



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

A detailed, high-angle photograph of a microchip on a circuit board. The chip is square with a grid of gold pins around its perimeter. The top surface of the chip is covered in a complex, glowing blue and white pattern, resembling a circuit or data flow. The background is a blurred circuit board with various components and traces. The overall color palette is dominated by blues, purples, and whites, with a gradient effect at the bottom right.

2025
ANNUAL 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:

“AGM”	the annual general meeting of the Company to be held on 29 June 2026
“Articles” or “Articles of Association”	the articles of association of our Company as amended from time to time
“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
“Cayman Islands Companies Act” or “Companies Act”	the Companies Act Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman 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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	MEGAIN Holding (Cayman) Co., Ltd. (美佳音控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2016, which is the holding company of our Group and the Shares of which are listed on the Main Board
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(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

DEFINITIONS

“COVID-19”	the Coronavirus Disease 2019
“Director(s)”	the director(s) of our Company
“ESG”	environmental, social and governance
“Executive Director(s)”	the executive director(s) of our Company
“Financial Statements”	the audited consolidated financial statements of the Group for the year ended 31 December 2025, comprising the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information
“GLC”	GOOD LOYAL CORPORATION (忠好有限公司), a company incorporated in the BVI with limited liability on 7 July 2017 and wholly owned by Mr. Yu, and a substantial shareholder of our Company
“Global Offering”	the offer of 37,500,000 new Shares for subscription by the public in Hong Kong and the conditional placing of 87,500,000 new Shares to international investors by our Company at the offer price of HKD1.26
“GMTL”	GLOBAL MEGAIN TECHNOLOGY PTE. LTD., an international business company incorporated in Belize on 23 December 2014 and wholly owned by Mr. Cheng, and 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

DEFINITIONS

“IoT”	Internet of Things being a system of interrelated computing devices, mechanical and digital machines, objects and people with the ability to transfer data over a network; the system includes physical devices, vehicles, home appliances and other items embedded with electronics, software, sensors and actuators, which enable these objects to connect, collect and exchange data through various communication protocols
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	31 March 2021, the date on which the Shares are listed and dealings in the Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Megain Group (HK)”	MEGAIN GROUP (HK) LIMITED (香港美佳印科技股份有限公司), a company incorporated in Hong Kong with limited liability on 22 July 2015 and a direct wholly-owned subsidiary of our Company
“Megain Holding (BVI)”	MEGAIN HOLDING (BVI) PTE, LTD., a company incorporated in the BVI with limited liability on 30 July 2015 and an indirect wholly-owned subsidiary of our Company
“Megain International”	MEGAIN INTERNATIONAL (HK) Limited (香港美佳印國際有限公司), a company incorporated in Hong Kong with limited liability on 14 July 2016 and an indirect wholly-owned subsidiary of our Company
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (which has been renumbered as Appendix C3 with effect from 31 December 2023) to the Listing Rules
“Mr. Cheng”	Mr. Cheng Hsien-Wei (鄭憲徽), an Executive Director, the chairman of our Board and a substantial shareholder of our Company
“Mr. Lam”	Mr. Lam Tsz Leung (林子良), a Non-executive Director and a substantial shareholder of our Company
“Mr. Yu”	Mr. Yu Yiding (余一丁), a substantial shareholder of our Company
“Non-executive Director(s)”	non-executive director(s) of our Company

DEFINITIONS

“Nomination Committee”	the nomination committee of our Board
“Prospectus”	the prospectus of the Company dated 18 March 2021 in relation to the Global Offering and the Listing
“Relevant Period”	the year ended 31 December 2025
“Remuneration Committee”	the remuneration committee of our Board
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“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\$”, “USD” or “US dollar(s)”	United States dollars, the lawful currency of the United States
“Zhuhai Megain”	Zhuhai Megain Technology Co., Ltd.* (珠海美佳音科技有限公司), a company incorporated in the PRC with limited liability on 13 September 2010 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

* 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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New Taipei City
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 09, 11/F
Wayson Commercial Building
28 Connaught Road West
Sheung Wan
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE (THE PUBLIC COUNTER)

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
Cricket Square
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Cayman Islands

AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
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LEGAL ADVISER

King & Wood
13/F, Gloucester Tower, The Landmark
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Hong Kong

PRINCIPAL BANKERS

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Zhuhai City, Guangdong Province
The PRC

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Hong Kong

COMPANY'S WEBSITE

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STOCK CODE

6939

FINANCIAL HIGHLIGHTS

SUMMARY OF AUDITED CONSOLIDATED FINANCIAL RESULTS AND FINANCIAL POSITIONS

Key Information from the Consolidated Statements of Profit or Loss

	Year ended 31 December				
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Revenue	167,867	173,367	172,394	149,654	155,338
Gross profit	86,704	90,625	66,977	48,251	8,719
(Loss)/profit before income tax expense	38,431	54,434	27,353	10,806	(78,836)
(Loss)/profit for the year	31,263	44,892	23,212	9,662	(83,697)

Key Information from the Consolidated Statement of Financial Position

	As at 31 December				
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current assets	19,248	20,495	25,731	79,235	79,728
Current assets	340,910	383,777	364,478	330,956	255,180
Current liabilities	30,118	38,802	18,874	38,609	39,574
Net current assets	310,792	344,975	345,604	292,347	215,606
Total assets less current liabilities	330,040	365,470	371,335	371,582	295,334
Net assets	327,182	363,792	370,219	370,787	286,941

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group for the last five years ended 31 December:

	Notes	Year ended/As at 31 December					2025
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000	
Current ratio	1	11.3	9.9	19.3	8.6	6.4	
Quick ratio	2	10.7	9.4	17.2	7.7	5.9	
Return on equity	3	9.6%	12.3%	6.3%	2.6%	(29.2)%	
Return on total assets	4	8.7%	11.1%	5.9%	2.4%	(25.0)%	
Gross profit margin	5	51.7%	52.3%	38.9%	32.2%	5.6%	
Net profit margin	6	18.6%	25.9%	13.5%	6.5%	(53.9)%	

Notes:

- Current ratio is calculated by dividing total current assets by total current liabilities as at the respective dates.
- Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities as at the respective dates.
- Return on equity is calculated by dividing (loss)/profit after income tax for the year by closing balance of total equity and multiplying the resulting value by 100%.
- Return on total assets is calculated by dividing (loss)/profit after income tax for the year by closing balance of total assets and multiplying the resulting value by 100%.
- Gross profit margin is calculated by dividing gross profit for the year by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of sales.
- Net profit margin is calculated by dividing (loss)/profit after income tax for the year by revenue and multiplying the resulting value by 100%.

CHAIRMAN'S STATEMENT

On behalf of the Board of MEGAIN Holding (Cayman) Co., Ltd. together with its subsidiaries, I hereby take pride and pleasure in presenting the annual report of the Company for the Relevant Period to our Shareholders and potential investors.

OPERATING RESULTS

Our overall revenue increased by approximately 3.8% from approximately RMB149.7 million for the year ended 31 December 2024 to approximately RMB155.3 million for the Relevant Period. However, the Group recorded a loss after income tax of approximately RMB83.7 million during the Relevant Period while we recorded a profit after income tax of approximately RMB9.7 million for the corresponding period last year. One of the main reasons for the loss was that the price competition for market share among China's producers of compatible printer cartridge chips intensified during the Relevant Period and led to the fall of gross profit margin of the industry.

During the Relevant Period, we also encountered the lack of new models of original printer to develop new models of compatible printer cartridge chips. We believe that printer manufacturers reduce the development of new models of printers because of several reasons: (1) shrinking print volumes brought by digitization weaken the printer demand; (2) rising research and development, connectivity, security, and compliance costs make frequent development of new models of printer expensive; (3) printer manufacturers prefer higher-margin recurring revenue such as subscription ink/toner programs and managed print services than printer manufacture; (4) printer manufacturers develop fewer, more versatile printer models that can serve a wider range of customer needs, rather than offering a large number of specialized printers; (5) improved reliability and remote firmware updates extend device lifecycles, further lowering replacement rates of printers; and (6) stricter environmental and regulatory requirements increase compliance burdens of developing new models of printer. Together, these forces push printer manufacturers to invest in services and versatile printers instead of continuously launching numerous new printer models.

