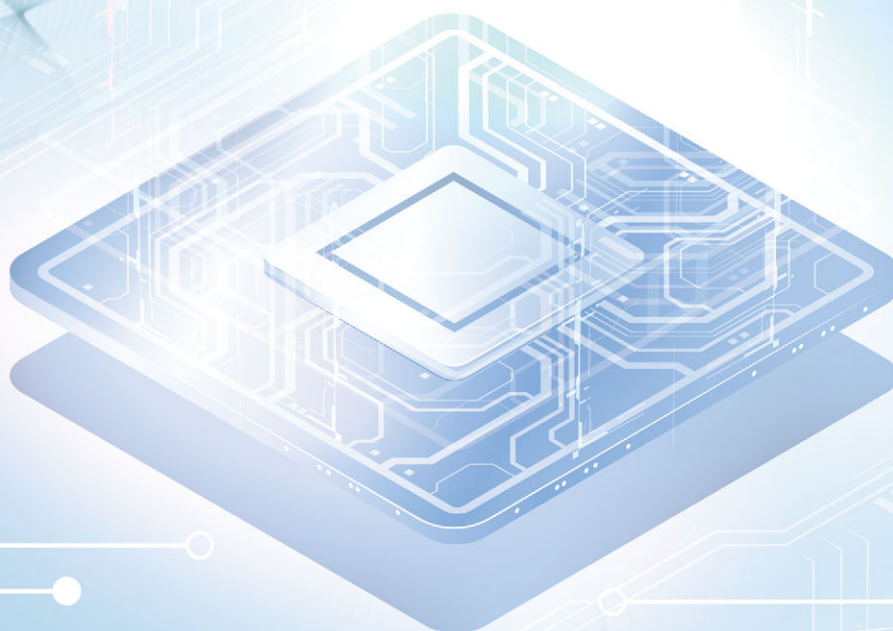




MEGAIN Holding (Cayman) Co., Ltd. 美佳音控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock code: 6939



2025

INTERIM REPORT

* For identification purpose only

CONTENTS

2	Definitions
5	Corporate Information
7	Financial Highlights
8	Management Discussion and Analysis
19	Other Information
25	Report on Review of Interim Condensed Consolidated Financial Statements
27	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
28	Condensed Consolidated Statement of Financial Position
30	Condensed Consolidated Statement of Changes in Equity
32	Condensed Consolidated Statement of Cash Flows
33	Notes to the Interim Condensed Consolidated Financial Statements



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 C1 to the Listing Rules
“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, a substantial shareholder of our Company

DEFINITIONS

"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 2025

DEFINITIONS

“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. Kao Yi-Ping (高亦平)

Mr. Li Huaxiong (李華雄)

Ms. Yu Erhao (余尔好)

COMPANY SECRETARY

Mr. Wong Cheuk Lam (黃焯琳)

HKICPA, CPAA, HKACG, ACG

AUTHORISED REPRESENTATIVES

Mr. Cheng Hsien-Wei (鄭憲徽)

Mr. Wong Cheuk Lam (黃焯琳)

REGISTERED OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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Cayman Islands

AUDITOR

BDO Limited

Certified Public Accountants

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CORPORATE INFORMATION

LEGAL ADVISER

King & Wood Mallesons
13/F, Gloucester Tower, The Landmark
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PRINCIPAL BANKERS

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Xingye Road, Xiangzhou District
Zhuhai City, Guangdong Province
The PRC

DBS Bank (Hong Kong) Limited
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Hong Kong

COMPANY'S WEBSITE

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STOCK CODE

6939

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		%
	2025	2024	Increase/ (decrease)
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Revenue	70,766	65,733	7.7%
Cost of sales	(60,828)	(44,413)	37.0%
Gross profit	9,938	21,320	(53.4)%
Gross profit margin	14%	32%	(18) percentage points
Profit before tax	(36,707)	429	Turnaround from profit to loss
Profit for the period	(38,575)	405	Turnaround from profit to loss
Basic and diluted earnings/(loss) per share (in RMB)	(0.074)	0.001	Turnaround from profit to loss

	As at 30 June 2025	As at 31 December 2024	% Changes Increase/ (decrease)
	RMB'000 (Unaudited)	RMB'000 (Audited)	
Total assets	374,519	410,191	(8.7)%
Total liabilities	42,858	39,404	8.8%
Net assets	331,661	370,787	(10.6)%

KEY FINANCIAL RATIOS

		As at 30 June 2025	As at 31 December 2024	Changes in percentage points Increase/ (decrease)
	Notes	(Unaudited)	(Audited)	
Current ratio	1	8.6	8.6	– points
Quick ratio	2	7.7	7.7	– points
Gearing ratio	3	3.6%	2.7%	0.9 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 borrowing 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 are broadly applicable to (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 that are 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

During the Relevant Period, the operating environment for the Group's compatible printer cartridge chip business was largely a continuation of that for 2024. During the Relevant Period, China's economy maintained stable development, and the Chinese government implemented a series of economic stimulus measures, which restored some momentum to growth. However, under the shadows of the U.S.–China trade war and geopolitical instability, the economic outlook remains uncertain, hindering the pace of economic growth. This has led to tightened corporate procurement budgets and a continued decline in the printer market. Although national subsidy policies aimed to encourage enterprises to replace printer equipment, the results were not very effective. According to IDC's "Quarterly Tracking Report on China's Hardcopy Peripherals Market (Q2 2025)", the shipment volume of China's printing peripherals market in the first half of 2025 decreased by 5.5% year-on-year.

