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MEGAIN Holding (Cayman) Co., Ltd.

美佳音控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6939)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2023 was approximately RMB87,058,000, representing an increase of approximately 14.7% as compared with that of approximately RMB75,905,000 for the corresponding period in 2022;

Profit for the period of the Group for the six months ended 30 June 2023 was approximately RMB14,932,000, representing a decrease of approximately 25.3% as compared with that of approximately RMB19,986,000 for the corresponding period in 2022;

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023.

The Board of MEGAIN Holding (Cayman) Co., Ltd. hereby announces the unaudited condensed consolidated financial results of the Group for the Relevant Period together with the unaudited comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	87,058	75,905
Cost of sales and services		<u>(51,444)</u>	<u>(36,725)</u>
Gross profit		35,614	39,180
Other net income	5	6,143	6,663
Provision of impairment losses of trade receivables, net		(81)	(382)
Research and development expenses		(9,011)	(9,754)
Selling and distribution expenses		(2,970)	(2,176)
Administrative expenses		(12,025)	(9,730)
Finance costs		<u>(86)</u>	<u>(152)</u>
Profit before taxation	6	17,584	23,649
Income tax	7	<u>(2,652)</u>	<u>(3,663)</u>
Profit for the period		14,932	19,986
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>1,760</u>	<u>3,110</u>
Total comprehensive income for the period		<u>16,692</u>	<u>23,096</u>
Earnings per share – Basic and diluted	9	<u>RMB0.029</u>	<u>RMB0.039</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		5,710	5,863
Intangible assets		12,659	13,506
Deferred tax assets		989	1,126
		<hr/>	<hr/>
Total non-current assets		19,358	20,495
Current assets			
Inventories		27,137	20,594
Trade receivables	10	53,093	75,233
Deposits, prepayments and other receivables		16,098	10,819
Cash and cash equivalents		273,113	277,131
		<hr/>	<hr/>
Total current assets		369,441	383,777
Current liabilities			
Trade payables	11	14,144	11,713
Accruals and other payables		6,435	10,901
Bank borrowings		–	1,000
Leases liabilities		1,871	1,804
Contract liabilities		574	3,684
Provisions		1,339	1,641
Income tax payable		839	8,059
		<hr/>	<hr/>
Total current liabilities		25,202	38,802
Net current assets		<hr/> 344,239	<hr/> 344,975
Total assets less current liabilities		<hr/> 363,597	<hr/> 365,470

		30 June 2023	31 December 2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Leases liabilities		1,062	1,166
Deferred tax liabilities		–	512
		<hr/>	<hr/>
Total non-current liabilities		1,062	1,678
		<hr/>	<hr/>
NET ASSETS		362,535	363,792
		<hr/>	<hr/>
Capital and reserves			
Share capital	<i>12</i>	4,325	4,325
Reserves		358,210	359,467
		<hr/>	<hr/>
TOTAL EQUITY		362,535	363,792
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure provisions of the Listing Rules and Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These interim condensed consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time during the Relevant Period. Details of any changes in accounting policies are set out in Note 3 below.

In preparing these interim condensed consolidated financial statements in compliance with HKAS 34, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual consolidated financial statements for the year ended 31 December 2022.

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA. BDO Limited's independent review report to the Board of Directors is included in the interim report 2023 of the Company.

3. CHANGES IN ACCOUNTING POLICIES

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

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

Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required 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 are applied to those transactions that occur after the beginning of the earliest period presented.

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

4. REVENUE AND SEGMENT REPORTING

The executive directors of the Company have been identified as the chief operating decision maker of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is principally engaged in the provision of research, design, development and sales of compatible cartridge chips. The chief operating decision maker assesses performance of the business based on a measure of operating results and consider the business in a single operating segment. Information reported to the chief operating decision maker for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment and no segment information is presented.