On 21 July 2025, our subsidiary, Zhuhai Megain, officially moved into its new office, providing employees with a safer and more comfortable working environment. On 24 November 2025, the new office successfully obtained ISO 9001 (Quality), ISO 14001 (Environment), and ISO 45001 (Occupational Health and Safety) management system certifications, solidifying the foundation for the orderly operations of the Company.

OUTLOOK AND FUTURE PLAN

The operating environment of our Group is closely related to China's and the global economy. Rising energy prices, regional military conflicts, and interest rate fluctuations may cast a shadow over our business performance. Domestically, China's economy is expected to stabilize and grow in the coming years under the 15th Five-Year Plan, supported by the proactive fiscal and monetary policies adopted by the PRC government, aimed at boosting domestic demand, innovation, and industrial upgrading. The Chinese government's stimulus measures will likely enhance manufacturing activity, consumer confidence, and demand for compatible printer cartridge chips and IoT products. The Group will continue to unlock its research and development potential and maintain a healthy financial position through prudent financial management.

The Group will continue to explore opportunities in the IoT chips business which provides a larger market and matches our core competency. Moreover, we are implementing plans to fortify our market development ability. Firstly, we shall continue to develop our online shops to sell printer related consumables such as compatible printer cartridges, toner, etc., so that we can expand our product category and extend our business horizon to overseas markets. Secondly, we shall strengthen our marketing ability in e-commerce and IoT sales.

On behalf of the Board, I would like to express my appreciation to all Shareholders, investors, business partners and other stakeholders for their continuous trust and support to the Group. Our successes are built on the people who make up this business. We, therefore, sincerely give special thanks to our devoted management team and employees for their valuable contributions towards the development of the Group.

Cheng Hsien-Wei

Chairman

30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of research, design, development and sales of compatible cartridge chips and other chips. Our compatible cartridge chips can be broadly applied to compatible cartridges of (i) desktop laser printers; (ii) desktop inkjet printers; and (iii) commercial printers. Other chips are mainly IoT related chips such as Hall sensor chips, power management ICs (“PMICs”), battery charge management ICs, etc. In addition, the Group is also engaged in the trading of ICs and other cartridge components, including plastic parts and toners, as ancillary services to our customers, the sales of printer consumables, and the provision of technical and design services for chips at the request of customers.

Compatible Cartridge Chips Business

During the Relevant Period, China’s economy developed steadily. The PRC government adopted a series of economic stimulus measures, which restored some momentum to growth. However, under the shadow of the Sino-US trade war and the unstable geopolitics, the economic outlook looks uncertain and the pace of economic growth has been stagnant.

During the Relevant Period, although the demand for compatible printer cartridge chips increased, the intense competition among producers in the compatible printer cartridge chips industry negatively affected the gross profit of the Group. During the Relevant Period, the Group’s sales volume of compatible printer cartridge chips increased from approximately 15,291,000 pieces for the year ended 31 December 2024 to approximately 17,304,000 pieces for the Relevant Period, representing an increase of approximately 13.2%. However, the average selling price per piece of the Group’s compatible printer cartridge chips decreased by approximately 56.6% from approximately RMB7.6 per piece in the same period last year to approximately RMB3.3 per piece during the Relevant Period. The Group’s gross profit margin of compatible printer cartridge chips for the Relevant Period decreased from approximately 39.3% in the same period last year to 9.8% for the Relevant Period.

The number of newly developed compatible printer cartridge chips of the Group as at 31 December 2025 and the comparative data of that of 31 December 2024 are as follows:

	As at 31 December	
	2025 Number of newly developed compatible printer cartridge chips	2024 Number of newly developed compatible printer cartridge chips
Compatible printer chips applied to the following products:		
Desktop laser printer	78	325
Desktop inkjet printer	48	57
Commercial printer	–	–
Total:	126	382

The total number of newly developed compatible cartridge chips as at 31 December 2025 was less than that as at 31 December 2024 because less original models of printer have been developed by the printers manufacturers.