During the Relevant Period, the Group's sales volume of compatible printer cartridge chips increased from approximately 7,136,000 pieces for the six months ended 30 June 2024 to approximately 7,673,000 pieces, representing an increase of approximately 7.5%. However, the keen competition in the compatible printer cartridge chips industry significantly impacts the gross profit. The average selling price per piece of the Group's compatible printer cartridge chip decreased by approximately 56.7% from approximately RMB8.1 per piece in the same period last year to approximately RMB3.5 per piece during the Relevant Period. The Group's gross profit margin of compatible printer cartridge chips for the Relevant Period narrowed significantly as shown in the table in the section "Gross profit and gross profit margin" below.

The number of newly developed compatible printer cartridge chips of the Group during the Relevant Period and the comparative data of the same period last year are as follows:

	As at 30 June	
	2025	2024
	Number of newly developed compatible printer cartridge chips	Number of newly developed compatible printer cartridge chips
Compatible printer chips applied to the following products:		
Desktop laser printer	59	297
Desktop inkjet printer	48	51
Commercial printer	–	45
Total:	107	393

BUSINESS REVIEW (Continued)

Compatible Cartridge Chips Business (Continued)

The number of newly developed compatible printer cartridge chips for the Relevant Period was reduced from 393 pieces for the corresponding period for 2024 to 107 pieces as the printer manufacturers developed very few new models of printers during the Relevant Period.

Internet of Things Chips Business

Since the commencement of the IoT chips business, the Group has developed a series of IoT chips such as Hall sensor chips, PMICs, battery charge management ICs, etc. At the same time, we have also developed IoT products such as temperature and humidity measuring instruments to provide customers with IoT solutions. During the Relevant Period, the Group successfully developed 11 models of IoT chips and products, including 4 models of low-dropout regulating chips (the “LDO”) for power management, 3 models of silicon carbide metal oxide semiconductor field effect transistor (the “SiCMOS”) (碳化矽金屬氧化物半導體場效電晶體) for electric current control, and 4 kinds of IoT smart hardware.

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

Trading of ICs and other Cartridge Components

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

In order to further increase the Group’s sales channels and product categories, the Group commenced an online sales business in 2024, mainly selling compatible printer cartridges, toner and other finished printer consumables.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our overall revenue increased by approximately 7.7% from approximately RMB65.7 million for the six months ended 30 June 2024 to approximately RMB70.8 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							
	2025 (Unaudited)				2024 (Unaudited)			
	Revenue	% of total revenue	Sales volume 000' pieces	Average selling price	Revenue	% of total revenue	Sales volume 000' pieces	Average selling price
	RMB'000	%	of chips	RMB	RMB'000	%	of chips	RMB
Sales of chips								
Product category-application								
– Desktop laser printers	19,209	27.1	6,165	3.1	44,395	67.5	4,684	9.5
– Desktop inkjet printers	6,815	9.6	1,395	4.9	12,242	18.6	2,323	5.3
– Commercial printers ¹	969	1.4	113	8.6	1,298	2.1	130	10.0
Sub-total	26,993	38.1	7,673	3.5	57,935	88.2	7,136	8.1
Sales of other chips	8,491	12.0	9,509	0.9	2,508	3.8	5,377	0.5
Trading of ICs and other cartridge components²	35,282	49.9	N/A	N/A	5,290	8.0	N/A	N/A
Total	70,766	100			65,733	100		

Notes:

1. Includes mainly commercial laser printers.
2. In addition to the provision of chips, we also engaged in the trading of ICs and other cartridge components, including plastic parts and toner, as ancillary services to our customers, and the sales of compatible cartridges, toner and other printer consumables in online shop.

FINANCIAL REVIEW (Continued)

Revenue (Continued)

(i) Sales of compatible cartridge chips

Our revenue from the sales of compatible cartridge chips decreased by approximately 53.4% from approximately RMB57.9 million for the six months ended 30 June 2024 to approximately RMB27.0 million for the Relevant Period. The decrease was mainly attributable to the decrease in revenue from the sales of chips for (i) laser printers from approximately RMB 44.4 million for the six months ended 30 June 2024 to approximately RMB 19.2 million for the Relevant Period, and (ii) inkjet printers from approximately RMB12.2 million for the six months ended 30 June 2024 to approximately RMB6.8 million for the Relevant Period.