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Products		
Sales of chips	66,473	62,041
Trading of integrated circuits and other cartridge components	17,142	13,864
Services		
Technical and design services for chips	3,443	–
	87,058	75,905
Timing of revenue recognition		
Point in time	87,058	75,905

(b) Geographic information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. The following table provides an analysis of the Group's revenue from external customers and non-current assets other than deferred tax assets:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
External revenue by location of the customers		
PRC	80,422	67,455
Overseas	6,636	8,450
	87,058	75,905

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets by location of assets		
PRC	17,039	17,926
Overseas	1,330	1,443
	<u>18,369</u>	<u>19,369</u>

5. OTHER NET INCOME

An analysis of other net income is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	2,960	1,713
Exchange gains, net	2,011	2,191
Government grants (<i>note</i>)	1,068	2,631
Effect of lease modifications	6	26
Sundry income	98	102
	<u>6,143</u>	<u>6,663</u>

Note:

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

6. PROFIT BEFORE TAXATION

Profit before income tax expense is arrived at after charging/(crediting):

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Carrying amount of inventories sold	44,017	33,887
Reversal of impairment losses of inventories	(532)	–
Cost of inventories recognised as expense	43,485	33,887
Amortisation of intangible assets	1,217	1,057
Auditor's remuneration	646	752
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	833	825
– Right-of-use assets	989	981
Loss on disposals of property, plant and equipment	23	–
Provision of impairment losses of trade receivables, net	81	382
Short-term leases expenses	7	7
Research and developments expenses (other than staff costs)	4,929	4,555
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	10,125	10,262
– Retirement scheme contributions	1,596	1,715
	11,721	11,977

7. INCOME TAX

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax		
– PRC enterprise income tax	2,515	3,757
Deferred tax		
– Credited to profit or loss for the period	(378)	(94)
Withholding tax	515	–
Income tax expense	2,652	3,663

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

Subsidiaries operating in Hong Kong are subject to Hong Kong profits tax. Hong Kong profits tax is calculated at two-tiered tax rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million. For the six months ended 30 June 2023 and 2022, under 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 period. For the six months ended 30 June 2023 and 2022, income tax provision is calculated at 15% of the assessable income of Zhuhai Megain.

8. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Final dividends	<u>17,949</u>	<u>13,141</u>

On 30 June 2022 and 30 June 2023, the Company paid a final dividend of RMB13,141,000 and RMB17,949,000, in aggregate to its owners of the Company in respect of the years ended 31 December 2021 and 2022 respectively. The Directors do not recommend the payment of any dividend for the six months ended 30 June 2023 and 2022.

9. BASIC AND DILUTED EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period	<u>14,932</u>	<u>19,986</u>
	Six months ended 30 June	
	2023	2022
	<i>Number'000</i>	<i>Number'000</i>
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	<u>518,750</u>	<u>518,750</u>

Note:

Weighted average of 518,750,000 shares for the six months ended 30 June 2023 and 2022 represents the number of shares in issue throughout the period.

Diluted earnings per share were the same as the basic earnings per share as the Group had no potential dilutive ordinary shares during the six months ended 30 June 2023 and 2022.

10. TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	55,197	77,256
Less: Loss allowance for trade receivables	<u>(2,104)</u>	<u>(2,023)</u>
	<u>53,093</u>	<u>75,233</u>

Notes:

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

During the Relevant Period, the Group offered credit periods ranging from 30 to 120 days to its customers. Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit term granted to customers is reviewed regularly.

- (b) Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as at the end of the Relevant Period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 90 days	32,732	58,235
91 to 180 days	14,820	9,598
Over 180 days	<u>5,541</u>	<u>7,400</u>
	<u>53,093</u>	<u>75,233</u>

11. TRADE PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	14,144	11,713

Notes:

- (a) Credit period granted by suppliers is normally 30 days to 60 days. Due to short maturity periods, the carrying values of the Group's trade payables are considered to be a reasonable approximation of their fair values.
- (b) Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as at the end of the Relevant Period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 30 days	8,630	3,908
31 to 90 days	5,488	7,628
Over 90 days	26	177
	14,144	11,713

12. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2022, 31 December 2022 and 30 June 2023 (unaudited)	518,750	4,325

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Compatible Cartridge Chips Business

In the first half of 2023, the demand for laser printers increased as compared to the corresponding period in 2022 and the supply chain in the semiconductor industry improved. During the Relevant Period, we managed to launch 87 new models of chips, all for desktop laser printers.

