

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



MEGAIN Holding (Cayman) Co., Ltd.

美佳音控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6939)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

RESULTS HIGHLIGHTS

Revenue of the Group for the Relevant Period increased by approximately 3.3% to approximately RMB173,367,000 (2021: approximately RMB167,867,000).

Gross profit of the Group for the Relevant Period increased by approximately 4.5% to approximately RMB90,625,000 (2021: approximately RMB86,704,000).

Profit after income tax of the Group for the Relevant Period was approximately RMB44,892,000, representing an increase of approximately 43.6% (2021: approximately RMB31,263,000).

The adjusted profit of the Group (excluding listing expenses and donation) for the Relevant Period amounted to approximately RMB44,892,000, representing an increase of approximately 10.6% (2021: approximately RMB40,601,000).

Basic earnings per share of the Group for the Relevant Period increased by approximately 33.8% to approximately RMB8.7 cents (2021: approximately RMB6.5 cents).

The Board recommended the distribution of a final dividend of RMB3.46 cents per share for the year ended 31 December 2022 (2021: RMB2.40 cents), subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Friday, 9 June 2023.

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 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Revenue	4	173,367	167,867
Cost of sales and services		<u>(82,742)</u>	<u>(81,163)</u>
Gross profit		90,625	86,704
Other net income	5	9,574	7,696
Impairment losses of trade receivables		(115)	(1,207)
Research and development expenses		(18,254)	(19,634)
Selling and distribution expenses		(4,974)	(5,185)
Administrative expenses		(22,173)	(22,864)
Listing expenses		–	(6,841)
Finance costs		<u>(249)</u>	<u>(238)</u>
Profit before income tax expense	6	54,434	38,431
Income tax expense	7	<u>(9,542)</u>	<u>(7,168)</u>
Profit for the year		44,892	31,263
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>4,859</u>	<u>(2,049)</u>
Total comprehensive income for the year		<u>49,751</u>	<u>29,214</u>
Earnings per share – Basic and diluted	9	<u>0.087</u>	<u>0.065</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		5,863	7,717
Intangible assets		13,506	10,614
Deferred tax assets		1,126	917
Total non-current assets		20,495	19,248
Current assets			
Inventories		20,594	17,602
Trade receivables	<i>10</i>	75,233	72,823
Deposits, prepayments and other receivables		10,819	12,138
Cash and cash equivalents		277,131	238,347
Total current assets		383,777	340,910
Current liabilities			
Trade payables	<i>11</i>	11,713	8,132
Accruals and other payables		10,901	9,742
Bank borrowings		1,000	5,000
Leases liabilities		1,804	1,719
Contract liabilities		3,684	164
Provisions		1,641	2,379
Income tax payable		8,059	2,982
Total current liabilities		38,802	30,118
Net current assets		344,975	310,792
Total assets less current liabilities		365,470	330,040
Non-current liabilities			
Leases liabilities		1,166	2,365
Deferred tax liabilities		512	493
Total non-current liabilities		1,678	2,858
NET ASSETS		363,792	327,182
Capital and reserves			
Share capital	<i>12</i>	4,325	4,325
Reserves		359,467	322,857
TOTAL EQUITY		363,792	327,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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

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

2. ADOPTION OF HKFRSs

(a) Adoption of amended HKFRSs

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

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

None of these amended HKFRSs and HKASs has a significant impact on the Group's results and financial position for current or prior period.

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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

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

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

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

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

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

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

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

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

4. REVENUE AND SEGMENT INFORMATION

The Executive Director has been identified as the chief operating decision maker 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**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Products		
Sales of chips	142,246	128,561
Trading of integrated circuits and other cartridge components	31,121	33,929
Services		
Technical and design services for chips	—	5,377
	173,367	167,867
Timing of revenue recognition		
Point in time	173,367	162,490
Over time	—	5,377
	173,367	167,867

(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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
External revenue by location of customers		
PRC	155,012	134,986
Overseas	18,355	32,881
	173,367	167,867
Non-current assets by location of assets		
PRC	17,926	16,911
Overseas	1,443	1,420
	19,369	18,331

(iii) Information about major customers

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	36,872	42,647
Customer B	25,092	N/A ¹
Customer C	18,583	N/A ¹

¹ Revenue from the customers contributed less than 10% of the total revenue of the Group for the respective 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	75,233	72,823
Contract liabilities	3,684	164

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 2022, the contract liabilities represented the receipts in advance received from sales of compatible cartridge chips and provision of technical and design services for chips.