The sales volume of compatible cartridge chips increased to approximately 7,673,000 pieces for the Relevant Period from approximately 7,136,000 pieces for the corresponding period for 2024. However, the average selling price of our compatible cartridge chips decreased to approximately RMB3.5 per piece for the Relevant Period from approximately RMB8.1 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.

(ii) Sales of other chips

In addition to the Hall sensor chips the Group launched in 2021, the Group developed some new IoT chips such as PMICs, battery management ICs, etc. We also provide customised IoT solution to clients. The sales of other chips for the Relevant Period increased by approximately 238.7% from approximately RMB2.5 million for the six months ended 30 June 2024 to approximately RMB8.5 million for the Relevant Period. The increase was mainly due to the increase in the sales of metal oxide semiconductor field effect transistor (the “MOSFET”) (金屬氧化物半導體場效電晶體), a transistor used to control electric current.

(iii) Trading of ICs and other cartridge components

Our revenue generated from trading of ICs and other cartridge components increased by approximately 566.9% from approximately RMB5.3 million for the six months ended 30 June 2024 to approximately RMB35.3 million for the Relevant Period mainly due to the increase in the sales of compatible printer cartridges and cartridge components.

The Group is engaged into the sales of compatible printer cartridges, toner and other printer consumables in its online shop in order to expand its sales network. During the Relevant Period, our online sales amounted to approximately RMB3.7 million, representing an increase of 60.6%, as compared with approximately RMB2.3 million for the corresponding period of last year due to the increase in demand for printer related products overseas.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Cost of sales and services

Our cost of sales and services increased from approximately RMB44.4 million for the six months ended 30 June 2024 to approximately RMB60.8 million for the Relevant Period. The increase was mainly caused by the increase in direct materials costs primarily driven by the increase in the sales of trading in ICs and other cartridge components.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately 53.4% from approximately RMB21.3 million for the six months ended 30 June 2024 to approximately RMB9.9 million for the Relevant Period. Our overall gross profit margin decreased from approximately 32.4% for the six months ended 30 June 2024 to approximately 14.0% 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			
	2025 (Unaudited)		2024 (Unaudited)	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Sales of chips				
Product category-application				
– Desktop laser printers	6,508	33.9	21,629	48.7
– Desktop inkjet printers	84	1.2	(1,483)	(13.8)
– Commercial printers	301	31.1	561	60.9
Sub-total	6,893	25.5	20,707	35.7
Sales of other chips	1,321	15.6	(117)	(4.7)
Trading of ICs and other cartridge components	1,724	4.9	730	13.8
Total	9,938	14.0	21,320	32.4

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 RMB20.7 million for the six months ended 30 June 2024 to approximately RMB6.9 million for the Relevant Period, mainly due to the decrease in gross profit from the sales of our chips for desktop laser printers from approximately RMB21.6 million for the six months ended 30 June 2024 to approximately RMB6.5 million for the Relevant Period, which was mainly because the competition in the compatible cartridge chips industry was keen and most compatible cartridge chips we sold during the Relevant Period were those for old printer models with low gross profit margins.

Our gross profit margin of compatible cartridge chips decreased from approximately 35.7% for the six months ended 30 June 2024 to approximately 25.5% for the Relevant Period, mainly due to the reasons mentioned in the last paragraph.

(ii) Sales of other chips

The gross profit from the sales of other chips increased from approximately negative RMB0.1 million for the six months ended 30 June 2024 to approximately RMB1.3 million for the Relevant Period. The gross profit margin of the sales of other chips increased from approximately negative 4.7% for the six months ended 30 June 2024 to approximately 15.6% for the Relevant Period. The increase in gross margin of the sales of other chips was attributable to the higher gross margin of some new IoT chips and products such as MOSFET and humidity and temperature measuring instruments than that of other IoT products.

(iii) Trading of ICs and other cartridge components

Our gross profit from trading of ICs and other cartridge components increased from approximately RMB0.7 million for the six months ended 30 June 2024 to approximately RMB1.7 million for the Relevant Period as a result of the increase in the online sales of printer consumables. The decrease in gross profit margin from approximately 13.8% for the six months ended 30 June 2024 to approximately 4.9% for the Relevant Period was mainly due to the high proportion of the sales of trading of other cartridge components which has a low gross profit margin in the total sales of trading of ICs and other cartridge components.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other net income

Our other net income decreased by approximately 28.1% from approximately RMB4.2 million for the six months ended 30 June 2024 to approximately RMB3.0 million for the Relevant Period, which was mainly due to the delay in the distribution of government grants.

Provision of impairment losses of assets

During the Relevant Period, the Group recognized provision of impairment losses of (i) property, plant and equipment, (ii) intangible assets, and (iii) prepayments of approximately RMB4.9 million, RMB9.9 million, and RMB2.5 million respectively due to operating losses.