Internet of Things Chips Business

In June 2021, the Group successfully developed the Hall sensor chip, 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 Group continued its efforts on diversify its business Group with the Hall sensor chip and building up its customer base. During the Relevant Period, the segment revenue from the IoT chips business increased by 12.3% as compared to the corresponding period in 2022.

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 continue developing a strong patent portfolio. During the Relevant Period, we submitted in total 37 applications for the registration of patent in the PRC, in which one was successfully registered while the remaining 36 were pending for registration. Our patents mainly involve the designs and technologies relating to chips and measurement devices.

As a symbol of our research achievement, Zhuhai Megain has been recognised as a High and New Technology Enterprise in China (高新技術企業) by the regulatory authorities in Guangdong province for the past six years.

Technical and Design Services for Chips

During the Relevant Period, we undertaken a research and development project involved design and development of customized motor driver chips with a revenue of approximately RMB3.4 million.

FINANCIAL REVIEW

Revenue

Our overall revenue increased by approximately 14.7% from approximately RMB75.9 million for the six months ended 30 June 2022 to approximately RMB87.1 million for the Relevant Period. The following table summarises the revenue for each of the product categories by application during the periods indicated:

	Six months ended 30 June							
	2023 (Unaudited)				2022 (Unaudited)			
	Revenue	% of total revenue	Sales volume	Average selling price	Revenue	% of total revenue	Sales volume	Average selling price
	<i>RMB'000</i>	<i>%</i>	<i>000' pieces of chips</i>	<i>RMB</i>	<i>RMB'000</i>	<i>%</i>	<i>000' pieces of chips</i>	<i>RMB</i>
Sales of chips								
Product category-application								
– Desktop laser printers	52,870	60.7	4,128	12.8	54,581	71.9	3,784	14.4
– Desktop inkjet printers	12,429	14.3	1,384	9.0	5,853	7.7	684	8.6
– Commercial printers ¹	1,174	1.3	112	10.5	1,607	2.1	117	13.7
Sub-total	66,473	76.3	5,624	11.8	62,041	81.7	4,585	13.5
Sales of other chips	2,067	2.4	253	8.2	1,841	2.4	36	50.4
Technical and design services for chips	3,443	4.0	-	-	-	-	-	-
Trading of ICs and other cartridge components ²	15,075	17.3	N/A	N/A	12,023	15.9	N/A	N/A
Total	87,058	100			75,905	100		

Notes:

- Includes 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.

(i) Sales of compatible cartridge chips

Our revenue from the sales of compatible cartridge chips increased by approximately 7.3% from approximately RMB62.0 million for the six months ended 30 June 2022 to approximately RMB66.5 million for the Relevant Period. The increase was mainly attributable to the increase in revenue from the sales of our chips for desktop inkjet printers from approximately RMB5.9 million for the six months ended 30 June 2022 to approximately RMB12.4 million for the Relevant Period.

During the Relevant Period, the industry further recovered from the interruption brought by COVID-19, the demand for compatible cartridge chips increased. The sales volume of compatible cartridge chips increased to approximately 5,624,000 pieces for the Relevant Period from approximately 4,585,000 pieces for the corresponding period of last year. However, the average selling price of our compatible cartridge chips could decreased to approximately RMB11.8 per piece for the Relevant Period from approximately RMB13.5 per piece for the corresponding period of last year. The decrease of average selling price was mainly due to the intensifying competition in the industry as compared with last year.

(ii) Sales of other chips

Our Hall sensor chip is mainly applied in magnetic field sensor. The sales of the Hall sensor chip for the Relevant Period amounted to approximately RMB2.1 million, representing an increase of approximately 12.3% as compared with that of approximately RMB1.8 million for the corresponding period of last year. We believe that the Hall sensor chip will continue to be a driver of our total revenue growth after taking into consideration the large demand for the Hall sensor chips in different business areas such as automobiles, 5G base stations, fans, toys, etc.

(iii) Trading of ICs and other cartridge components

Our revenue generated from trading of ICs and other cartridge components increased by approximately 25.8% from approximately RMB12.0 million for the six months ended 30 June 2022 to approximately RMB15.1 million for the Relevant Period mainly due to the increase in the sales of toner and components of toner cartridge.