Based on the information available to the Group at the end of the Relevant Period, the management of the Group expects that the transaction price amounting to RMB7,896,000 (2021: RMB282,000) allocated to performance obligations that are unsatisfied under contracts for technical and design services for chips as at 31 December 2022 will be recognised as revenue on or before 30 November 2023.

5. OTHER NET INCOME

An analysis of other net income is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	3,710	2,919
Exchange gains, net	2,549	–
Government grants (<i>note</i>)	3,017	4,667
Effect of lease modifications	33	12
Sundry income	265	98

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount of inventories sold	75,942	70,010
Provision for impairment losses of inventories	1,460	448
	<hr/>	<hr/>
Cost of inventories recognised as expense	77,402	70,458
Amortisation of intangible assets	2,215	1,460
Auditor's remuneration	1,050	988
Bad debt expenses	–	21
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	1,815	2,731
– Right-of-use assets	1,729	2,018
Exchange losses, net	–	1,698
Loss on disposal of property, plant and equipment	34	–
Impairment losses of trade receivables	115	1,207
Short-term leases expenses	94	175
Research and development expenses (other than staff costs)	9,634	10,635
Interest on lease liabilities	141	108
	<hr/>	<hr/>
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	20,546	20,533
– Retirement scheme contributions	2,965	3,010
	<hr/>	<hr/>
	23,511	23,543
	<hr/>	<hr/>

7. INCOME TAX EXPENSE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
– PRC Enterprise Income Tax	9,251	7,088
Deferred tax		
– Credited to profit or loss for the year	(233)	(1,248)
Withholding tax	524	1,328
	<hr/>	<hr/>
Income tax expense	9,542	7,168
	<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 2022 and 2021, 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 Relevant Period, income tax provision is calculated at 15% (2021: 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 2020 and 2021.

The income tax for the Relevant Period can be reconciled to the profit before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax expense	<u>54,434</u>	<u>38,431</u>
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	8,697	5,838
Tax effect of revenue not taxable for tax purposes	(920)	(1,327)
Additional reduction in research and development expenses	(2,049)	(2,472)
Tax effect of expenses not deductible for tax purposes	2,885	4,537
Tax effect of tax losses not recognised	431	94
Tax effect of undistributed earnings of a PRC subsidiary	(24)	(828)
Tax effect of deductible temporary differences not recognised	(2)	(2)
Withholding tax on dividend declared by a PRC subsidiary	<u>524</u>	<u>1,328</u>
Income tax expense	<u>9,542</u>	<u>7,168</u>

8. DIVIDENDS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividends	<u>13,141</u>	<u>5,747</u>

On 30 June 2021 and 30 June 2022, the Company paid a final dividend of RMB5,747,000 and RMB13,141,000, in aggregate to its owners of the Company in respect of the years ended 31 December 2020 and 2021. The final dividend proposed by the Board for the year ended 31 December 2022 which 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings		
Profit for the year	<u>44,892</u>	<u>31,263</u>
	2022 <i>Number'000</i>	2021 <i>Number'000</i>
Number of shares		
Weighted average number of ordinary shares	<u>518,750</u>	<u>482,573</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 2021.

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 2022 and 2021.

10. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	77,256	75,453
Less: Loss allowance for trade receivables	<u>(2,023)</u>	<u>(2,630)</u>
	<u>75,233</u>	<u>72,823</u>

Notes:

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

During the years ended 31 December 2022 and 2021, 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 Relevant Period and the corresponding period in last year:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	58,235	59,051
91 to 180 days	9,598	8,687
Over 180 days	7,400	5,085
	<u>75,233</u>	<u>72,823</u>

11. TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	11,713	8,132
	<u>11,713</u>	<u>8,132</u>

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 Relevant Period and the corresponding period in last year:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	3,908	7,000
31 to 90 days	7,628	1,088
Over 90 days	177	44
	<u>11,713</u>	<u>8,132</u>

12. SHARE CAPITAL

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

* 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 passed on 26 February 2021, the currency denomination of the authorised and issued share capital of the Company was changed from US\$ to HK\$ by (i) increasing the authorised share capital of the Company in HK\$ through the creation of 750,000,000 new shares with a par value of HK\$0.01 each such that the Company 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 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 IoT related chips such as Hall sensor chips, power management ICs (“PMICs”), battery charge management ICs, etc. In addition, the Group is also engaged in the trading of ICs and other cartridge components, including plastic parts and toners, as ancillary services to our customers, and the provision of technical and design services for chips at the request of customers.