BUSINESS REVIEW (Continued)

IoT 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 13 models of IoT chips, including Hall chips, metal oxide semiconductors (the “MOS”), low-dropout regulating chips (the “LDO”) for power management, silicon carbide metal oxide semiconductor field effect transistors (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 hardwares.

The IoT chips market is huge, with the 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.

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 to strengthen our research and development capacity. As a result of the continuous effort and investment in our research and development capability, the Group has gradually developed a strong patent portfolio. During the Relevant Period, we submitted in total 7 applications for the registration of patent in the PRC. 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 since 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our overall revenue increased by approximately 3.8% from approximately RMB149.7 million for the year ended 31 December 2024 to approximately RMB155.3 million for the Relevant Period. The following table summarises the revenue for each of the product categories by application during the periods indicated:

	Year ended 31 December								
	2025				2024				Percentage increase/ (decrease) in revenue
	Revenue	% of total revenue	Sales volume	Average selling price	Revenue	% of total revenue	Sales volume	Average selling price	
	RMB'000	%	000' pieces of chips	RMB	RMB'000	%	000' pieces of chips	RMB	%
Sales of chips									
Product category-application									
– Desktop laser printers	36,070	23.2	12,894	2.8	93,204	62.3	11,222	8.3	(61.3)
– Desktop inkjet printers	19,041	12.3	4,208	4.5	20,030	13.4	3,824	5.2	(4.9)
– Commercial printers ¹	1,899	1.2	202	9.4	2,568	1.7	245	10.5	(26.1)
Sub-total	57,010	36.7	17,304	3.3	115,802	77.4	15,291	7.6	(50.8)
Sales of other chips	15,237	9.8	21,502	0.7	6,655	4.4	12,822	0.5	129.0
Trading of ICs and other cartridge components²	83,091	53.5	N/A	N/A	27,197	18.2	N/A	N/A	205.5
Total	155,338	100.0			149,654	100.0			3.8

Notes:

- Commercial printers include mainly commercial laser printers.
- In addition to the provision of chips, we also engaged in the trading of ICs and other cartridge components, including plastic parts and toner, as ancillary services to our customers, and the sales of compatible cartridges, toner and other printer consumables in online shops and through our sales channels.

FINANCIAL REVIEW (Continued)

Revenue (Continued)

(i) Sales of compatible cartridge chips

Our revenue from the sales of compatible cartridge chips decreased by approximately 50.8% from approximately RMB115.8 million for the year ended 31 December 2024 to approximately RMB57.0 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 RMB93.2 million for the year ended 31 December 2024 to approximately RMB36.1 million for the Relevant Period, and (ii) inkjet printers from approximately RMB20.0 million for the year ended 31 December 2024 to approximately RMB19.0 million for the Relevant Period.

The sales volume of compatible cartridge chips of the Group increased to approximately 17,304,000 pieces for the Relevant Period from approximately 15,291,000 pieces for the corresponding period last year. However, the average selling price of our compatible cartridge chips decreased to approximately RMB3.3 per piece for the Relevant Period from approximately RMB7.6 per piece for the corresponding period last year. The decrease in average selling price was mainly due to the intensifying competition in the industry.

(ii) Sales of other chips

Since 2021, the Group has developed several new IoT chips such as Hall sensor, 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 129.0% from approximately RMB6.7 million for the year ended 31 December 2024 to approximately RMB15.2 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 205.5% from approximately RMB27.2 million for the year ended 31 December 2024 to approximately RMB83.1 million for the Relevant Period, mainly due to the increase in the sales of compatible printer cartridges and cartridge components, especially the sales through our online shops.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Cost of sales and services

Our cost of sales and services increased from approximately RMB101.4 million for the year ended 31 December 2024 to approximately RMB146.6 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 81.9% from approximately RMB48.3 million for the year ended 31 December 2024 to approximately RMB8.7 million for the Relevant Period. Our overall gross profit margin decreased from approximately 32.2% for the year ended 31 December 2024 to approximately 5.6% for the Relevant Period. The following table sets forth a breakdown of our gross profit and gross profit margin for each of the product categories by application during the periods indicated:

