



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

2023
INTERIM REPORT

** For identification purpose only*

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DEFINITIONS

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

“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 report, 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
“core 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

DEFINITIONS

“GMTL”	GLOBAL MEGAIN TECHNOLOGY PTE. LTD., an international business company incorporated in Belize on 23 December 2014 and wholly owned by Mr. Cheng, 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



DEFINITIONS

“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

* for identification purpose only

CORPORATE INFORMATION

DIRECTORS

Executive Director

Mr. Cheng Hsien-Wei (鄭憲徽) (*Chairman*)

Non-executive Directors

Mr. Lam Tsz Leung (林子良)

Ms. Yu Erhao (余尔好)

Independent Non-executive Directors

Mr. Chen Mark Da-jiang (陳大江)

Mr. Kao Yi-Ping (高亦平)

Mr. Li Huaxiong (李華雄)

AUDIT COMMITTEE MEMBERS

Mr. Li Huaxiong (李華雄) (*Chairman*)

Mr. Chen Mark Da-jiang (陳大江)

Mr. Kao Yi-Ping (高亦平)

REMUNERATION COMMITTEE MEMBERS

Mr. Chen Mark Da-jiang (陳大江) (*Chairman*)

Mr. Li Huaxiong (李華雄)

Ms. Yu Erhao (余尔好)

NOMINATION COMMITTEE MEMBERS

Mr. Cheng Hsien-Wei (鄭憲徽) (*Chairman*)

Mr. Chen Mark Da-jiang (陳大江)

Mr. Li Huaxiong (李華雄)

COMPANY SECRETARY

Mr. Wong Cheuk Lam (黃焯琳), *HKICPA, CPAA*

AUTHORISED REPRESENTATIVES

Mr. Cheng Hsien-Wei (鄭憲徽)

Mr. Wong Cheuk Lam (黃焯琳)

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28 Connaught Road West

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Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

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CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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Grand Cayman KY1-1111

Cayman Islands

AUDITOR

BDO Limited

Certified Public Accountants

25/F, Wing On Centre

111 Connaught Road Central, Hong Kong



CORPORATE INFORMATION

LEGAL ADVISER

King & Wood Mallesons

13/F, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

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(Yinhua Branch)**

Shop 46, 1/F
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Xingye Road, Xiangzhou District
Zhuhai City, Guangdong Province
The PRC

DBS Bank (HongKong) Limited

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COMPANY'S WEBSITE

<http://www.megaincayman.com>

STOCK CODE

6939

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		% Increase/ (decrease)
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
Revenue	87,058	75,905	14.7%
Cost of sales and services	(51,444)	(36,725)	40.1%
Gross profit	35,614	39,180	(9.2)%
Gross profit margin	41%	52%	(11) percentage points
Profit before tax	17,584	23,649	(25.6)%
Profit for the period	14,932	19,986	(25.3)%
Basic and diluted earnings per share (in RMB)	0.029	0.039	(25.6)%

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)	% Changes Increase/ (decrease)
	Total assets	388,799	
Total liabilities	26,264	40,480	(35.1)%
Net assets	362,535	363,792	(0.3)%

KEY FINANCIAL RATIOS

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	Changes in percentage points Increase/ (decrease)
		Current ratio	1	14.7
Quick ratio	2	13.6	9.4	4.2 percentage points
Gearing ratio	3	0	0.3%	(0.3) percentage points

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. Gearing ratio represents total debt divided by total equity as at the end of a period and multiplying the resulting value by 100%.

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 IoT related chips such as (i) Hall sensor chips, 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; (ii) power management ICs (“PMICs”); and (iii) battery charge management ICs. 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 (including PMICs and battery charge management ICs) 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
	RMB'000	%	000' pieces of chips	RMB	RMB'000	%	000' pieces of chips	RMB
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 components²	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.

FINANCIAL REVIEW (Continued)

Revenue (Continued)

(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 decrease 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 other chips (including Hall sensor chips, PMICs and battery charge management ICs) 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 IoT related chips business will continue to be a driver of our total revenue growth after taking into consideration the large demand for the 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.

FINANCIAL REVIEW (Continued)

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 (Unaudited)		2022 (Unaudited)	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
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

FINANCIAL REVIEW (Continued)

Gross profit and gross profit margin (Continued)

(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 semiconductors.

(ii) Sales of other chips

The gross profit from the sales of other chips amounted to approximately RMB0.3 million for the Relevant Period. The gross profit margin of the sales of other 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 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.

FINANCIAL REVIEW (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

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.

FINANCIAL REVIEW (Continued)

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)
	53,093	75,233

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL INFORMATION (Continued)

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 ⁽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 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.

OTHER INFORMATION

(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 ⁽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 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 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.

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 report were prepared on a “going concern” basis.