Compatible Cartridge Chips Business

In the first half of 2022, the shortage of semiconductors put pressure on the cost of our direct materials and constrained our production capacity. The COVID-19 pandemic recurred frequently in various cities in the PRC. Many major cities such as Shanghai implemented strict measures to deal with the outbreaks which led to suspension of production and operations of enterprises including our suppliers of raw materials such as ICs. As a result, new models of chips that the Group could launch were limited. We could only postpone the launch of some new models of chips to the second half of 2022 and focus on the development of new models of chips for desktop laser printers which have stronger market demand.

During the Relevant Period, the Group developed 35 new models of chips, including 20 for the desktop laser printers, 15 for the desktop inkjet printers and nil for the commercial printers, and upgraded 468 models of chips, all for the desktop laser printers. During the year ended 31 December 2021, 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, and upgraded 20 models of chips, all for the desktop laser printers.

Internet of Things Chips Business

The Group believes that the launch of new products is vital in that it has the effect of revitalising the business. 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%.

During the Relevant Period, the Group developed some new IoT chips such as PMICs, battery charge management ICs in order to strengthen our IoT chips portfolio. PMICs are used to regulate electricity flow and voltage in an electronic device while battery charge management ICs can be applied to the electricity flow and voltage control during recharging of mobile devices such as mobile phones, tablet computers, power banks, etc. Our new IoT chips are still at the early stage of production and market development.

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

Strengthening of Research and Development Capacity

In order to maintain the competitiveness and the leading position of the Group in the industry, we continue to invest in strengthening our research and development capacity. As a result of continuous effort and investment in our research and development capability, the Group has gradually developed a strong patent portfolio. During the Relevant Period, we submitted in total 43 applications for the registration of patent in the PRC. All applications were pending for registration. Our patents mainly involve the designs and technologies relating to chips and measurement devices.

During the Relevant Period, in order to consolidate our research resources, Zhuhai Megain closed its Shanghai branch office and reallocated its resources to the research centres in other cities in the PRC.

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 increased by approximately 3.3% from approximately RMB167.9 million for the year ended 31 December 2021 to approximately RMB173.4 million for the Relevant Period. The following table summarises the revenue for each of the product categories by application during the periods indicated:

	Year ended 31 December								
	2022				2021				
	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	130,787	75.4	8,190	16.0	85,468	50.9	10,433	8.2	53.0
- Desktop inkjet printers	8,427	4.9	1,141	7.4	37,221	22.2	3,584	10.4	(77.4)
- Commercial printers ¹	3,032	1.7	221	13.7	5,872	3.5	343	17.1	(48.4)
Sub-total	142,246	82.0	9,552	14.9	128,561	76.6	14,360	9.0	10.6
Sales of other chips	9,786	5.7	110	89.0	3,148	1.9	2,260	1.4	210.9
Trading of ICs and other cartridge components ²	21,335	12.3	N/A	N/A	30,781	18.3	N/A	N/A	(30.7)
Other revenue ³	-	-	N/A	N/A	5,377	3.2	N/A	N/A	N/A
Total	173,367	100.0			167,867	100.0			3.3

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 increased by approximately 10.6% from approximately RMB128.6 million for the year ended 31 December 2021 to approximately RMB142.2 million for the Relevant Period. The increase was mainly attributable to the increase in revenue from the sales of our chips for desktop laser printers from approximately RMB85.5 million for the year ended 31 December 2021 to approximately RMB130.8 million for the Relevant Period.

During the Relevant Period, the shortage of raw materials such as ICs constrained our production capacity for the reasons mentioned in the business review section. The sales volume of compatible cartridge chips reduced to approximately 9,552,000 pieces for the Relevant Period from approximately 14,360,000 pieces for the corresponding period of last year. Fortunately, the market demand for our compatible cartridge chips for desktop laser printers was still strong in 2022, we could transfer partially the increased costs of raw materials to our customers, so the average selling price of our compatible cartridge chips could increase to approximately RMB14.9 per piece for the Relevant Period from approximately RMB9.0 per piece for the corresponding period of last year.

