthen our position as a leading compatible printer 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 step up our sales and marketing efforts to cater for the expansion of our product offerings; and

(iii) 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 2024, the Group did not have plans for material investments and capital assets in the coming year.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 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 Tuesday, 3 June 2025 to Friday, 6 June 2025 (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 Monday, 2 June 2025.

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 2024.

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 (including treasury shares (as defined under the Listing Rules)).

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. As disclosed in the Prospectus, the Company intended to use the net proceeds from the Global Offering for the following purposes:

(i) approximately 51.4% of the net proceeds for strengthening the Group's product development capacity and diversifying its product portfolio;

(ii) approximately 16.8% of the net proceeds for accelerating the development of the Group's hardware design capabilities through acquisition of integrated circuit design company;

(iii) approximately 16.8% of the net proceeds for increasing the Group's presence in the compatible cartridge industry through forward vertical expansion;

(iv) approximately 2.5% of the net proceeds for stepping up the Group's sales and marketing efforts to cater for the expansion of its product offerings;

(v) approximately 2.5% of the net proceeds for improving the functionality of the Group's back office to support its business growth; and

(vi) approximately 10.0% of the net proceeds for general working capital of the Group.

The net proceeds from the Global Offering and the exercise of the over-allotment option thereof, upon deduction of underwriting commissions and related costs and expenses, are approximately HK$118 million (equivalent to approximately RMB98.5 million).

As disclosed in the announcement of the Company dated 2 January 2024 (the "Announcement"), the Board resolved to revise the expected deadline for the use of the net proceeds which remained unutilised as at the date of the Announcement to on or before 31 December 2024.

UPDATE ON THE EXPECTED TIMETABLE AND CHANGE IN THE USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The Board wishes to inform the shareholders of the Company that the net proceeds from the Global Offering which remained unutilised as of 31 December 2024 were approximately HK$47.3 million (the "Unutilised Net Proceeds"). Having considered the reasons set out in the sub-paragraph headed "Reasons for the updated expected timetable and the change in 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 and change the use of the Unutilised Net Proceeds as set out below:

						Updated expected timeline for utilisation of the Unutilised Net Proceeds	
Intended use of net proceeds from the Global Offering	**Approximate percentage of total amount**	**Allocation of net proceeds as disclosed in the Prospectus** *(RMB million)* (approximately)	**Actual utilised amount as at 31 December 2024** *(RMB million)* (approximately)	**Unutilised Net Proceeds as at 31 December 2024** *(RMB million)* (approximately)	**Revised allocation of the Unutilised Net Proceeds** *(RMB million)* (approximately)	**For the year ending 31 December 2025** *(RMB million)* (approximately)	**For the year ending 31 December 2026** *(RMB million)* (approximately)
Strengthening the Group's product development capacity and diversifying the Group's product portfolio	51.4%	50.7	41.2	9.5	9.5	9.5	–
Accelerating the development of the Group's hardware design capabilities through acquisition of integrated circuit design company	16.8%	16.6	–	16.6	–	–	–
Increasing the Group's presence in the compatible cartridge industry through forward vertical expansion	16.8%	16.6	–	16.6	–	–	–
Increasing the Group's presence in the compatible cartridge industry through online channels	–	–	–	–	30.30	22.3	8.0

Intended use of net proceeds from the Global Offering	Approximate percentage of total amount	Allocation of net proceeds as disclosed in the Prospectus *(RMB million)* (approximately)	Actual utilised amount as at 31 December 2024 *(RMB million)* (approximately)	Unutilised Net Proceeds as at 31 December 2024 *(RMB million)* (approximately)	Revised allocation of the Unutilised Net Proceeds *(RMB million)* (approximately)	Updated expected timeline for utilisation of the Unutilised Net Proceeds: For the year ending 31 December 2025 *(RMB million)* (approximately)	Updated expected timeline for utilisation of the Unutilised Net Proceeds: For the year ending 31 December 2026 *(RMB million)* (approximately)
Stepping up the Group's sales and marketing efforts to cater for the expansion of the Group's product offerings	2.5%	2.5	2.5	–	–	–	–
Improving the functionality of the Group's back office to support its business growth	2.5%	2.5	1.3	1.2	–	–	–
General working capital	10.0%	9.9	9.9	–	4.0	2.0	2.0
Total:	100%	98.5	54.7	43.8	43.8	33.8	10.0

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.

REASONS FOR THE UPDATED EXPECTED TIMETABLE AND THE CHANGE IN 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 2024 published on 23 September 2024 (the "Interim Report"), 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 and within the timeframe indicated in the Announcement, 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 talents 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 talents 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.

