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MEGAIN Holding (Cayman) Co., Ltd.

美佳音控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6939)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

RESULTS HIGHLIGHTS

Revenue of the Group for the Relevant Period increased by 7.1% to approximately RMB167,867,000 (2020: RMB156,783,000).

Gross profit of the Group for the Relevant Period decreased slightly by 0.4% to approximately RMB86,704,000 (2020: RMB87,072,000).

Profit after income tax of the Group for the Relevant Period was approximately RMB31,263,000, representing an increase of approximately 8.7% (2020: RMB28,750,000).

The adjusted profit of the Group (excluding listing expenses and donation) for the Relevant Period amounted to approximately RMB40,601,000, representing a slight decrease of approximately 6.3% (2020: RMB43,313,000).

Basic earnings per share of the Group for the Relevant Period decreased by 15.6% to approximately RMB6.5 cents (2020: RMB7.7 cents).

The Board recommended the distribution of a final dividend of HK\$2.96 cents per share for the year ended 31 December 2021 (2020: HK\$1.33 cents), subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Thursday, 9 June 2022.

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 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Revenue	4	167,867	156,783
Cost of sales and services		<u>(81,163)</u>	<u>(69,711)</u>
Gross profit		86,704	87,072
Other net income	5	7,696	4,012
Impairment losses of trade receivables		(1,207)	(1,037)
Research and development expenses		(19,634)	(14,646)
Selling and distribution expenses		(5,185)	(5,638)
Administrative expenses		(22,864)	(19,149)
Listing expenses		(6,841)	(14,563)
Finance costs		<u>(238)</u>	<u>(113)</u>
Profit before income tax expense	6	38,431	35,938
Income tax expense	7	<u>(7,168)</u>	<u>(7,188)</u>
Profit for the year		<u>31,263</u>	<u>28,750</u>
Other comprehensive income, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(2,049)</u>	<u>(1,350)</u>
Total comprehensive income for the year		<u>29,214</u>	<u>27,400</u>
Earnings per share – Basic and diluted	9	<u>RMB0.065</u>	<u>RMB0.077</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		7,717	5,839
Intangible assets		10,614	5,839
Deferred tax assets		917	497
		<hr/>	<hr/>
Total non-current assets		19,248	12,175
		<hr/>	<hr/>
Current assets			
Inventories		17,602	11,583
Trade receivables	<i>10</i>	72,823	39,057
Deposits, prepayments and other receivables		12,138	10,954
Cash and cash equivalents		238,347	123,468
		<hr/>	<hr/>
Total current assets		340,910	185,062
		<hr/>	<hr/>
Current liabilities			
Trade payables	<i>11</i>	8,132	6,454
Accruals and other payables		9,742	11,908
Bank borrowings		5,000	–
Leases liabilities		1,719	1,403
Contract liabilities		164	249
Provisions		2,379	473
Income tax payable		2,982	1,350
		<hr/>	<hr/>
Total current liabilities		30,118	21,837
		<hr/>	<hr/>
Net current assets		310,792	163,225
		<hr/>	<hr/>
Total assets less current liabilities		330,040	175,400
		<hr/>	<hr/>

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current liabilities			
Leases liabilities		2,365	191
Deferred tax liabilities		493	1,338
		<hr/>	<hr/>
Total non-current liabilities		2,858	1,529
		<hr/>	<hr/>
NET ASSETS		327,182	173,871
		<hr/>	<hr/>
Capital and reserves			
Share capital	<i>12</i>	4,325	66
Reserves		322,857	173,805
		<hr/>	<hr/>
TOTAL EQUITY		327,182	173,871
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 22 June 2016 as an exempted company with limited liability and its shares have been listed on the Main Board of the Stock Exchange 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.

The formalisation of the structure of the Group was substantially completed in 2016 as detailed in the section headed "History, Development and Corporate Structure" in the Prospectus. The Company has become the holding company of the other companies now comprising the Group since then.

2. ADOPTION OF HKFRSs

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:

Amendments to HKAS 39, HKFRS 4,
HKFRS 7, HKFRS 9 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

The amended HKFRSs and HKASs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies. The Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period.

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") 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.