(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. which are expected to launch in 2023. We also provide customised IoT solution to clients. The sales of other chips for the Relevant Period increased by approximately 210.9% from approximately RMB3.1 million for the year ended 31 December 2021 to approximately RMB9.8 million for the Relevant Period. The increase was mainly due to the increase in the sales of Hall sensor chips.

(iii) Trading of ICs and other cartridge components

Our revenue generated from trading of ICs and other cartridge components decreased by approximately 30.7% from approximately RMB30.8 million for the year ended 31 December 2021 to approximately RMB21.3 million for the Relevant Period mainly due to the decreased in the sales of toner and components of toner cartridge.

(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 RMB5.4 million from the provision of technical and design services for chips for the year ended 31 December 2021. During the Relevant Period, the Group did not recognise any revenue from the provision of such services.

Cost of sales and services

Our cost of sales and services increased from approximately RMB81.2 million for the year ended 31 December 2021 to approximately RMB82.7 million for the Relevant Period. The increase was mainly caused by the increase in direct materials costs, in particular the cost of semi-conductors and in line with the increase in revenue in the Relevant Period.

Gross profit and gross profit margin

Our overall gross profit increased by approximately 4.5% from approximately RMB86.7 million for the year ended 31 December 2021 to approximately RMB90.6 million for the Relevant Period. Our overall gross profit margin increased from approximately 51.7% for the year ended 31 December 2021 to approximately 52.3% 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			
	2022		2021	
	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	85,800	65.6	57,623	67.4
– Desktop inkjet printers	1,792	21.3	21,177	56.9
– Commercial printers	1,502	49.5	3,587	61.1
Sub-total	89,094	62.6	82,387	64.1
Sales of other chips	931	9.5	108	3.4
Trading of ICs and other cartridge components	600	2.8	1,611	5.2
Other revenue	–	–	2,598	48.3
Total	90,625	52.3	86,704	51.7

(i) Sales of compatible cartridge chips

The gross profit from the sales of compatible cartridge chips increased from approximately RMB82.4 million for the year ended 31 December 2021 to approximately RMB89.1 million for the Relevant Period, mainly due to the increase in gross profit from the sales of our chips for desktop laser printers from approximately RMB57.6 million for the year ended 31 December 2021 to approximately RMB85.8 million for the Relevant Period, which was mainly a result of our focus on the development of new models of chips for desktop laser printers during the Relevant Period since more new models of laser printers were launched by the manufacturers.

Our gross profit margin of compatible cartridge chips decreased from approximately 64.1% for the year ended 31 December 2021 to approximately 62.6% for the Relevant Period, mainly due to the increase in direct materials costs, in particular the cost of semi-conductors.

(ii) Sales of other chips

The gross profit from the sales of other chips amounted to approximately RMB0.9 million for the Relevant Period. The gross profit margin of the sales of other chips was approximately 9.5% for the Relevant Period. The Group was on the point of establishing its customer base for the IoT chips business and formulating its market niche. We intend to launch progressively new series of IoT chips so that we can diversify our chips portfolio and sources of income.

(iii) Trading of ICs and other cartridge components

Our gross profit from trading of ICs and other cartridge components decreased from approximately RMB1.6 million for the year ended 31 December 2021 to approximately RMB0.6 million for the Relevant Period. The decrease in gross profit margin from approximately 5.2% for the year ended 31 December 2021 to approximately 2.8% for the Relevant Period was mainly due to the decrease in the proportion of the revenue from trading of toner in the total revenue from the trading of ICs and other cartridge components because the demand for toner in the second half of 2022 reduced.

Other net income

Our other net income increased by approximately 24.4% from approximately RMB7.7 million for the year ended 31 December 2021 to approximately RMB9.6 million for the Relevant Period, which was mainly due to the increase in bank interest income and exchange gain.