The net proceeds allocated to "strengthening the Group's product development capacity and diversifying the Group's product portfolio" had not been fully utilised as at 31 December 2024 mainly due to the following reasons:

- due to the shortage of skilled software talents and the higher costs related to the hiring of full-time employees, to reduce overall costs and provide greater flexibility, the Group had outsourced the research and development capacity instead of recruiting additional employees, therefore the net proceeds originally allocated to expanding the team of talents in research and development had not been fully utilised; and

- due to the decrease in consumer demand for printers, there has been a reduction in the number of new models of original brand printers being launched in the market and a general slowdown in the introduction of new models of original brand printers, therefore the net proceeds originally allocated to acquiring new models of original brand printers had not been fully utilised.

The Board expects that the unutilised net proceeds allocated to "strengthening the Group's product development capacity and diversifying the Group's product portfolio" will be fully utilised on or before 31 December 2025 by outsourcing its research and development projects and purchasing new models of original brand printers.

Regarding the net proceeds allocated to "accelerating the development of the Group's hardware design capabilities through acquisition of integrated circuit design company", although the Group has been exploring for suitable acquisition opportunities that are in line with the Group's business strategy, in view of the uncertain economic outlook and market uncertainty, the Group had not been able to identify potential targets that are complementary to the Group's business. The Board expects that the economic uncertainty will continue for a foreseeable future and that the high valuation of integrated circuit design companies will continue due to strong demand for integrated circuit design companies. As a result of the high valuation, it may take longer periods to release returns and lead to increased costs. Accordingly, the Board is of the view that, it is unlikely for the Group to fully utilise the total amount of RMB16.6 million for the acquisition of integrated circuit design company in the near future and has resolved to develop its hardware design capabilities mainly through outsourcing of its hardware design needs to professional research and development companies.

Regarding the net proceeds allocated to "increasing the Group's presence in the compatible cartridge industry through forward vertical expansion", at the time of the Listing, according to the industry consultant of the Company for the Listing, the total demand for compatible toner cartridges and compatible ink cartridges in the PRC in terms of sales volume was projected to grow. However due to the outbreak of the COVID-19 pandemic and economic slowdown, there had been a decrease in demand for original brand printers, which in turn resulted in the decrease in demand for compatible cartridges. Although the Group has been exploring for suitable acquisition opportunities since the Listing, the Group had not been able to identify potential targets that are complementary to the Group's business. The Board is of the view that due to the decrease in demand for compatible cartridges, acquiring downstream compatible cartridge manufacturers may expose the Group to additional liabilities and uncertainties. Instead of acquiring downstream compatible cartridge manufacturers that may not yield immediate returns and require significant ongoing operating, maintenance and repair costs, the Board has resolved to expand its presence in the compatible cartridge industry by selling compatible cartridges produced by other manufacturers under the Group's brand name through online channels. The Board is of the view that this provides greater flexibility and requires lower upfront investments and represents a better utilisation of the Unutilised Net Proceeds.

The Board has resolved to reallocate the RMB33.1 million originally 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" as follows:

- RMB30.3 million to be reallocated to expanding its presence in the compatible cartridge industry through online channels. The Group intends to enhance its e-commerce capabilities, which include setting up online shops through e-commerce platforms, increasing digital marketing efforts to improve its online visibility, implementing online marketing promotions and recruiting additional employees for the operation of the online shops. The Board considers that selling of compatible printer cartridges, toner and other finished printer consumables through online channels can increase its market presence, broaden its market reach and attract new customers, which will in turn result in increased sales and improved financial results; and

- RMB2.8 million to be reallocated to general working capital.

Regarding the net proceeds allocated to "improving the functionality of the Group's back office to support its business growth", the Directors consider that due to the slowdown of operating activities, there is no immediate need to expand the current team of legal and compliance staff. The Board has resolved to reallocate RMB1.2 million of the net proceeds originally allocated to improving the functionality of the Group's back office to support its business growth to general working capital.

The Directors consider that the development direction of the Group is still in line with the disclosures in the Prospectus despite the change in use of the Unutilised Net Proceeds as stated above. As at the date of this announcement, the Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider the change in use of the Unutilised Net Proceeds in the best interest of the Company and its shareholders as a whole and will not have any material adverse impact on the business and operations of the Group. 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 plan for the use of the Unutilised Net Proceeds, the Company will make appropriate announcement(s) in due course.

For further details, please refer to the announcement of the Company dated 10 January 2025.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board strives to uphold the principles of corporate governance set out in the CG Code contained in Appendix C1 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 C1 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 2024 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 2024 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 C1 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 2024, comprising the consolidated statement of financial position as at 31 December 2024, 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"	HKFRS Accounting Standard
"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 C3 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 2024
"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, 31 March 2025

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*