Research and development expenses

Our research and development expenses increased by approximately 12.9% from approximately RMB9.0 million for the six months ended 30 June 2024 to approximately RMB10.2 million for the Relevant Period. Such increase was mainly due to the recognition of more research expenses for IoT projects on completion.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 64.5% from approximately RMB4.2 million for the six months ended 30 June 2024 to approximately RMB6.9 million for the Relevant Period. Such increase was mainly attributable to more marketing activities being conducted for strengthening the development of new businesses of the Group such as chips for internet of things and online sales and the employment of more marketing staff.

Administrative expenses

Our administrative expenses increased by approximately 27.7% from approximately RMB11.2 million for the six months ended 30 June 2024 to approximately RMB14.2 million for the Relevant Period mainly due to the change of the headquarters in the PRC and written-off of raw materials costs.

Income tax expenses

Our income tax expenses increased by approximately 7,683.3% from approximately nil for the six months ended 30 June 2024 to approximately RMB1.9 million for the Relevant Period, attributable to the charging of a withholding tax. The withholding tax arose from the payment of a withholding tax for the dividend paid by Zhuhai Megain to its immediate holding company outside the PRC, Megain Group (HK) Limited.

FINANCIAL REVIEW (Continued)

Net profit and net profit margin

The Group recorded a net loss attributable to owners of the Company of approximately RMB38.6 million during the Relevant Period as compared with the net profit attributable to owners of the Company of approximately RMB0.4 million for the corresponding period in 2024 mainly because of the decrease in gross profit of our compatible cartridge chips business and the reasons discussed above.

Our net profit margin turned from 0.6% for the six months ended 30 June 2024 to negative 54.5% for the Relevant Period mainly due to the reasons discussed above.

Net current assets

We recorded net current assets of approximately RMB262.0 million as at 30 June 2025 and RMB292.3 million as at 31 December 2024 respectively. Our current assets decreased from approximately RMB331.0 million as at 31 December 2024 to approximately RMB296.6 million as at 30 June 2025, mainly due to the decrease in inventories, trade receivables, bank deposits, and cash and cash equivalents. Our current liabilities decreased from approximately RMB38.6 million as at 31 December 2024 to approximately RMB34.6 million as at 30 June 2025 primarily due to the decrease in trade payables, and accruals and other payables.

Property, plant and equipment

The net book value of our property, plant and equipment increased from approximately RMB6.3 million as at 31 December 2024 to approximately RMB11.4 million as at 30 June 2025 mainly due to the addition of right-of-use assets as a result of entering into a lease for new office.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net book value of our intangible assets decreased from approximately RMB24.1 million as at 31 December 2024 to approximately RMB21.9 million as at 30 June 2025 mainly due to the assets impairment provision made.

Inventories

Inventories primarily comprised raw materials, finished goods, goods-in-transit and right to recover returned goods. Inventories decreased slightly from approximately RMB33.7 million as at 31 December 2024 to approximately RMB31.9 million as at 30 June 2025 mainly due to the recognition of a reduction in amount of inventory to the estimated net realisable value.

Trade receivables

Our trade receivables decreased from approximately RMB67.3 million as at 31 December 2024 to approximately RMB46.2 million as at 30 June 2025 mainly due to the decrease in the turnover of compatible printer cartridge chip business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables increased from approximately RMB26.8 million as at 31 December 2024 to approximately RMB27.7 million as at 30 June 2025 mainly due to prepayment for the decoration of new office.

Trade payables

Our trade payables decreased from RMB18.0 million as at 31 December 2024 to RMB12.9 million as at 30 June 2025 mainly due to the decrease in the purchase of raw materials.

Indebtedness

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

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Current liabilities		
Bank borrowings due within one year	12,000	10,000
Lease liabilities	2,897	483
Non-current liabilities		
Lease liabilities	8,189	141
	23,086	10,624

As at 30 June 2025, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB11.1 million in aggregate in relation to the remaining lease terms of certain lease contracts, which were unsecured and unguaranteed. Our lease liabilities represent the obligations arising from the right to use certain properties through tenancy agreements.

Outlook and future plan

The performance of the Group is closely related to the economic cycle. Looking forward, we expect that the pace of China's economic development, Sino-US trade disputes, regional military conflicts, and interest rate movement shall still affect the global economic development, indirectly affecting the demand for compatible printer cartridge chips. From the industry's perspectives, we expect, at least in short run, excessive competition among compatible printer cartridge chip manufacturers will continue to drive down the selling price of the compatible printer cartridge chips and the sluggish global economic growth will continue to undermine the desire of original printer producers to product more new models of original printer.

Coupled with the nebulous future, we shall continue the strategy of developing IoT business, so that the Group can fully take advantage of its research capability and expand our business horizon. In addition, we have diversified our sales platform by establishing online shops, so that the Group can sell its products overseas. At present, we sell compatible printer cartridges for major printer brands, toner, and other printer consumables online.