Research and development expenses

Our research and development expenses decreased by approximately 7.0% from approximately RMB19.6 million for the year ended 31 December 2021 to approximately RMB18.3 million for the Relevant Period. Such decrease was mainly due to the slow progress in some research and development projects and the decrease in the number of research staff in the second half of the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 4.1% from approximately RMB5.2 million for the year ended 31 December 2021 to approximately RMB5.0 million for the Relevant Period. Such decrease was mainly attributable to the decrease in transportation expenses and staff costs of sales team.

Administrative expenses

Our administrative expenses decreased by approximately 3.0% from approximately RMB22.9 million for the year ended 31 December 2021 to approximately RMB22.2 million for the Relevant Period mainly due to the decrease in donations.

Listing expenses

Our listing expenses decreased by 100% from approximately RMB6.8 million for the year ended 31 December 2021 to nil for the Relevant Period due to the completion of the Listing.

Income tax expense

Our income tax expense increased by approximately 33.1% from approximately RMB7.2 million for the year ended 31 December 2021 to approximately RMB9.5 million for the Relevant Period. The increase in income tax expenses was in line with the increase in the profit before income tax for the Relevant Period.

Net profit and net profit margin

Our net profit after income tax for the period increased by approximately 43.6% from approximately RMB31.3 million for the year ended 31 December 2021 to approximately RMB44.9 million for the Relevant Period. The movement of the net profit after income tax during the Relevant Period was mainly attributable to (i) the revenue from the sales of compatible cartridge chips and other chips increased; (ii) the other net income increased due to the increase in bank interest income and exchange gain; and (iii) the listing related expenses and donations did not recur for the Relevant Period due to the completion of the Listing in 2021.

Certain expenses incurred for the 2021 financial year were listing-related. Our adjusted net profit (excluding the listing expenses and donation) for the Relevant Period increased by approximately 10.6% from approximately RMB40.6 million for the year ended 31 December 2021 to approximately RMB44.9 million for the Relevant Period.

Our net profit margin increased from 18.6% for the year ended 31 December 2021 to 25.9% for the Relevant Period mainly due to the reasons discussed above.

Net current assets

We recorded net current assets of approximately RMB345.0 million as at 31 December 2022 and approximately RMB310.8 million as at 31 December 2021 respectively. Our current assets increased from approximately RMB340.9 million as at 31 December 2021 to approximately RMB383.8 million as at 31 December 2022, mainly due to the increase in cash and cash equivalents and the increase in inventories. Our current liabilities increased from approximately RMB30.1 million as at 31 December 2021 to approximately RMB38.8 million as at 31 December 2022 primarily due to the increase in trade payables, income tax payable, and contract liabilities.

Property, plant and equipment

The net carrying amount of our property, plant and equipment decreased from approximately RMB7.7 million as at 31 December 2021 to approximately RMB5.9 million as at 31 December 2022 mainly due to the decrease in right-of-use assets originated from early termination of certain leases.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net carrying amount of our intangible assets increased from approximately RMB10.6 million as at 31 December 2021 to approximately RMB13.5 million as at 31 December 2022 mainly due to the increase in the mask (光罩) related intellectual property rights.

Inventories

Inventories primarily comprised raw materials, finished goods, goods-in-transit, right to recover returned goods and contract costs capitalised. Inventories increased from approximately RMB17.6 million as at 31 December 2021 to approximately RMB20.6 million as at 31 December 2022 mainly due to the increase in the contract costs capitalised related to the direct labour costs incurred from the contract of provision of technical and design service for chips and the increase in recognition of right to recover returned goods.

Trade receivables

Our trade receivables increased from approximately RMB72.8 million as at 31 December 2021 to approximately RMB75.2 million as at 31 December 2022 mainly due to the increase in the sales of compatible printer cartridge chips and IoT chips for the Relevant Period.

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables decreased from approximately RMB12.1 million as at 31 December 2021 to approximately RMB10.8 million as at 31 December 2022 mainly due to the decrease in prepayments for the purchase of raw materials.

Trade payables

Our trade payables increased from RMB8.1 million as at 31 December 2021 to RMB11.7 million as at 31 December 2022 which was in line with the increase in purchase of the Group.

Indebtedness

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

	As at 31 December 2022 RMB'000 (Audited)	As at 31 December 2021 RMB'000 (Audited)
Current liabilities		
Bank borrowings due within one year	1,000	5,000
Lease liabilities	1,804	1,719
Non-current liabilities		
Lease liabilities	1,166	2,365
	3,970	9,084

As at 31 December 2022, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB3.0 million in aggregate in relation to the remaining lease terms of lease contracts, which is unsecured and unguaranteed. Our lease liabilities represented the related liabilities arisen when obtaining the right to use certain properties through tenancy agreements.