	Year ended 31 December			
	2025		2024	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Sales of chips				
Product category-application				
– Desktop laser printers	6,290	17.4	45,678	49.0
– Desktop inkjet printers	(1,215)	(6.4)	(1,325)	(6.6)
– Commercial printers	539	28.4	1,116	43.5
Sub-total	5,614	9.8	45,469	39.3
Sales of other chips	2,042	13.4	704	10.6
Trading of ICs and other cartridge components	1,063	1.3	2,078	7.6
Total	8,719	5.6	48,251	32.2

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 RMB45.5 million for the year ended 31 December 2024 to approximately RMB5.6 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 RMB45.7 million for the year ended 31 December 2024 to approximately RMB6.3 million for the Relevant Period, and the gross loss from the sales of chips for inkjet printers of approximately RMB1.3 million and RMB1.2 million for the years ended 31 December 2024 and 2025 respectively, which was mainly due to the keen price competition in the compatible cartridge chips industry.

Our gross profit margin of compatible cartridge chips decreased from approximately 39.3% for the year ended 31 December 2024 to approximately 9.8% for the Relevant Period, mainly due to price competition as mentioned above.

(ii) Sales of other chips

The gross profit from the sales of other chips amounted to approximately RMB2.0 million for the Relevant Period, representing an increase of approximately 190.1% as compared with RMB 0.7 million for the corresponding period last year. The gross profit margin of the sales of other chips increased from approximately 10.6% for the year ended 31 December 2024 to approximately 13.4% 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 decreased from approximately RMB2.1 million for the year ended 31 December 2024 to approximately RMB1.1 million for the Relevant Period. The decrease in gross profit margin from approximately 7.6% for the year ended 31 December 2024 to approximately 1.3% 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.

Other net income

Our other net income decreased by approximately 76.8% from approximately RMB16.5 million for the year ended 31 December 2024 to approximately RMB3.8 million for the Relevant Period, which was mainly due to the decrease in bank interests, government grants and exchange gain.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Provision of impairment losses of assets

During the Relevant Period, the Group recognized provision of impairment losses of (i) trade receivables, (ii) property, plant and equipment, and (iii) intangible assets of approximately RMB2.0 million, RMB3.0 million, and RMB18.4 million, respectively due to operating losses.

Research and development expenses

Our research and development expenses increased by approximately 16.1% from approximately RMB19.1 million for the year ended 31 December 2024 to approximately RMB22.2 million for the Relevant Period. Such increase was mainly due to the increase in the spending in IoT research and development projects.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 66.3% from approximately RMB9.9 million for the year ended 31 December 2024 to approximately RMB16.5 million for the Relevant Period. The increase was primarily attributable to higher online sales expenses, the recruitment of new sales staff, and the additional rent and renovation of the PRC headquarters.

Administrative expenses

Our administrative expenses increased by approximately 25.1% from approximately RMB22.9 million for the year ended 31 December 2024 to approximately RMB28.6 million for the Relevant Period mainly due to the relocation of the headquarters in the PRC and written-off of raw materials costs.

Income tax expense

Our income tax expense increased by approximately 324.9% from approximately RMB1.1 million for the year ended 31 December 2024 to approximately RMB4.9 million for the Relevant Period attributable to the charging of a withholding tax which arose from the dividend paid by Zhuhai Megain to its immediate holding company outside the PRC, Megain Group (HK).

Net profit/loss and net profit margin

The Group recorded a net loss attributable to owners of the Company of approximately RMB83.7 million during the Relevant Period as compared with the net profit attributable to owners of the Company of approximately RMB9.7 million for the corresponding period in 2024. The turnaround from the net profit after income tax to the net loss after income tax during the Relevant Period was mainly attributable to the reasons for the movements of revenue and expenses of the Group disclosed above, in particular the decrease in the gross profit of compatible printer cartridge chips.

Our net profit margin decreased from 6.5% for the year ended 31 December 2024 to negative 53.9% for the Relevant Period mainly due to the reasons for the movements of revenue and expenses of the Group disclosed above, in particular the decrease in the gross profit margin of compatible printer cartridge chips.