As at 30 June 2025, the Group did not have any plans for material investments and acquisition of capital assets.

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. The Group will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that it is well placed to take advantage of growth opportunities for the business.

As at 30 June 2025, the Group had cash and cash equivalents, and bank deposits of approximately RMB229.6 million (as at 31 December 2024: approximately RMB242.4 million).

As at 30 June 2025, the Group had net current assets of approximately RMB262.0 million (as at 31 December 2024: approximately RMB292.3 million) and net assets of approximately RMB331.7 million (as at 31 December 2024: approximately RMB370.8 million).

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

Capital Structure

A. Borrowing

The total bank borrowing of the Group as at 30 June 2025 was approximately RMB12 million (as at 31 December 2024: approximately RMB10 million) which was denominated in RMB, so it did not have any foreign exchange impact on our financial statements during the Relevant Period. The bank borrowing was interest bearing and unsecured. The Group's borrowing patterns did not exhibit any significant seasonality, as its financing needs were relatively stable throughout the Relevant Period. During the Relevant Period, the Group did not experience any difficulties in utilising its banking facilities with its lenders.

B. Gearing Ratio

As at 30 June 2025, the Group's gearing ratio was approximately 3.6% (as at 31 December 2024: 2.7%), calculated as the total borrowings divided by the total equity as at the end of the Relevant Period multiplied by 100%. The increase was mainly due to the increase in bank borrowing of the Group for working capital need during the Relevant Period. The Group's gearing ratio demonstrated that the financial position of the Group was healthy as the borrowing level of the Group was very low as at the end of the Relevant Period.

Pledge of Assets

As at 30 June 2025, the Group did not pledge any assets of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL INFORMATION (Continued)

Contingent Liabilities

As at 30 June 2025 and 2024, 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 2025.

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 the near future. The management of the Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Human Resources

As at 30 June 2025, we had approximately 157 full-time employees, of which 142 were based in the PRC and 15 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 training 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 2025 (six months ended 30 June 2024: Nil).

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 2025, 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 C3 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 2025, the Company is approximately 29.27% directly owned by GMTL. As at 30 June 2025, 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 2025.

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 2025, 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 2025, our Company is approximately 29.27% directly owned by GMTL. As at 30 June 2025, 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 2025, our Company is approximately 18.80% directly owned by GLC. As at 30 June 2025, 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 2025, 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 2024.

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

GOING CONCERN

Based on the current financial position and the available financing facilities, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements 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 Group intended to use the net proceeds according to the section headed “Future Plans and Use of Proceeds” in the Prospectus.

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

According to the announcement of the Company dated 10 January 2025 (the “Change in UOP Announcement”), the Board informed the shareholders of the Company that the net proceeds from the Global Offering which remained unutilised as of 31 December 2024 were approximately HK\$47.3 million (the “Unutilised Net Proceeds”). Having considered the reasons set out in the sub-paragraph headed “Reasons for the updated expected timetable and the change in the use of the net proceeds from the Global Offering” in the Change in UOP Announcement, the Board has resolved to extend the expected deadline for the use of the Unutilised Net Proceeds and change the use of the Unutilised Net Proceeds. The following table illustrates the status of the use of net proceeds according to the revised use in the Change in UOP Announcement as at 30 June 2025:

Intended use of net proceeds from the Global Offering	Approximate percentage of total amount	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (approximately)	Revised allocation of the Unutilised Net Proceeds (RMB million) (approximately)	Actual utilised amount as at 30 June 2025 (RMB million) (approximately)	Unutilised Net Proceeds as at 30 June 2025 (RMB million) (approximately)
Strengthening the Group's product development capacity and diversifying the Group's product portfolio	51.4%	50.7	9.5	9.0	0.5
Accelerating the development of the Group's hardware design capabilities through acquisition of integrated circuit design company	16.8%	16.6	–	–	–
Increasing the Group's presence in the compatible cartridge industry through forward vertical expansion	16.8%	16.6	–	–	–
Increasing the Group's presence in the compatible cartridge industry through online channels	–	–	30.30	3.3	27.0

OTHER INFORMATION

Intended use of net proceeds from the Global Offering	Approximate percentage of total amount	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (approximately)	Revised allocation of the Unutilised Net Proceeds (RMB million) (approximately)	Actual utilised amount as at 30 June 2025 (RMB million) (approximately)	Unutilised Net Proceeds as at 30 June 2025 (RMB million) (approximately)
Stepping up the Group's sales and marketing efforts to cater for the expansion of the Group's product offerings	2.5%	2.5	–	–	–
Improving the functionality of the Group's back office to support its business growth	2.5%	2.5	–	–	–
General working capital	10.0%	9.9	4.0	1.0	3.0
Total:	100%	98.5	43.8	13.3	30.5

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

For further details, please refer to the Change in UOP Announcement and the annual report of the Company for the year ended 31 December 2024.