OTHER INFORMATION

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 (RMB million) (Approximate)	Actual utilised amount as at 30 June 2023 (RMB million) (Approximate)	Unutilised amount as at 30 June 2023 (RMB million) (Approximate)
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	–

OTHER INFORMATION

Use of Proceeds	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (Approximate)	Actual utilised amount as at 30 June 2023 (RMB million) (Approximate)	Unutilised amount as at 30 June 2023 (RMB million) (Approximate)
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.

OTHER INFORMATION

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 report 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 report.

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

30 August 2023

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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TO THE BOARD OF DIRECTORS OF MEGAIN HOLDING (CAYMAN) CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 27 to 46 which comprise the condensed consolidated statement of financial position of MEGAIN Holding (Cayman) Co., Ltd. and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “interim condensed consolidated financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Amy Yau Shuk Yuen

Practising Certificate Number P06095

Hong Kong, 30 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	87,058	75,905
Cost of sales and services		(51,444)	(36,725)
Gross profit		35,614	39,180
Other net income	6	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	7	(86)	(152)
Profit before taxation	8	17,584	23,649
Income tax	9	(2,652)	(3,663)
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		1,760	3,110
Total comprehensive income for the period		16,692	23,096
Earnings per share – Basic and diluted	11	RMB0.029	RMB0.039

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	5,710	5,863
Intangible assets	13	12,659	13,506
Deferred tax assets		989	1,126
Total non-current assets		19,358	20,495
Current assets			
Inventories	14	27,137	20,594
Trade receivables	15	53,093	75,233
Deposits, prepayments and other receivables	16	16,098	10,819
Cash and cash equivalents		273,113	277,131
Total current assets		369,441	383,777
Current liabilities			
Trade payables	17	14,144	11,713
Accruals and other payables	18	6,435	10,901
Bank borrowings	19	–	1,000
Lease liabilities		1,871	1,804
Contract liabilities		574	3,684
Provisions		1,339	1,641
Income tax payable		839	8,059
Total current liabilities		25,202	38,802
Net current assets		344,239	344,975
Total assets less current liabilities		363,597	365,470
Non-current liabilities			
Lease liabilities		1,062	1,166
Deferred tax liabilities		–	512
Total non-current liabilities		1,062	1,678
NET ASSETS		362,535	363,792

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Capital and reserves			
Share capital	20	4,325	4,325
Reserves		358,210	359,467
TOTAL EQUITY		362,535	363,792

On behalf of the board of directors

Cheng Hsien-Wei
Director

Ms. Yu Erhao
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Reserves							Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings RMB'000	Total reserves RMB'000	
Balance at 1 January 2023	4,325	159,872	8,460	31,186	3,879	156,070	359,467	363,792
Profit for the period	-	-	-	-	-	14,932	14,932	14,932
<i>Other comprehensive income</i>								
Exchange differences arising from translation of foreign operations	-	-	-	-	1,760	-	1,760	1,760
Total comprehensive income	-	-	-	-	1,760	14,932	16,692	16,692
Appropriation to statutory reserves	-	-	-	1,985	-	(1,985)	-	-
<i>Transactions with owners</i>								
Dividend paid in respect of the previous year	-	-	-	-	-	(17,949)	(17,949)	(17,949)
Total transactions with owners	-	-	-	-	-	(17,949)	(17,949)	(17,949)
Balance at 30 June 2023 (Unaudited)	4,325	159,872	8,460	33,171	5,639	151,068	358,210	362,535

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Reserves							
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Statutory reserve RMB'000	Foreign exchange reserve RMB'000	Retained earnings RMB'000	Total reserves RMB'000	Total equity RMB'000
Balance at 1 January 2022	4,325	159,872	8,460	24,928	(980)	130,577	322,857	327,182
Profit for the period	-	-	-	-	-	19,986	19,986	19,986
<i>Other comprehensive income</i>								
Exchange differences arising from translation of foreign operations	-	-	-	-	3,110	-	3,110	3,110
Total comprehensive income	-	-	-	-	3,110	19,986	23,096	23,096
Appropriation to statutory reserves	-	-	-	2,881	-	(2,881)	-	-
<i>Transactions with owners</i>								
Dividend paid in respect of the previous year	-	-	-	-	-	(13,141)	(13,141)	(13,141)
Total transactions with owners	-	-	-	-	-	(13,141)	(13,141)	(13,141)
Balance at 30 June 2022 (Unaudited)	4,325	159,872	8,460	27,809	2,130	134,541	332,812	337,137