(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 of the Group, 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 Directors have been identified as the chief operating decision-makers of the Group who review 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-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment and no segment information is presented.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Products		
Sales of chips	128,561	144,370
Trading of integrated circuits and other cartridge components	33,929	12,413
Services		
Technical and design services for chips	5,377	–
	<u>167,867</u>	<u>156,783</u>
Timing of revenue recognition		
Point in time	162,490	156,783
Over time	5,377	–
	<u>167,867</u>	<u>156,783</u>

(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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
External revenue by location of customers		
PRC	134,986	128,988
Overseas	32,881	27,795
	<u>167,867</u>	<u>156,783</u>

	2021	2020
	RMB'000	RMB'000
Non-current assets by location of assets		
PRC	16,911	10,960
Overseas	1,420	718
	18,331	11,678

(iii) Information about major customers

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

	2021	2020
	RMB'000	RMB'000
Customer A	42,647	51,568

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

Contract liabilities represent receipts in advance from customers for goods that have not yet been transferred to the customers. As at 31 December 2021 and 2020, the contract liabilities represented the receipts in advance received from sales of compatible cartridge chips.

Based on the information available to the Group at the end of the reporting period, the management of the Group expects that the transaction price amounting to RMB282,000 (2020: nil) allocated to performance obligations that are unsatisfied under contracts for technical and design services for chips as at 31 December 2021 will be recognised as revenue on or before 30 November 2022.

5. OTHER NET INCOME

An analysis of other net income is as follows:

	2021	2020
	RMB'000	RMB'000
Bank interest income	2,919	1,926
Exchange gains, net	–	446
Government grants (<i>note</i>)	4,667	1,605
Effect of lease modifications	12	–
Sundry income	98	35
	7,696	4,012

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

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount of inventories sold	70,010	63,006
Provision for impairment of inventories	448	117
	<hr/>	<hr/>
Cost of inventories recognised as expense	70,458	63,123
Amortisation of intangible assets	1,460	895
Auditor's remuneration	988	783
Bad debt expenses	21	764
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	2,731	2,320
– Right-of-use assets	2,018	1,421
Exchange losses, net	1,698	–
Loss on disposal of property, plant and equipment	–	93
Impairment losses of trade receivables	1,207	1,037
Short-term leases expenses	175	226
Research and developments expenses (other than staff costs)	10,635	8,499
Interests on lease liabilities	108	113
	<hr/>	<hr/>
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	20,533	17,596
– Retirement scheme contributions	3,010	1,394
	<hr/>	<hr/>
	23,543	18,990
	<hr/>	<hr/>

7. INCOME TAX EXPENSE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
– PRC Enterprise Income Tax	7,088	5,773
Over-provision in prior years	–	(438)
Deferred tax		
– Credited to profit or loss for the year	(1,248)	(2,144)
Withholding tax	1,328	3,997
	<hr/>	<hr/>
Income tax expense	7,168	7,188
	<hr/>	<hr/>

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

Subsidiaries operating in Hong Kong are subject to Hong Kong profits tax. Hong Kong profits tax is calculated at two-tiered tax rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million. For the years ended 31 December 2021 and 2020, 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 2021, income tax provision is calculated at 15% (2020: 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, namely Megain Group (HK) in respect of the years ended 31 December 2019 and 2020.

8. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividends	<u>5,747</u>	<u>29,677</u>

On 6 April 2020 and 30 June 2021, the Company paid a final dividend of RMB29,677,000 and RMB5,747,000, in aggregate to its owners of the Company in respect of the years ended 31 December 2019 and 2020 respectively. The final dividend proposed by the Board for the year ended 31 December 2021 will be approved by the 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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Profit for the year	<u>31,263</u>	<u>28,750</u>
	2021 <i>Number'000</i>	2020 <i>Number'000</i>
Number of shares		
Weighted average number of ordinary shares	<u>482,573</u>	<u>375,000</u>

Note:

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

Diluted earnings per share were the same as the basic earnings per share as the Group had no potential dilutive ordinary shares for the years ended 31 December 2021 and 2020.

10. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	75,453	41,076
Less: Loss allowance for trade receivables	<u>(2,630)</u>	<u>(2,019)</u>
	<u>72,823</u>	<u>39,057</u>

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

During the years ended 31 December 2021 and 2020, 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	59,051	26,881
91 to 180 days	8,687	7,727
Over 180 days	<u>5,085</u>	<u>4,449</u>
	<u>72,823</u>	<u>39,057</u>

11. TRADE PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<u>8,132</u>	<u>6,454</u>

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.