The revised timetable to use the Unutilised Net Proceeds is based on the Directors' best estimation, barring any unforeseen circumstances, and it may be subject to change based on the market conditions. In the event of any material change in the timetable of the use of the Unutilised Net Proceeds, the Company will make appropriate announcement(s) in due course.

CORPORATE GOVERNANCE PRACTICES

The Board strives to uphold the principles of corporate governance set out in the CG Code contained in Appendix C1 to the Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Relevant Period, the Company complied with the code provisions as set out in Appendix C1 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 C3 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

29 August 2025

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 2025 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 notes to the interim condensed consolidated financial statements, including material accounting policy information (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

Chan Tsz Hung

Practising Certificate Number P06693

Hong Kong, 28 August 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Notes	Six months ended 30 June	
		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue	4	70,766	65,733
Cost of sales and services		(60,828)	(44,413)
Gross profit		9,938	21,320
Other net income	6	3,027	4,210
Provision of impairment losses of trade receivables, net		(616)	(560)
Provision of impairment losses of property, plant and equipment		(4,868)	–
Provision of impairment losses of intangible assets		(9,938)	–
Provision of impairment losses of prepayments		(2,473)	–
Research and development expenses		(10,201)	(9,034)
Selling and distribution expenses		(6,946)	(4,222)
Administrative expenses		(14,244)	(11,155)
Finance costs	7	(386)	(130)
(Loss)/profit before taxation	8	(36,707)	429
Income tax	9	(1,868)	(24)
(Loss)/profit for the period attributable to the owners of the Company		(38,575)	405
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		(551)	118
Total comprehensive income for the period attributable to the owners of the Company		(39,126)	523
(Loss)/earnings per share – Basic and diluted	11	(RMB0.074)	RMB0.001

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

	Notes	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	11,352	6,320
Intangible assets	13	21,907	24,114
Prepayments	16	457	5,770
Other receivables		3,166	1,272
Finance lease receivable		360	491
Bank deposits		40,000	40,000
Deferred tax assets		711	1,268
Total non-current assets		77,953	79,235
Current assets			
Inventories	14	31,867	33,730
Trade receivables	15	46,211	67,349
Deposits, prepayments and other receivables	16	27,733	26,834
Income tax recoverable		907	437
Finance lease receivable		259	254
Bank deposits		–	30,000
Cash and cash equivalents		189,589	172,352
Total current assets		296,566	330,956
Current liabilities			
Trade payables	17	12,945	17,963
Accruals and other payables	18	4,609	8,271
Bank borrowings	19	12,000	10,000
Lease liabilities		2,897	483
Contract liabilities		779	524
Provisions		1,332	1,368
Income tax payable		–	–
Total current liabilities		34,562	38,609
Net current assets		262,004	292,347
Total assets less current liabilities		339,957	371,582
Non-current liabilities			
Lease liabilities		8,189	141
Deferred tax liabilities		107	654
Total non-current liabilities		8,296	795
NET ASSETS		331,661	370,787

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

	Note	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Capital and reserves			
Share capital	20	4,325	4,325
Reserves		327,336	366,462
TOTAL EQUITY		331,661	370,787

On behalf of the board of directors

Cheng Hsien-Wei
Director

Yu Erhao
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	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 2025	4,325	132,637	8,460	34,500	5,235	185,630	366,462	370,787
Loss for the period	-	-	-	-	-	(38,575)	(38,575)	(38,575)
<i>Other comprehensive income</i>								
Exchange differences arising from translation of foreign operations	-	-	-	-	(551)	-	(551)	(551)
Total comprehensive income	-	-	-	-	(551)	(38,575)	(39,126)	(39,126)
Balance at 30 June 2025 (Unaudited)	4,325	132,637	8,460	34,500	4,684	147,055	327,336	331,661

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	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 2024	4,325	141,923	8,460	34,500	5,043	175,968	365,894	370,219
Profit for the period	–	–	–	–	–	405	405	405
<i>Other comprehensive income</i>								
Exchange differences arising from translation of foreign operations	–	–	–	–	118	–	118	118
Total comprehensive income	–	–	–	–	118	405	523	523
<i>Transactions with owners</i>								
Dividend paid in respect of the previous year (Note 10)	–	(9,286)	–	–	–	–	(9,286)	(9,286)
Total transactions with owners	–	(9,286)	–	–	–	–	(9,286)	(9,286)
Balance at 30 June 2024 (Unaudited)	4,325	132,637	8,460	34,500	5,161	176,373	357,131	361,456