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	22,636	18,590
Income tax paid	(9,736)	(1,516)
Withholding tax paid	(515)	–
Net cash generated from operating activities	12,385	17,074
Cash flows from investing activities		
Purchase of property, plant and equipment	(732)	(367)
Purchase of intangible assets	(369)	(325)
Interest received	2,960	1,713
Net cash generated from investing activities	1,859	1,021
Cash flows from financing activities		
Proceeds from bank borrowings	–	4,000
Interest paid on bank borrowings	(20)	(71)
Repayment of bank borrowings	(1,000)	(5,000)
Repayment of principal portion of the lease liabilities	(973)	(891)
Interest paid on lease liabilities	(66)	(81)
Dividends paid	(17,949)	(13,141)
Net cash used in financing activities	(20,008)	(15,184)
Net (decrease)/increase in cash and cash equivalents	(5,764)	2,911
Cash and cash equivalents at 1 January	277,131	238,347
Effect of foreign exchange rate changes	1,746	3,148
Cash and cash equivalents at 30 June	273,113	244,406

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION

MEGAIN Holding (Cayman) Co., Ltd. (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 of Hong Kong Limited. 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 People’s Republic of China (the “PRC”).

The principal activity of the Company is investment holding. The Company and its subsidiaries (together the “Group”) are 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 (the “Period under Review”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). These interim condensed consolidated financial statements are presented in Renminbi (“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 Period under Review. 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 on pages 25 to 26.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 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 RMB'000 (Unaudited)	2022 RMB'000 (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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. REVENUE AND SEGMENT REPORTING – Continued

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

5. SEASONALITY OF OPERATIONS

The principal operations of the Groups are provision of research, design, development and sales of compatible cartridge chips in the PRC.

Due to the seasonal nature of its products, higher sales revenue in the last quarter of the year are usually expected. The directors believe that such seasonality is mainly attributable to (i) the marketing effects of the Group's participation in the industry exhibition in Zhuhai that usually takes place in October of each year; and (ii) the higher demand for the Group's products during the last quarter of each year due to the need of its customers and its downstream customers to stock up in light of possible disruption of supply during the Chinese New Year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6. OTHER NET INCOME

An analysis of other net income is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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
	6,143	6,663

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.

7. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank borrowings	20	71
Interest on lease liabilities	66	81
	86	152

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

9. INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(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 British Virgin Islands (“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 Hong Kong dollars (“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 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 Technology Co., Ltd. (“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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

10. DIVIDENDS

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

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

11. 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
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period	14,932	19,986

	Six months ended 30 June	
	2023	2022
	Number'000	Number'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	518,750	518,750

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of office equipment and leasehold improvements with a total cost of RMB732,000 (six months ended 30 June 2022: RMB367,000). Items of plant and machinery with a net book value of RMB23,000 were disposed of during the six months ended 30 June 2023, resulting in a loss on disposals of RMB23,000. There was no disposal during the six months ended 30 June 2022.

In addition, the Group has entered into a lease for office in Shenzhen during the six months ended 30 June 2023. Right-of-use assets amounting to RMB565,000 have been recognised for the current period (six months ended 30 June 2022: RMB176,000).

13. INTANGIBLE ASSETS

During the six months ended 30 June 2023, the Group had addition of computer software with a total cost of RMB369,000 (six months ended 30 June 2022: RMB325,000).

14. INVENTORIES

During six months ended 30 June 2023, RMB532,000 (six months ended 30 June 2022: Nil) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of reversal of a write-down of inventories to the estimated net realisable value. This reversal arose due to an increase in the estimated net realisable value of certain cartridge chips.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. 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	(2,104)	(2,023)
	53,093	75,233

Notes:

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

During the Period under Review, 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 Period under Review:

	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	5,541	7,400
	53,093	75,233

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Prepayments	11,578	9,497
Deposits and other receivables	1,736	1,215
Other taxes recoverable	2,784	107
	16,098	10,819

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FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. TRADE PAYABLES

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

Notes:

- (a) 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 Period under Review:

	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

18. ACCRUALS AND OTHER PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Accruals	3,030	4,966
Other payables	1,219	1,211
Refund liabilities	2,185	2,258
Other taxes payables	1	2,466
	6,435	10,901

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FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. BANK BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current – unsecured		
Bank loans due for repayment within one year	–	1,000

Note:

Bank loan is denominated in RMB, unsecured and was fully repaid on 28 June 2023. Interest is charged at 3.90% per annum.

20. 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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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FOR THE SIX MONTHS ENDED 30 JUNE 2023

21. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets		
<i>Financial assets at amortised cost</i>		
– Trade receivables	53,093	75,233
– Deposits and other receivables	1,736	1,215
– Cash and cash equivalents	273,113	277,131
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
– Trade payables	14,144	11,713
– Accruals and other payables	4,249	6,177
– Bank borrowings	–	1,000
<i>Lease liabilities</i>	2,933	2,970



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

21. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY – *Continued*

Financial instruments not measured at fair value

The above financial instruments which are measured at amortised cost are not measured at fair value. Due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

22. EVENTS AFTER THE REPORTING PERIOD

As of the approval date of these financial statements, the Group had no significant events after reporting period which need to be disclosed.