FINANCIAL REVIEW (Continued)

Net current assets

We recorded net current assets of approximately RMB215.6 million as at 31 December 2025 and approximately 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 RMB255.2 million as at 31 December 2025, mainly due to the decrease in inventories, trade receivables, and deposits, prepayments and other receivables. Our current liabilities increased from approximately RMB38.6 million as at 31 December 2024 to approximately RMB39.6 million as at 31 December 2025 primarily due to the increase in bank borrowing payable and lease liabilities.

Property, plant and equipment

The net carrying amount of our property, plant and equipment increased from approximately RMB6.3 million as at 31 December 2024 to approximately RMB23.7 million as at 31 December 2025 mainly due to the addition of right-of-use assets as a result of entering into leases for new offices and renewal of an office.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net carrying amount of our intangible assets decreased from approximately RMB24.1 million as at 31 December 2024 to approximately RMB13.3 million as at 31 December 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 from approximately RMB33.7 million as at 31 December 2024 to approximately RMB22.1 million as at 31 December 2025 mainly due to a provision made against the carrying value of inventories.

Trade receivables

Our trade receivables decreased from approximately RMB67.3 million as at 31 December 2024 to approximately RMB53.7 million as at 31 December 2025 mainly due to the fact that during the Relevant Period, the Company has been actively expanding its trading business and customers in our trading business settled their accounts receivables more quickly, and the impairment provision made.

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables decreased from approximately RMB26.8 million as at 31 December 2024 to approximately RMB14.6 million as at 31 December 2025 mainly due to the decrease in the prepayments as a result of the completion of the renovation of the new offices.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Trade payables

Our trade payables decreased from RMB18.0 million as at 31 December 2024 to RMB15.1 million as at 31 December 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 31 December 2025 RMB'000 (Audited)	As at 31 December 2024 RMB'000 (Audited)
Current liabilities		
Bank borrowings due within one year	12,000	10,000
Lease liabilities	2,776	483
Non-current liabilities		
Lease liabilities	8,148	141
	22,924	10,624

As at 31 December 2025, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB10.9 million in aggregate in relation to the remaining lease terms of lease contracts, which is unsecured and unguaranteed. Our lease liabilities represented the related liabilities arisen when obtaining the right to use certain properties through tenancy agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY FINANCIAL RATIOS

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

	Notes	Year ended/As at 31 December	
		2025	2024
Current ratio	1	6.4	8.6
Quick ratio	2	5.9	7.7
Return on equity	3	(29.2%)	2.6%
Return on total assets	4	(25.0%)	2.4%
Gross profit margin	5	5.6%	32.2%
Net profit margin	6	(53.9%)	6.5%

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective dates.
2. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities as at the respective dates.
3. Return on equity is calculated by dividing (loss)/profit after income tax for the year by closing balance of total equity and multiplying the resulting value by 100%.
4. Return on total assets is calculated by dividing (loss)/profit after income tax for the year by closing balance of total assets and multiplying the resulting value by 100%.
5. Gross profit margin is calculated by dividing gross profit for the year by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of sales.
6. Net profit margin is calculated by dividing (loss)/profit after income tax for the year by revenue and multiplying the resulting value by 100%.

Current ratio and quick ratio

The current ratio of the Group was approximately 8.6 and 6.4 as of 31 December 2024 and 2025 respectively. The quick ratio of the Group was approximately 7.7 and 5.9 as of 31 December 2024 and 2025 respectively. The decrease in both current ratio and quick ratio of the Group was mainly due to the increase in current liabilities as a result of the increase in bank borrowings and lease liabilities, and the decrease in current assets as a result of the decrease in inventories, trade receivables and prepayments. As both current ratio and quick ratio of the Group as at 31 December 2025 were greater than 1, the short-term liquidity status of the Group was healthy.

Return on equity

The return on equity of the Group decreased from approximately 2.6% for the year 31 December 2024 to approximately negative 29.2% for the Relevant Period. The decrease was mainly attributable to the decrease in net profit of the Group for the Relevant Period.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY FINANCIAL RATIOS (Continued)

Return on total assets

The return on total assets of the Group decreased from approximately 2.4% for the year 31 December 2024 to approximately negative 25.0% for the Relevant Period. Such decrease was primarily attributable to the decrease in net profit of the Group during the Relevant Period.