(iv) Technical and design services for chips

Occasionally, the Group provides technical and design services for chips at the requests of our customers. During the Relevant Period, our revenue generated from providing such services amounted to approximately RMB3.4 million.

Cost of sales and services

Our cost of sales and services increased from approximately RMB36.7 million for the six months ended 30 June 2022 to approximately RMB51.4 million for the Relevant Period. The increase was mainly caused by the rise in demand of inkjet products leading to higher purchase price for procurement of the relevant materials, in particular, the printed circuit board assembly. The tight upstream supply chain during the Relevant Period caused us to increase cost on purchases.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately 9.2% from approximately RMB39.2 million for the six months ended 30 June 2022 to approximately RMB35.6 million for the Relevant Period. Our overall gross profit margin decreased from approximately 51.6% for the six months ended 30 June 2022 to approximately 40.9% for the Relevant Period. The following table sets forth a breakdown of our gross profit and gross profit margin for each of the product categories by application during the periods indicated:

	Six months ended 30 June			
	2023		2022	
	(Unaudited)		(Unaudited)	
	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	30,242	57.2	35,852	65.7
– Desktop inkjet printers	1,059	8.5	1,762	30.1
– Commercial printers	526	44.8	760	47.3
Sub-total	31,827	47.9	38,374	61.9
Sales of other chips	328	15.9	326	17.7
Technical and design services for chips	2,661	77.3	–	–
Trading of ICs and other cartridge components	798	5.3	480	4.0
Total	35,614	40.9	39,180	51.6

(i) Sales of compatible cartridge chips

The gross profit from the sales of compatible cartridge chips decreased from approximately RMB38.4 million for the six months ended 30 June 2022 to approximately RMB31.8 million for the Relevant Period, mainly due to the decrease in gross profit from the sales of our chips for desktop inkjet printers and commercial printers from approximately RMB1.8 million and RMB0.8 million respectively for the six months ended 30 June 2022 to approximately RMB1.1 million and RMB0.5 million respectively for the Relevant Period, which was mainly due to the increase cost of raw materials and subcontracting charges.

Our gross profit margin of compatible cartridge chips decreased from approximately 61.9% for the six months ended 30 June 2022 to approximately 47.9% for the Relevant Period, mainly due to the rise in direct materials costs, in particular the cost of semi – conductors.

(ii) Sales of other chips

The gross profit from the sales of Hall sensor chips amounted to approximately RMB0.3 million for the Relevant Period. The gross profit margin of the sales of Hall sensor chips was approximately 15.9% for the Relevant Period. The Group has been establishing its customer base for the IoT chips business and formulating its market niche. We expect to launch new series of Hall sensor chips gradually so that they can be applied to different kinds of electronic products such as cars, 5G base stations, fans, toys, etc.

(iii) Trading of ICs and other cartridge components

Our gross profit from trading of ICs and other cartridge components increased from approximately RMB0.5 million for the six months ended 30 June 2022 to approximately RMB0.8 million for the Relevant Period. The increase in gross profit margin from approximately 4.0% for the six months ended 30 June 2022 to approximately 5.3% for the Relevant Period was mainly due to the increase in the sales of toner and components of toner cartridge.

(iv) Technical and design services for chips

The Group provided technical and design services for chips at the request of our customers. During the Relevant Period the gross profit from provision of technical and design services amounted to approximately RMB2.7 million.

Other net income

Our other net income decreased by approximately 9.0% from approximately RMB6.7 million for the six months ended 30 June 2022 to approximately RMB6.1 million for the Relevant Period, which was mainly due to no more listing incentives had been received from the government during the Relevant Period.

Research and development expenses

Our research and development expenses decreased by approximately 8.2% from approximately RMB9.8 million for the six months ended 30 June 2022 to approximately RMB9.0 million for the Relevant Period. Such decrease was mainly due to the decrease in staff number of the R&D team during the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 36.4% from approximately RMB2.2 million for the six months ended 30 June 2022 to approximately RMB3.0 million for the Relevant Period. Such increase was mainly attributable to the increase in (a) depreciation expenses; (b) staff costs such as commission as a result of increase in the sales of compatible cartridge chips; and (c) costs for participating in industry fairs and exhibitions.