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 30 days	7,000	1,898
31 to 90 days	1,088	1,103
Over 90 days	<u>44</u>	<u>3,453</u>
	<u>8,132</u>	<u>6,454</u>

12. SHARE CAPITAL

	<i>Notes</i>	Number of share '000	Amount RMB'000
Ordinary shares, issued and fully paid:			
At 31 December 2019, 2020 and 1 January 2021		10	66
Repurchase of 10,000 shares at US\$1.00 each	<i>(a)</i>	(10)	(66)
Issue of 10,000 shares at HK\$0.01 each	<i>(a)</i>	10	—*
Issue of shares upon capitalisation	<i>(b)</i>	374,990	3,128
Issue of shares upon the Listing	<i>(c)</i>	125,000	1,041
Issue of additional shares upon exercise of over-allotment option	<i>(d)</i>	18,750	156
At 31 December 2021		<u>518,750</u>	<u>4,325</u>

* The balance is less than RMB1,000

The movements in share capital above for the year ended 31 December 2021 arose from the completion of the Listing as detailed below:

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Compatible Cartridge Chips Business

The business environment of compatible cartridge chips industry in which the Group operated during the Relevant Period was challenging. The uncertainty of the COVID-19 pandemic and its variants such as Delta and Omicron disrupted the global economy and started to have impacts on our business. Restrictive measures adopted by many countries to deal with the pandemic such as social distancing, suspension of commercial activities, travel bans, working-from-home arrangements, etc., led to the reduction in the demand for document printing and hence the demand for the compatible cartridge chips.

The public health measures adopted to deal with the COVID-19 pandemic also caused problems affecting ports and shipping such as lead time issues, port closures, reduced working hours at ports, shortage of shipping containers as well as trucks capacity constraints, and affected the export of compatible cartridges produced by our customers to the European and the US markets. The demand for compatible cartridge chips was indirectly influenced adversely by the transportation problems as well.

In addition, during the Relevant Period, similar to the year of 2020, new printer models launched by the original-brand printer companies were very limited. As a result, new models of chips that the Group could launch were limited. During the Relevant Period, the Group developed 123 new models of chips, including 79 for the desktop laser printers, 40 for the desktop inkjet printers and 4 for the commercial printers. During the year ended 31 December 2020, the Group developed 172 new models of chips, including 115 for the desktop laser printers, 16 for the desktop inkjet printers and 41 for the commercial printers.

Facing the lack of new original-brand printers, the Group exerted its strength in research and development. In addition to continuing with the launch of new models of compatible cartridge chip for both the desktop inkjet and laser printers, we upgraded some existing models of chip for desktop inkjet and laser printers so that their demands and gross profit margins could be maintained. Consequently, although the sales volume of the chips for the desktop inkjet printers for the Relevant Period decreased to approximately 3,584,000 pieces from approximately 7,980,000 pieces for the corresponding period in 2020, the gross profit margin for the sales of chips for desktop inkjet printers just decreased slightly from approximately 58.5% for the year ended 31 December 2020 to approximately 56.9% for the Relevant Period. Meanwhile, the sales volume of chips for desktop laser printers for the Relevant Period decreased to approximately 10,433,000 pieces from approximately 12,022,000 pieces for the corresponding period in 2020 and the gross profit margin for the sales of chips for desktop laser printers increased from approximately 61.0% for the year ended 31 December 2020 to approximately 67.4% for the Relevant Period due to the launch of certain new models of chip for desktop laser printers by the Group which had a higher profit margin. A breakdown of our gross profit and gross profit margin for each of the product categories by application is set out in the table under the sub-section “Gross profit and gross profit margin” in the “Financial Review” section of this announcement.

Internet of Things Chips Business

The launch of new products is vital in that it has the effect of revitalising the business. In June 2021, the Group successfully developed a new IoT product, the Hall sensor chip. The Hall sensor is a kind of magnetic field sensor made based on the Hall effect, which is generally used for positioning, speed detection and proximity sensing and is ultimately applied to different kinds of electronic products including automobiles, 5G base stations, fans and toys. The market for the Hall sensor in the PRC is a high growth market with an estimated annual compound growth rate of 11.8%. We believe that the Hall sensor chip can diversify the Group’s business scope with a view to broadening the Group’s revenue base and offering better returns to the Shareholders. During the Relevant Period, the Hall sensor chip business of our Group was at the very early stage of development and the sales volume of chips for IoT was approximately 2,260,000 pieces. We intend to launch progressively new series of Hall sensor chips so that they can be applied to more kinds of electronic product such as cars, 5G base stations, fans, toys, etc. During the Relevant Period, the Group developed 6 kinds of Hall sensor chip which could be applied to earphones, meters, toys and wireless keyboards. We also developed several IoT solutions and products which could be applied to environment monitoring, blue-tooth earphones, and sport and health products.