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(8,001)	5,186
Income tax paid	(1,127)	(635)
Withholding tax paid	(1,850)	(651)
Net cash (used in)/generated from operating activities	(10,978)	3,900
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(722)	(2,729)
Payment for the purchase of intangible assets	(3,621)	(6,536)
Prepayment of acquisition of property, plant and equipment and intangible assets	–	(5)
Disposal of financial assets at fair value through profit or loss	–	50,000
Repayment in finance lease receivables	126	–
Place of fixed deposit	(20,000)	–
Withdrawal of fixed deposit	50,000	–
Interest received	1,920	2,074
Net cash generated from investing activities	27,703	42,804
Cash flows from financing activities		
Proceeds from new bank borrowings	2,000	10,000
Interest paid on bank borrowings	(180)	(94)
Repayment of bank borrowings	–	–
Repayment of principal portion of the lease liabilities	(1,269)	(823)
Interest paid on lease liabilities	(206)	(36)
Dividends paid	–	(9,286)
Net cash generated from/(used in) financing activities	345	(239)
Net increase in cash and cash equivalents	17,070	46,465
Cash and cash equivalents at 1 January	172,352	183,826
Effect of foreign exchange rate changes	167	562
Cash and cash equivalents at 30 June	189,589	230,853
Analysis of balances of cash and cash equivalents		
Cash and bank balances	169,589	230,853
Non-pledged time deposits with original maturity of less than three months when acquired	20,000	–
	189,589	230,853

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

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 in 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 and trading of integrated circuits and other cartridge components.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2025 (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 2024, 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 2024.

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 2024.

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 2025

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 amended HKFRSs are discussed below, but they had no impact on the interim condensed consolidated financial statements:

Amendment to HKAS 21 and HKFRS 1, Lack of Exchangeability

On 25 September 2023, the HKICPA issued Lack of Exchangeability, which amended HKAS 21 The Effects of Changes in Foreign Exchange Rates ('the Amendments').

These Amendments are applicable for annual reporting periods beginning on or after 1 January 2025. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency. The Amendments also introduce additional disclosure requirements when an entity estimates a spot exchange rate because a currency is not exchangeable into another currency.

HKAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice.

When applying the Amendments, an entity is not permitted to restate comparative information.

These Amendments have had no material effect on the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

4. REVENUE AND SEGMENT REPORTING

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

The Group is principally engaged in the provision of research, design, development and sales of compatible cartridge chips and trading of integrated circuits and other cartridge components. 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 operating 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	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Products		
Sales of chips	35,484	60,443
Trading of integrated circuits and other cartridge components	35,282	5,290
	70,766	65,733
Timing of revenue recognition		
Point in time	70,766	65,733

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

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	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
External revenue by location of the customers		
PRC	30,225	52,331
Overseas	40,541	13,402
	70,766	65,733

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Non-current assets by location of assets		
PRC	46,146	29,511
Overseas	620	923
	46,766	30,434

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 2025

6. OTHER NET INCOME

An analysis of other net income is as follows:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Bank interest income	1,920	2,074
Exchange gains, net	—	474
Government grants (<i>Note</i>)	58	1,619
Gain on write off of intangible assets	833	—
Sundry income	216	43
	3,027	4,210

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	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Interest on bank borrowings	180	94
Interest on lease liabilities	206	36
	386	130

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Carrying amount of inventories sold	54,138	39,256
Reversal of impairment losses of inventories	–	(20)
Cost of inventories recognised as expense	54,138	39,236
Amortisation of intangible assets	2,110	1,725
Auditor's remuneration	594	757
Bad debt written off of trade receivables	–	13
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	1,039	1,042
– Right-of-use assets	1,425	788
Loss on disposals of property, plant and equipment	20	–
Provision of impairment losses of trade receivables, net	616	560
Provision of impairment losses of property, plant and equipment (Note)		
– Owned property, plant and equipment	1,586	–
– Right-of-use assets	3,282	–
Provision of impairment losses of intangible assets (Note)	9,938	–
Provision of impairment losses of prepayment (Note)	2,473	–
Short-term leases expenses	262	307
Research and developments expenses (other than staff costs)	10,201	4,594
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	7,544	10,355
– Retirement scheme contributions	1,013	1,838
	8,557	12,193

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

8. (LOSS)/PROFIT BEFORE TAXATION (Continued)

Note:

During the six months ended 30 June 2025, the Group conducted an impairment assessment in response to the declining gross profit ratio, which was adversely affected by intensified competition in the compatible cartridge chip industry. As a result of the assessment, the recoverable amount, which determined based on value in use (the "VIU") of the major cash-generating unit that operates in Zhuhai, the PRC (the "CGU"), was estimated at RMB111,399,000. This amount is lower than the CGU's carrying value of RMB128,678,000, and accordingly, an impairment loss of RMB17,279,000 is recognised for the period (six months ended 30 June 2024: RMBNil).

The VIU calculation is based on cash flow projections from approved financial forecast covering a five-year period. Cash flows beyond the five-year period is extrapolated at a growth rate of 0% which does not exceed the long-term average growth rate for the industry.