Administrative expenses

Our administrative expenses increased by approximately 23.7% from approximately RMB9.7 million for the six months ended 30 June 2022 to approximately RMB12.0 million for the Relevant Period mainly due to the increase in obsolete inventories, salary increment and increase in traveling expenses after the relaxation of COVID-19 restrictions.

Income tax expenses

Our income tax expenses decreased by approximately 27.0% from approximately RMB3.7 million for the six months ended 30 June 2022 to approximately RMB2.7 million for the Relevant Period, which was in line with the decrease in the profit before income tax expense for the Relevant Period due to the reasons discussed above.

Net profit and net profit margin

Our profit for the period decreased by approximately 25.0% from approximately RMB20.0 million for the six months ended 30 June 2022 to approximately RMB14.9 million for the Relevant Period mainly because (i) the increase in material costs triggered by a tight supply chain amidst the slow recovery in the semiconductors industry resulting in a decrease in gross profit margin; and (ii) the resumption of sales activities after the relaxation of COVID-19 restriction during the Relevant Period.

Our net profit margin decreased from 26.3% for the six months ended 30 June 2022 to 17.2% for the Relevant Period mainly due to the reasons discussed above.

Net current assets

We recorded net current assets of approximately RMB344.2 million as at 30 June 2023 and RMB345.0 million as at 31 December 2022 respectively. Our current assets decreased from approximately RMB383.8 million as at 31 December 2022 to approximately RMB369.4 million as at 30 June 2023, mainly due to the decrease in cash and cash equivalents and trade receivables. Our current liabilities decreased from approximately RMB38.8 million as at 31 December 2022 to approximately RMB25.2 million as at 30 June 2023 primarily due to the decrease in contract liabilities, bank borrowings and income tax payable.

Property, plant and equipment

The net book value of our property, plant and equipment decreased from approximately RMB5.9 million as at 31 December 2022 to approximately RMB5.7 million as at 30 June 2023 mainly due to net impact of additions of office equipment, depreciation and the effect of lease modifications.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net book value of our intangible assets decreased from approximately RMB13.5 million as at 31 December 2022 to approximately RMB12.7 million as at 30 June 2023 mainly due to the amortisation of the intangible assets.

Inventories

Inventories primarily comprised raw materials, finished goods, goods-in-transit and right to recover returned goods. Inventories increased from approximately RMB20.6 million as at 31 December 2022 to approximately RMB27.1 million as at 30 June 2023 mainly due to the increase in the raw materials for the production of IoT chips and the increase in finished goods.

Trade receivables

The following sets forth our trade receivables as at 31 December 2022 and 30 June 2023, respectively:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	55,197	77,256
Less: Loss allowance	(2,104)	(2,023)
	<u>53,093</u>	<u>75,233</u>

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables increased from approximately RMB10.8 million as at 31 December 2022 to approximately RMB16.1 million as at 30 June 2023 mainly due to the prepaid costs to suppliers and value-added taxes recoverables.

Trade payables

Our trade payables increased from RMB11.7 million as at 31 December 2022 to RMB14.1 million as at 30 June 2023 mainly due to the increase of sales volume of ICs and other cartridge components.

Indebtedness

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Current liabilities		
Bank borrowings due within one year	–	1,000
Lease liabilities	1,871	1,804
Non-current liabilities		
Lease liabilities	1,062	1,166
	2,933	3,970

As at 30 June 2023, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB2.9 million in aggregate in relation to the remaining lease terms of certain lease contracts, which were unsecured and unguaranteed. Our lease liabilities represented the related liabilities arisen when obtaining the right to use certain properties through tenancy agreements.