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. During the Relevant Period, the Group has established a new research center in Taiwan in order to enhance our capacity in IC design. The newly established research center equipped with advanced instruments and professional staff allows the Group to enter into a more specialized area of IC design and save our costs of IC purchase in the long run.

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 60 applications for the registration of patent in the PRC, in which 34 patents were successfully registered while 26 applications were pending. Our patents mainly involve the designs and technologies relating to compatible cartridge chips and IoT.

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.

In order to provide sufficient resources and funds to our major operational flagship in the PRC, the Company increased its indirect investment in Zhuhai Megain, an indirect wholly-owned subsidiary of the Company, through its direct wholly-owned subsidiary, Megain Group (HK), by increasing the share capital in Zhuhai Megain by RMB49,000,000 in July 2021. Zhuhai Megain possessed a stronger research and development capacity through investment in equipment and human resources after the capital increase.

FINANCIAL REVIEW

Revenue

Our overall revenue increased by approximately 7.1% from approximately RMB156.8 million for the year ended 31 December 2020 to approximately RMB167.9 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								
	2021				2020				Percentage increase/decrease (-) in revenue
	Revenue	% of total revenue	Sales volume	Average selling price	Revenue	% of total revenue	Sales volume	Average selling price	
	RMB'000	%	000' pieces of chips	RMB	RMB'000	%	000' pieces of chips	RMB	%
Sales of chips									
Product category-application									
– Desktop laser printers	85,468	50.9	10,433	8.2	67,056	42.8	12,022	5.6	27.5
– Desktop inkjet printers	37,221	22.2	3,584	10.4	69,885	44.6	7,981	8.8	-46.7
– Commercial printers ¹	5,872	3.5	343	17.1	7,429	4.7	312	23.8	-21.0
Sub-total	128,561	76.6	14,360	9.0	144,370	92.1	20,315	7.1	-11.0
Sales of other chips	3,148	1.9	2,260	1.4	-	-	-	-	N/A
Trading of ICs and other cartridge components ²	30,781	18.3	N/A	N/A	12,413	7.9	N/A	N/A	148.0
Other revenue ³	5,377	3.2	N/A	N/A	-	-	-	-	N/A
Total	167,867	100			156,783	100			7.1

Notes:

- Commercial printers include mainly commercial laser printers.
- 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.
- 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 11.0% from approximately RMB144.4 million for the year ended 31 December 2020 to approximately RMB128.6 million for the Relevant Period.

The decrease in revenue was mainly due to (i) the decrease in revenue from the sales of our chips for desktop inkjet printers to our customers from approximately RMB69.9 million for the year ended 31 December 2020 to approximately RMB37.2 million for the Relevant Period mainly caused by the high sales of Ink Cartridge Chip Models during the year ended 31 December 2020; (ii) the rebound of the COVID-19 pandemic during the Relevant Period resulting in the economic and social disruption in many countries and hence the weak demand for compatible printer cartridges; and (iii) the reduction in the export of compatible printer cartridges to European and the US markets due to the transportation problems mentioned in the section “Compatible Cartridge Chips Business” in this announcement.

(ii) Sales of other chips

Our Hall sensor chip is mainly applied in magnetic field sensor. As it was just a newly launched product of the Group in June 2021, the sales of the Hall sensor chip for the Relevant Period just amounted to approximately RMB3.1 million. We believe that the Hall sensor chip will become a driver of our total revenue growth, taking into consideration of the large demand for the Hall sensor chips in different areas such as automobiles, 5G base stations, fans, toys, etc.

(iii) Trading of ICs and other cartridge components

Our revenue generated from trading of ICs and other cartridge components increased from approximately RMB12.4 million for the year ended 31 December 2020 to approximately RMB30.8 million for the Relevant Period mainly due to the strong demand for toner in the second half of the Relevant Period.

(iv) Other revenue

Occasionally, the Group provides technical and design services for chips at the request of our customers. The Group recorded a revenue from the provision of technical and design services for chips of approximately RMB5.4 million during the Relevant Period while we did not have such revenue for the corresponding period of last year.