KEY FINANCIAL RATIOS

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

		Year ended/As at 31 December	
	Notes	2022	2021
Current ratio	1	9.9	11.3
Quick ratio	2	9.4	10.7
Return on equity	3	12.3%	9.6%
Return on total assets	4	11.1%	8.7%
Gross profit margin	5	52.3%	51.7%
Net profit margin	6	25.9%	18.6%

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 11.3 and 9.9 as of 31 December 2021 and 2022 respectively. The quick ratio of the Group was approximately 10.7 and 9.4 as of 31 December 2021 and 2022 respectively. The decrease in both the current ratio and quick ratio of the Group was mainly due to the higher percentage increase in current liabilities than percentage increase in current assets as a result of the increase in trade payable, contract liabilities and income tax payable on the current liabilities side. As both the current ratio and quick ratio of the Group as at 31 December 2022 were greater than 1, the short-term liquidity of the Group was healthy.

Return on equity

The return on equity of the Group increased from approximately 9.6% for the year 31 December 2021 to approximately 12.3% for the Relevant Period. The increase was mainly attributable to the significant growth in net profit of the Group for the Relevant Period.

Return on assets

The return on assets of the Group increased from approximately 8.7% for the year 31 December 2021 to approximately 11.1% for the Relevant Period. Such increase was primarily attributable to the significant growth in net profit of the Group during the Relevant Period.

Gross profit margin

The gross profit margin of the Group increased from approximately 51.7% for the year ended 31 December 2021 to approximately 52.3% for the Relevant Period. The increase was a result of the increase in gross profit of the Group during the Relevant Period due to the reasons discussed above.

Net profit margin

The net profit margin of the Group increased from approximately 18.6% for the year ended 31 December 2021 to approximately 25.9% for the Relevant Period. The increase was mainly attributable to the reasons discussed above.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

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

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB277.1 million (as at 31 December 2021: approximately RMB238.3 million).

As at 31 December 2022, the Group had net current assets of approximately RMB345.0 million (as at 31 December 2021: approximately RMB310.8 million) and net assets of approximately RMB363.8 million (as at 31 December 2021: approximately RMB327.2 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 2022 was approximately RMB1.0 million (as at 31 December 2021: RMB5.0 million) which was originally denominated in RMB, so it did not have any foreign exchange impact on our financial statements during the Relevant Period. The bank borrowing was interest-bearing and unsecured. During the Relevant Period, the Group did not experience any difficulties in utilising its banking facilities with its lenders.

B. *Gearing Ratio*

As at 31 December 2022, the Group's gearing ratio was approximately 0.3% (as at 31 December 2021: 1.5%), 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 the reduction in debt level and the increase in the equity of the Group as a result of the growth of the net profit of the Group during 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 2022, the Group did not pledge any assets of the Group.

Contingent Liabilities

As at 31 December 2022 and 2021, 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 RMB1.9 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 2022.

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 2022, we had approximately 126 full-time headcounts (including Directors), of which 109 were based in the PRC and 17 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

The performance of the Group is closely related to the economic cycle. The Group expects that in 2023, opportunities and challenges coexist in an undulating operating environment full of uncertainties. On one hand, the relaxation of COVID-19 restrictions in late 2022 paved the way for a full reopening in China. We have witnessed a gradual recovery of consumption and production sectors in China in the first two months of 2023. We expect the authorities of China will introduce more fiscal and monetary policies to boost the economy. The year 2023 will be the year of recovery for China. The State Council of the PRC has already set the target growth rate of gross domestic product of China in 2023 at 5 per cent. On the other hand, the balance of risks to the global economy in 2023 remained inclined to the downsides. Potential banking crisis, potential economic recession, persistent inflation, Sino-US trade dispute, Ukraine War, sudden financial market repricing and geopolitical fragmentation are negative factors which may adversely affect the global economy. Although the future is nebulous, the Group is prudently optimistic about our business growth as many countries, China in particular, have started to walk through the haze of COVID-19 pandemic and brought economic activities back to normal. In 2023, the Group will launch more new models of compatible cartridge chips and further strengthen its new business in IoT chips.