Outlook and future plan

In the first half of 2023, the consumption and production sectors in China has been recovering gradually and 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 may still have negative impacts the global economy. The Group is optimistic about our business growth as many countries, China, in particular, have started to bring economic activities back to normal. The Group expects that the compatible cartridge chips business remains stable in the second half of 2023, in particular, chips for the inkjet printers and the income generated from sales of other chips will increase. The Group targets to launch more new models of compatible cartridge chips and continues to build up its customer base for the IoT chips business. Save as disclosed above, as at 30 June 2023, the Group did not have any plans for material investments and capital assets during the Relevant Period.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

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

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB273.1 million (as at 31 December 2022: approximately RMB277.1 million).

As at 30 June 2023, the Group had net current assets of approximately RMB344.2 million (as at 31 December 2022: approximately RMB345.0 million) and net assets of approximately RMB362.5 million (as at 31 December 2022: approximately RMB363.8 million).

Taking into account the cash flow generated from operations and the net proceeds from the Listing, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the end of the Relevant Period.

Capital Structure

A. *Borrowing*

The Group did not have any bank borrowing as at 30 June 2023 (as at 31 December 2022: RMB1.0 million).

B. *Gearing Ratio*

As at 30 June 2023, the Group had no bank or other borrowings (as at 31 December 2022: approximately 0.3%) and hence no gearing ratio was presented.

Pledge of Assets

As at 30 June 2023, the Group did not pledge any assets of the Group.

Contingent Liabilities

As at 30 June 2023 and 2022, the Group did not have any material contingent liabilities.

Material Acquisition and Disposal by the Group

During the Relevant Period, the Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures.

Significant Investments

The Group did not hold any significant investments as at 30 June 2023.

Foreign Currency Exposure

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

Human Resources

As at 30 June 2023, we had approximately 134 full-time employees, of which 115 were based in the PRC and 19 were based in Taiwan and Hong Kong. The Group has adopted policies on recruitment, compensation, dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. The Group provides induction to new employees on its business, culture, structure, and products. We also provide regular trainings to our employees. Our employees' remuneration comprises salaries, bonuses, employee retirement fund and social security contributions and other welfare payments. The Group also adopted the Share Option Scheme as part of the incentive package. We regularly assess the performance of our employees, the results of which would form the basis for salary increments, bonuses and promotions.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As far as the Company is aware, as at 30 June 2023, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange are as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares⁽¹⁾	Approximate Percentage of Shareholding
Mr. Cheng	Interest in a controlled corporation	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 30 June 2023, the Company is approximately 29.27% directly owned by GMTL. As at 30 June 2023, 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 30 June 2023.

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

So far as the Directors are aware, as at 30 June 2023, 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	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 30 June 2023, our Company is approximately 29.27% directly owned by GMTL. As at 30 June 2023, 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 30 June 2023, our Company is approximately 18.80% directly owned by GLC. As at 30 June 2023, GLC was wholly owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in all the Shares held by GLC.

Save as disclosed herein, our Directors are not aware of any person who, as at 30 June 2023, has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE OPTION SCHEME

On 26 February 2021, the Company conditionally adopted the Share Option Scheme. Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing on 26 February 2021 offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for the Shares. Details of the Share Option Scheme are set out in the section headed “Report of the Directors” in the Company’s annual report for the year ended 31 December 2021.

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

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTEREST IN COMPETING INTERESTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

During the Relevant Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

GOING CONCERN

Based on the current financial position and the available financing facilities, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements in this announcement were prepared on a “going concern” basis.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering and the exercise of over-allotment option of approximately HKD118 million (equivalent to approximately RMB98.5 million). The following table illustrates the status of the use of net proceeds according to the section headed “Future Plans and Use of Proceeds” in the Prospectus dated 18 March 2021 as at 30 June 2023:

Use of Proceeds	Allocation of net proceeds as disclosed in the Prospectus ^(Note) (RMB million) (approximately)	Actual utilised amount as at 30 June 2023 (RMB million) (approximately)	Unutilised amount as at 30 June 2023 (RMB million) (approximately)
Strengthen our product development capacity and diversify our product portfolio	50.7	30.7	20.0
– Development of the software component	7.5	0.7	6.8
– Development of the hardware component	40.7	29.0	11.7
– Acquisition from the market of new models of original brand printers	2.5	0.9	1.5
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	2.1	0.4
– Increasing budget of marketing activities, in particular participating in industry fairs and exhibitions in the PRC and at international level	1.7	1.3	0.4
– Employing additional members of sales and marketing staff	0.8	0.8	–