Cost of sales and services

Our cost of sales and services increased by 16.4% from approximately RMB69.7 million for the year ended 31 December 2020 to approximately RMB81.2 million for the Relevant Period. The increase was mainly due to (i) the increase in unit direct material cost for compatible printer cartridge chip due to the shortage of raw materials such as SoC, wafers, etc., (ii) the increase in the cost of sales for the trading of ICs and other cartridge components, mainly toner, and (iii) the increase in warranty provision.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately 0.4% from approximately RMB87.1 million for the year ended 31 December 2020 to approximately RMB86.7 million for the Relevant Period. Our overall gross profit margin decreased from approximately 55.5% for the year ended 31 December 2020 to approximately 51.7% 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			
	2021		2020	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	RMB'000	%	RMB'000	%
Sales of chips				
Product category-application				
– Desktop laser printers	57,623	67.4	40,886	61.0
– Desktop inkjet printers	21,177	56.9	40,870	58.5
– Commercial printers	3,587	61.1	4,376	58.9
Sub-total	82,387	64.1	86,133	59.7
Sales of other chips	108	3.4	–	–
Trading of ICs and other cartridge components	1,611	5.2	939	7.6
Other revenue	2,598	48.3	–	–
Total	86,704	51.7	87,072	55.5

(i) Sales of compatible cartridge chips

The gross profit from the sales of compatible cartridge chips decreased from approximately RMB86.1 million for the year ended 31 December 2020 to approximately RMB82.4 million for the Relevant Period, mainly due to the decrease in gross profit from the sales of our chips for desktop inkjet printers from approximately RMB40.9 million for the year ended 31 December 2020 to approximately RMB21.2 million for the Relevant Period, which was mainly due to the fact that the new models of compatible cartridge chips for desktop inkjet printers that the Group could launch were very limited.

Our gross profit margin of compatible cartridge chips increased from approximately 59.7% for the year ended 31 December 2020 to approximately 64.1% for the Relevant Period, mainly due to the increase in gross profit margin of our chips for desktop laser printers from approximately 61.0% for the year ended 31 December 2020 to approximately 67.4% for the Relevant Period as a result of the higher gross profit margin of certain models of chips for desktop laser printers we newly launched.

(ii) Sales of other chips

The gross profit from the sales of Hall sensor chips amounted to approximately RMB0.1 million for the Relevant Period. The gross profit margin of the sales of Hall sensor chips was approximately 3.4% for the Relevant Period. The Group just launched the Hall sensor chip business and did not go into mass production. We intend to launch progressively new series of Hall sensor chips so that they can be applied to different kinds of electronic product such as cars, 5G base stations, fans, toys, etc.

(iii) Trading of ICs and other cartridge components

Our gross profit from trading of ICs and other cartridge components increased from approximately RMB0.9 million for the year ended 31 December 2020 to approximately RMB1.6 million for the Relevant Period. The decrease in gross profit margin from approximately 7.6% for the year ended 31 December 2020 to approximately 5.2% for the Relevant Period was mainly due to the decrease in the gross margin of toner.

(iv) Other revenue

Occasionally, we provides technical and design services for chips to our customers at their request. During the Relevant Period, the gross profit from the provision of such service amounted to RMB2.6 million and the gross profit margin was 48.3%. The gross profit and gross profit margin of technical and design services for chips can differ from project to project, depending on the size, expected time and employees involved, degree of technical difficulty of the project, etc. and are volatile.

Other net income

Our other net income increased by approximately 91.8% from approximately RMB4.0 million for the year ended 31 December 2020 to approximately RMB7.7 million for the Relevant Period, which was mainly due to the increase in bank interest income and government grants.

Research and development expenses

Our research and development expenses increased by approximately 34.1% from approximately RMB14.6 million for the year ended 31 December 2020 to approximately RMB19.6 million for the Relevant Period. Such increase was mainly due to the increase in the expenses in relation to the research and development projects of compatible printer cartridge and IoT chips.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 8.0% from approximately RMB5.6 million for the year ended 31 December 2020 to approximately RMB5.2 million for the Relevant Period. Such decrease was mainly attributable to the decrease in exhibition and transportation expenses.

Administrative expenses

Our administrative expenses increased by approximately 19.4% from approximately RMB19.1 million for the year ended 31 December 2020 to approximately RMB22.9 million for the Relevant Period mainly due to the increase in donations, directors' fee, audit fee and costs for the setup of a new office.