The key assumptions applied to the underlying cash flow projections for the VIU are as follows:

- Growth rate ranged from 2% to 6%
- Gross profit ratio ranged from 26.13% to 44.84%
- Pre-tax discount rate of 10.92%

The growth rates used and gross profit ratios have been determined based on past performance, and management's expectations for market share, after taking into consideration published market forecast and research. Discount rate used reflects specific risks related to the CGU.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

9. INCOME TAX

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
PRC enterprise income tax		
– Current year	114	42
– (Over)/Under provision in prior years	(106)	46
Deferred tax		
– Charged/(credited) to profit or loss for the period	10	(64)
– Withholding tax	1,850	–
Income tax expense	1,868	24

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 2025 and 2024, 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 2025 and 2024, income tax provision is calculated at 15% of the assessable income of Zhuhai Megain.

10. DIVIDENDS

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Final dividends	–	9,286

On 28 June 2024, the Company paid a final dividend of RMB9,286,000, in aggregate to its owners of the Company in respect of the years ended 31 December 2023. The directors do not recommend the payment of any dividend for the six months ended 30 June 2025 and 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

11. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company	(38,575)	405

	Six months ended 30 June	
	2025 Number'000 (Unaudited)	2024 Number'000 (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 2025 and 2024 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 2025 and 2024.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Group acquired items of office equipment with a total cost of RMB722,000 (six months ended 30 June 2024: RMB3,348,000). Items of plant and machinery with a net book value of RMB20,000 (six months ended 30 June 2024: RMBNil) were disposed of during the six months ended 30 June 2025, resulting in a loss on disposals of RMB20,000 (six months ended 30 June 2024: RMBNil).

In addition, the Group has entered into a lease for office during the six months ended 30 June 2025. Right-of-use assets amounting to RMB11,769,000 have been recognised for the six months ended 30 June 2025 (six months ended 30 June 2024: RMBNil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

13. INTANGIBLE ASSETS

During the six months ended 30 June 2025, the Group had addition of patents for circuit technology, software installed in the electronic chips analysis machines, computer software and patent and trademarks with a total cost of RMB10,234,000 (six months ended 30 June 2024: RMB7,095,000).

During the six months ended 30 June 2025, the Group has terminated certain patent rights with the licensor and agreed with the licensor to waive the related license fee payable, resulting a net book value of RMB167,000 and RMB1,000,000 of the patents and payables were written off respectively with a gain of RMB833,000 was recognised (Note 6).

14. INVENTORIES

During six months ended 30 June 2024, RMB20,000 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. No such amount is recognised during the six months ended 30 June 2025.

15. TRADE RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade receivables	50,958	71,477
Less: Loss allowance for trade receivables	(4,747)	(4,128)
	46,211	67,349

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 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 90 days	25,601	47,125
91 to 180 days	12,468	10,754
Over 180 days	8,142	9,470
	46,211	67,349

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Deposits and other receivables		
– Non-current	3,166	1,272
– Current	12,872	6,439
	16,038	7,711
Other taxes recoverable		
– Current	801	1,965
	16,839	9,676
Prepayments		
– Non-current	457	5,770
– Current	16,533	18,430
Less: Allowance for bad and doubtful debts	(2,473)	–
	14,517	24,200
	31,356	33,876

Movements in allowance for bad and doubtful debts during the period/year were as follows:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
1 January	–	–
Impairment losses recognised	2,473	–
30 June/31 December	2,473	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

17. TRADE PAYABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade payables	12,945	17,963

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 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 30 days	6,813	13,686
31 to 90 days	4,265	1,759
Over 90 days	1,867	2,518
	12,945	17,963

18. ACCRUALS AND OTHER PAYABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Accruals	1,960	5,371
Other payables	1,321	1,543
Refund liabilities	1,328	1,357
	4,609	8,271

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

19. BANK BORROWINGS

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Current – unsecured		
Bank loans due for repayment within one year	12,000	10,000

Note:

Bank loan is denominated in RMB, unsecured and is repayable on 4 September 2025 and 20 March 2026 for the loan amount of RMB10,000,000 and RMB2,000,000 respectively. Interest is charged at 2.50% to 2.90% per annum.

20. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2024, 31 December 2024 and 30 June 2025 (unaudited)	518,750	4,325

21. CAPITAL COMMITMENTS

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Commitments for acquisition of intangible assets	7,744	5,691

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

22. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Financial assets		
<i>Financial assets at amortised cost</i>		
– Trade receivables	46,211	67,349
– Finance lease receivable	619	745
– Deposits and other receivables	16,038	7,711
– Bank deposits	60,000	70,000
– Cash and cash equivalents	169,589	172,352
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
– Trade payables	12,945	17,963
– Accruals and other payables	3,281	6,914
– Bank borrowings	12,000	10,000
<i>Lease liabilities</i>	11,086	624

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.

23. 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.