Use of Proceeds	Allocation of net proceeds as disclosed in the Prospectus ^(Note) (RMB million) (approximately)	Actual utilised amount as at 30 June 2023 (RMB million) (approximately)	Unutilised amount as at 30 June 2023 (RMB million) (approximately)
Improve the functionality of our back office to support our business growth	2.5	0.4	2.2
– 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	0.4	0.9
General working capital	9.9	9.9	–
Total:	98.5	43.0	55.5

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 Group will constantly evaluate the Group’s business strategies and specific needs from time to time and shall adopt a prudent approach for utilising the net proceeds effectively and efficiently for the long term benefit and development of the Group, which is in the interests of the Shareholders and the Group. The unutilised net proceeds are expected to be fully utilised by 31 December 2023 as disclosed in the section “Future Plans and Use of Proceeds” in the Prospectus and have been deposited into interest-bearing accounts with licensed banks.

CORPORATE GOVERNANCE PRACTICES

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

During the Relevant Period, the Company complied with the code provisions as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors.

Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Relevant Period.

REVIEW BY AUDIT COMMITTEE

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

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

The financial statements in this announcement have been reviewed but not been audited by the auditor of the Company, BDO Limited. The Audit Committee has reviewed with the management of the Company the unaudited financial statements, the interim results announcement and the interim report of the Company for the Relevant Period and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements of the Company for the Relevant Period complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

EVENTS AFTER THE RELEVANT PERIOD

There is no material event after the Relevant Period and up to the date of approving this interim results announcement.

DISCLOSURE OF INFORMATION

The interim results announcement for the six months ended 30 June 2023 is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.megaincayman.com>). The interim report of the Company for the six months ended 30 June 2023 will be sent to the Shareholders in due course, and will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (<http://www.megaincayman.com>) under “Investor Relations”.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“BDO Limited”	BDO Limited Certified Public Accountants
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China and, for the sole purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	MEGAIN Holding (Cayman) Co., Ltd. (美佳音控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2016, which is the holding company of our Group and the Shares of which are listed on the Main Board
“connected person(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”	the executive director of our Company
“GLC”	GOOD LOYAL CORPORATION (忠好有限公司), a company incorporated in the BVI with limited liability on 7 July 2017 and wholly owned by Mr. Yu, a substantial shareholder of our Company

“Global Offering”	the offer of 37,500,000 new Shares for subscription by the public in Hong Kong and the conditional placing of 87,500,000 new Shares to international investors by our Company at the offer price of HKD1.26
“GMTL”	GLOBAL MEGAIN TECHNOLOGY PTE. LTD., an international business company incorporated in Belize on 23 December 2014 and wholly owned by Mr. Cheng, and a substantial shareholder of our Company
“Group”	the Company and its subsidiaries
“HK\$”, “HKD” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IC”	integrated circuit, a set of electronic circuits where all the elements of the circuit are integrated together on a single semiconductor chipset
“Independent Non-executive Director(s)”	independent non-executive director(s) of our Company
“IoT”	Internet of Things, being a system of interrelated computing devices, mechanical and digital machines, objects and people with the ability to transfer data over a network; the system includes physical devices, vehicles, home appliances and other items embedded with electronics, software, sensors and actuators, which enables these objects to connect, collect and exchange data through various communication protocols
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	31 March 2021, the date on which the Shares are listed and dealings in the Shares first commenced on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange

“Mr. Cheng”	Mr. Cheng Hsien-Wei (鄭憲徽), an Executive Director, the chairman of our Board and 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 six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 26 February 2021
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the United States

“Zhuhai Megain”

Zhuhai Megain Technology Co., Ltd.* (珠海美佳音科技有限公司), a company incorporated in the PRC with limited liability on 13 September 2010 and an indirect wholly-owned subsidiary of our Company

“%”

per cent

By Order of the Board
MEGAIN Holding (Cayman) Co., Ltd.
Cheng Hsien-Wei
Chairman

Hong Kong, 30 August 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*