Listing expenses

Our listing expenses decreased by approximately 53.0% from approximately RMB14.6 million for the year ended 31 December 2020 to approximately RMB6.8 million for the Relevant Period due to the completion of the Listing.

Income tax expenses

Our income tax expenses decreased slightly by approximately 0.3% from approximately RMB7.19 million for the year ended 31 December 2020 to approximately RMB7.17 million for the Relevant Period. Although the profit before income tax during the Relevant Period increased, the increase in income tax was offset by the decrease in withholding tax on dividend paid by a PRC subsidiary of the Company.

Net profit and net profit margin

Our net profit after income tax for the period increased by approximately 8.7% from approximately RMB28.8 million for the year ended 31 December 2020 to approximately RMB31.3 million for the Relevant Period. The movement of the net profit after income tax during the Relevant Period was mainly attributable to (i) the decrease in listing expenses, (ii) the increase in research and development expenses, and (iii) the increase in administrative expenses, due to the reasons discussed in the respective sections above.

Certain expenses incurred during the Relevant Period and the corresponding period in 2020 were listing-related. Our adjusted net profit (excluding the listing expenses and donation) for the Relevant Period amounted to approximately RMB40.6 million which was lower than that of approximately RMB43.3 million for the year ended 31 December 2020. The decrease was mainly originated from the increase in research and development expenses, reflecting our effort to develop new models of compatible cartridge chips and IoT chips.

Our net profit margin increased from 18.3% for the year ended 31 December 2020 to 18.6% for the Relevant Period mainly due to the fact that the percentage increase in the net profit after income tax was higher than the percentage increase in the revenue caused by the reasons discussed above.

Net Current Assets

We recorded net current assets of approximately RMB310.8 million as at 31 December 2021 and RMB163.2 million as at 31 December 2020 respectively. Our current assets increased from approximately RMB185.1 million as at 31 December 2020 to approximately RMB340.9 million as at 31 December 2021, mainly due to the increase in cash and cash equivalents as a result of funds raised from the Listing, and the increase in trade receivables. Our current liabilities increased from approximately RMB21.8 million as at 31 December 2020 to approximately RMB30.1 million as at 31 December 2021 primarily due to the increase in bank borrowings, income tax payable, and provisions.

Property, plant and equipment

The net carrying amount of our property, plant and equipment increased from approximately RMB5.8 million as at 31 December 2020 to approximately RMB7.7 million as at 31 December 2021 mainly due to the increase in right-of-use assets originated from certain new leases (partly offset by the depreciation charge) and the addition of office equipment.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net carrying amount of our intangible assets increased from approximately RMB5.8 million as at 31 December 2020 to approximately RMB10.6 million as at 31 December 2021 mainly due to the increase in acquisition of new IC intellectual property rights.

Inventories

Inventories primarily comprised raw materials, finished goods, goods-in-transit and right to recover returned goods. Inventories increased from approximately RMB11.6 million as at 31 December 2020 to approximately RMB17.6 million as at 31 December 2021 mainly due to the increase in goods-in-transit including IoT chips and items relating to trading of ICs and other cartridge components, and the increase in raw materials.

Trade receivables

Our trade receivables increased from approximately RMB39.1 million as at 31 December 2020 to approximately RMB72.8 million as at 31 December 2021 mainly due to the increase in the sales of certain new models of compatible printer cartridge chip during the fourth quarter of 2021.

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables increased from approximately RMB11.0 million as at 31 December 2020 to approximately RMB12.1 million as at 31 December 2021 mainly due to the increase in prepayments for the purchase of raw materials such as wafers as a result of the shortage of semi-conductors.

Trade payables

Our trade payables increased from RMB6.5 million as at 31 December 2020 to RMB8.1 million as at 31 December 2021 which was in line with the substantial growth in the trading of ICs and other cartridge components, mainly toner.

Indebtedness

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

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Current liabilities		
Bank borrowings due within one year	5,000	–
Lease liabilities	1,719	1,403
Non-current liabilities		
Lease liabilities	2,365	191
	<u>9,084</u>	<u>1,594</u>

As at 31 December 2021, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB4.1 million in aggregate in relation to the remaining lease terms of certain lease contracts, which is unsecured and unguaranteed. Our lease liabilities represented the related liabilities arisen when obtaining the right to use certain properties through tenancy agreements.

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 2021, the Group had cash and cash equivalents of approximately RMB238.3 million (as at 31 December 2020: approximately RMB123.5 million).