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

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

The core strength of the Group is its research and development capabilities which is also one of the key success factors in our industry in the PRC. Most of the strategies of the Group aim at strengthening this core competency. Save as disclosed above, as at 31 December 2022, the Group did not have plans for material investments and capital assets in the coming year.

DIVIDEND

The Board has recommended the payment of a final dividend for the year ended 31 December 2022 of RMB3.46 cents per Share to the Shareholders whose names appear on the register of members of the Company on Wednesday, 21 June 2023, being the record date for determining the entitlement of Shareholders to the proposed final dividend, amounting to approximately RMB18.0 million in aggregate, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 9 June 2023. The above-mentioned final dividend is expected to be paid on or before Friday, 30 June 2023.

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

CLOSURE OF THE REGISTER OF MEMBERS

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

The register of members of the Company will be closed from Friday, 2 June 2023 to Friday, 9 June 2023 (both days inclusive) during which period no transfer of shares will be registered. To be qualified to attend and vote at the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 1 June 2023.

To qualify for the proposed final dividends

The register of members of the Company will be closed from Friday, 16 June 2023 to Wednesday, 21 June 2023 (both days inclusive) during which period no transfer of shares will be registered. To be qualified to receive the proposed final dividends, all share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 15 June 2023.

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 2022.

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 2022:

Use of Proceeds	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (approximately)	Actual utilised amount as at 31 December 2022 (RMB million) (approximately)	Unutilised amount as at 31 December 2022 (RMB million) (approximately)
Strengthen our product development capacity and diversify our product portfolio	50.7	26.1	24.6
– Development of the software component	7.5	0.7	6.8
– Development of the hardware component	40.7	24.6	16.1
– Acquisition from the market of new models of original brand printers	2.5	0.7	1.7
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	1.1	1.4
– Increasing budget of marketing activities, in particular participating in industry fairs and exhibitions in the PRC and at international level	1.7	0.6	1.1
– Employing additional members of sales and marketing staff	0.8	0.4	0.4
Improve the functionality of our back office to support our business growth	2.5	0.2	2.3
– 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	0.2	1.1
General working capital	9.9	9.9	–
Total:	<u>98.5</u>	<u>37.1</u>	<u>61.4</u>

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Company complied with the code provisions as set out in Appendix 14 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 2022 is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.megaincayman.com>). The annual report of the Company for the year ended 31 December 2022 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:

“AGM”	the annual general meeting of the Company to be held on Friday, 9 June 2023
“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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code(s)” or “CG Code(s)”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	the Coronavirus Disease 2019
“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 2022, comprising the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies
“GLC”	GOOD LOYAL CORPORATION (忠好有限公司), a company incorporated in the BVI with limited liability on 7 July 2017 and wholly owned by Mr. Yu, and a substantial shareholder of our Company
“Global Offering”	the offer of 37,500,000 new Shares for subscription by the public in Hong Kong and the conditional placing of 87,500,000 new Shares to international investors by our Company at the offer price of HK\$1.26

“GMTL”	GLOBAL MEGAIN TECHNOLOGY PTE. LTD., an international business company incorporated in Belize on 23 December 2014 and wholly owned by Mr. Cheng, and a substantial shareholder of the Company
“Group”	the Company and its subsidiaries
“HK\$”, “HKD” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKASs”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IC”	integrated circuit, a set of electronic circuits where all the elements of the circuit are integrated together on a single semiconductor chipset
“Independent Non-executive Director(s)”	independent non-executive director(s) of our Company
“IoT”	Internet of Things being a system of interrelated computing devices, mechanical and digital machines, objects and people with the ability to transfer data over a network; the system includes physical devices, vehicles, home appliances and other items embedded with electronics, software, sensors and actuators, which enable these objects to connect, collect and exchange data through various communication protocols
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	31 March 2021, the date on which the Shares are listed and dealings in the Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Megain Group (HK)”	MEGAIN GROUP (HK) LIMITED (香港美佳印科技股份有限公司), a company incorporated in Hong Kong with limited liability on 22 July 2015 and a direct wholly-owned subsidiary of our Company

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 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 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 26 February 2021
“Shareholder(s)”	holder(s) of the Share(s)
“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 2023

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*