As at 31 December 2021, the Group had net current assets of approximately RMB310.8 million (as at 31 December 2020: approximately RMB163.2 million) and net assets of approximately RMB327.2 million (as at 31 December 2020: approximately RMB173.9 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 2021 was approximately RMB5.0 million (as at 31 December 2020: nil) which was originally denominated in RMB, so it did not have any foreign exchange impact on our financial statements during the Relevant Period. The bank borrowing was interest-bearing and unsecured. During the Relevant Period, the Group did not experience any difficulties in utilising its banking facilities with its lenders.

B. Gearing Ratio

As at 31 December 2021, the Group's gearing ratio was approximately 1.5% (as at 31 December 2020: nil), calculated as the total debt divided by the total equity as at the end of the Relevant Period multiplied by 100%. The increase was mainly due to an increase in debt as at the end of the Relevant Period. The Group's gearing ratio demonstrated that the financial position of the Group was healthy as the debt level of the Group was very low as at the end of the Relevant Period.

Pledge of Assets

As at 31 December 2021, the Group did not pledge any assets of the Group.

Contingent Liabilities

As at 31 December 2021 and 2020, 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 RMB6.9 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

The Group did not hold any significant investments as at 31 December 2021.

Foreign Currency Exposure

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

Human Resources

As at 31 December 2021, we had approximately 152 full-time headcounts (including Directors), of which 125 were based in the PRC and 27 were based in Taiwan and Hong Kong. The Group has adopted policies on recruitment, compensation, dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. The Group provides induction to new employees on its business, culture, structure, and products. We also provide regular trainings to our employees. Our employees' remuneration comprises salaries, bonuses, employee retirement fund and social security contributions and other welfare payments. The Group also adopted the Share Option Scheme as part of the incentive package. We regularly assess the performance of our employees, the results of which would form the basis for salary increments, bonuses and promotions.

Outlook and Future Plan

In the near future, we expect that China's economy will continue to recover and provide a stable business environment for the development of our industry. However, there remains unstable and uncertain factors in the global economic recovery. The coming year will be dominated by global efforts to fight supply chain issues, inflation, shortage of semi-conductors, negative economic impacts of regional military conflicts, and COVID-19 mutating variants. The Company expects that the operating environment of the Group will be complex and undulating. However, we believe that the worst of the pandemic to the Group has passed, the performance of the Group will improve alongside the introduction of more new models of compatible printer cartridge chip and IoT chip.

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.

DIVIDEND

The Board has recommended the payment of a final dividend for the year ended 31 December 2021 of HK\$2.96 cents per Share (equivalent to RMB2.4 cents per Share) to Shareholders whose names appear on the register of members of the Company on Tuesday, 21 June 2022, being the record date for determining the entitlement of shareholders to the proposed final dividend, amounting to approximately RMB12.5 million in aggregate, subject to the approval of Shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 9 June 2022. The above-mentioned final dividend is expected to be paid on or before Thursday, 30 June 2022.

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 Thursday, 2 June 2022 to Thursday, 9 June 2022 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 1 June 2022.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Thursday, 16 June 2022 to Tuesday, 21 June 2022 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 15 June 2022.

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; interest held jointly with another person ⁽²⁾	191,250,000 (L)	36.87%
Mr. Lee	Interest in a controlled corporation; interest held jointly with another person ⁽³⁾	191,250,000 (L)	36.87%
Mr. Lam	Beneficial owner	86,250,000 (L)	16.63%

Notes:

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

Save as disclosed above, none of the Directors and the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 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, interest held jointly with another person ⁽²⁾	191,250,000 (L)	36.87%
AGL	Beneficial owner, interest held jointly with another person ⁽³⁾	191,250,000 (L)	36.87%
Mr. Cheng	Interest in a controlled corporation, interest held jointly with another person ⁽²⁾	191,250,000 (L)	36.87%
Mr. Lee	Interest in a controlled corporation, interest held jointly with another person ⁽³⁾	191,250,000 (L)	36.87%
GLC	Beneficial owner ⁽⁴⁾	97,500,000 (L)	18.80%
Mr. Yu	Interest in a controlled corporation ⁽⁴⁾	97,500,000 (L)	18.80%
Mr. Lam	Beneficial owner	86,250,000 (L)	16.63%

Notes:

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

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

Upon the listing on the Main Board of the Stock Exchange on 31 March 2021 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 HK\$118 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 2021:

Use of Proceeds	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (approximately)	Actual utilised amount as at 31 December 2021 (RMB million) (approximately)	Unutilised amount as at 31 December 2021 (RMB million) (approximately)
Strengthen our product development capacity and diversify our product portfolio	50.7	11.8	38.9
– Development of the software component	7.5	0.5	7.0
– Development of the hardware component	40.7	10.9	29.8
– Acquisition from the market of new models of original brand printers	2.5	0.3	2.1
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	0.1	2.4
– Employing additional members of legal and compliance staff	1.3	–	1.3
– Upgrading and maintaining our enterprise resource planning (ERP) system to facilitate the implementation of our expansion strategy and to optimise our operational efficiency	1.3	0.1	1.2
General working capital	9.9	3.0	6.9
Total:	98.5	14.9	83.7

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

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

CORPORATE GOVERNANCE PRACTICES

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

Since the Listing Date to the date of this announcement, the Company complied with the code provisions as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code governing securities transactions of the Directors.

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

REVIEW BY AUDIT COMMITTEE

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

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

The 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 2021 is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.megaincayman.com>). The annual report of the Company for the year ended 31 December 2021 will be sent to Shareholders in due course, and will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.megaincayman.com>) under “Investor Relations”.

DEFINITIONS

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

“AGL”	ARISTA GLOBAL LTD., an international business company incorporated in Belize on 19 December 2014 and wholly owned by Mr. Lee, and one of our Controlling Shareholders
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“BDO Limited”	BDO Limited Certified Public Accountants
“Board”	the board of Directors
“BVI”	the British Virgin Islands

“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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	MEGAIN Holding (Cayman) Co., Ltd. (美佳音控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2016, which is the holding company of our Group and the Shares of which are listed on the Main Board
“Concert Parties Confirmatory Deed”	the confirmatory deed dated 4 January 2019 and entered into by Mr. Cheng and Mr. Lee, our Controlling Shareholders, to acknowledge and confirm, among other things, that they are parties acting in concert in relation to our Group
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, means Mr. Cheng, Mr. Lee, GMTL and AGL
“Corporate Governance Code(s)” or “CG Code(s)”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	the Coronavirus Disease 2019
“Director(s)”	the director(s) of our Company
“Executive Director(s)”	the executive director(s) of our Company
“GLC”	GOOD LOYAL CORPORATION (忠好有限公司), a company incorporated in the BVI with limited liability on 7 July 2017 and wholly owned by Mr. Yu, and a substantial shareholder of our Company
“Global Offering”	the offer of 37,500,000 new Shares for subscription by the public in Hong Kong and the conditional placing of 87,500,000 new Shares to international investors by our Company at the offer price of HKD1.26
“GMTL”	GLOBAL MEGAIN TECHNOLOGY PTE. LTD., an international business company incorporated in Belize on 23 December 2014 and wholly owned by Mr. Cheng, and one of our Controlling Shareholders

“Group”	the Company and its subsidiaries
“HK\$”, “HKD” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKASs”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IC”	integrated circuit, a set of electronic circuits where all the elements of the circuit are integrated together on a single semiconductor chipset
“Ink Cartridge Chip Models”	a number of models of compatible ink cartridge chips launched by the Group in 2019, mostly in the second or third quarter, which possess advanced quality, functionality and upward compatibility and were designed for compatible ink cartridge models having high popularity and demand in the market, with a very limited number of competitors having then launched comparable chip models
“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 to the Listing Rules
“Mr. Cheng”	Mr. Cheng Hsien-Wei (鄭憲徽), an Executive Director, the chairman of our Board and one of our Controlling Shareholders
“Mr. Lam”	Mr. Lam Tsz Leung (林子良), a Non-executive Director and a substantial shareholder of our Company
“Mr. Lee”	Mr. Lee Kuo-Chang (李國彰), an Executive Director and one of our Controlling Shareholders
“Mr. Yu”	Mr. Yu Yiding (余一丁), a substantial shareholder of our Company
“Non-executive Director(s)”	non-executive director(s) of our Company
“Prospectus”	the prospectus of the Company dated 18 March 2021 in relation to the Global Offering and the Listing
“Relevant Period”	the year ended 31 December 2021
“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)
“SoC”	system on chip, a programmable IC that encompasses a processor core(s) such as micro controller unit (MCU), random-access memory and read-only memory, which is widely used across different industries and for various applications

“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, 30 March 2022

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

* For identification purpose only