Gross profit margin

The gross profit margin of the Group decreased from approximately 32.2% for the year ended 31 December 2024 to approximately 5.6% for the Relevant Period. The decrease was a result of the decrease in gross profit of the Group during the Relevant Period due to the reasons discussed in the section “Gross profit and gross profit margin”.

Net profit margin

The net profit margin of the Group decreased from approximately 6.5% for the year ended 31 December 2024 to approximately negative 53.9% for the Relevant Period. The decrease was mainly attributable to the reasons discussed in the section “Gross profit and gross profit margin”.

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 31 December 2025, the Group had cash and cash equivalents of approximately RMB144.6 million, current bank deposits of approximately RMB20 million, and non-current bank deposits of approximately of RMB40 million (as at 31 December 2024: cash and cash equivalents of approximately RMB172.4 million, current bank deposits of approximately RMB30 million, and non-current bank deposits of approximately of RMB40 million).

As at 31 December 2025, the Group had net current assets of approximately RMB215.6 million (as at 31 December 2024: approximately RMB292.3 million) and net assets of approximately RMB286.9 million (as at 31 December 2024: approximately RMB370.8 million).

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

OTHER FINANCIAL INFORMATION (Continued)

Capital Structure

A. Borrowing

The total bank borrowings of the Group as at 31 December 2025 was RMB12 million (as at 31 December 2024: RMB10 million). The Group's borrowing patterns did not exhibit any significant seasonality, as its financing needs remained 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. As at 31 December 2025, the Group had unused bank loan facilities of RMB20 million.

B. Gearing Ratio

As at 31 December 2025, the Group's gearing ratio was 4.2% (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 Group's gearing ratio demonstrated that the financial position of the Group was healthy as at the end of the Relevant Period.

Pledge of Assets

As at 31 December 2025, the Group did not pledge any assets of the Group.

Contingent Liabilities

As at 31 December 2025 and 2024, the Group did not have any material contingent liabilities.

Capital Expenditure

The Group's capital expenditure requirements were mainly related to additions of its property, plant and equipment such as rights-of-use assets generated from property leases, the newly purchased machinery and equipment, and leasehold improvement. For the Relevant Period, the Group spent approximately RMB13.6 million on the addition of its property, plant and equipment.

Material Acquisition, Significant Investment and Disposal by the Group

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

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL INFORMATION (Continued)

Foreign Currency Exposure

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

Human Resources

As at 31 December 2025, we had approximately 159 full-time headcounts (including Directors), of which 149 were based in the PRC and 10 were based in Taiwan, Hong Kong and overseas. The Group has adopted policies on recruitment, compensation, dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. The Group provides induction to new employees on its business, culture, structure, and products. We also provide regular trainings to our employees. Our employees' remuneration comprises salaries, bonuses, employee retirement fund and social security contributions and other welfare payments. The Group also adopted the Share Option Scheme as part of the incentive package. We regularly assess the performance of our employees, the results of which would form the basis for salary increments, bonuses and promotions.

Outlook and Future Plan

The performance of the Group is closely related to the economic cycle. 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. We believe the authorities of China will introduce more fiscal and monetary policies to boost the economy, so we are still prudently optimistic to the performance of the Group in the future.

OTHER FINANCIAL INFORMATION (Continued)

Outlook and Future Plan (Continued)

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.

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

- (i) to strengthen our product development capacity and diversify our product portfolio;
- (ii) to step up our sales and marketing efforts to cater for the expansion of our product offerings; and
- (iii) to improve the functionality of our back office to support our business growth.

The core strength of the Group is its research and development capabilities which is also one of the key success factors in our industry in the PRC. Most of the strategies of the Group aim at strengthening this core competency. Save as disclosed above, as at 31 December 2025, the Group did not have plans for material investments and capital assets in the coming year.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Mr. Cheng Hsien-Wei (鄭憲徽), aged 49, is the chairman of our Board, and was appointed as a Director in June 2016 and re-designated as an Executive Director in March 2020. He is one of the founders of our Group and one of our Controlling Shareholders. He has been a director of Megain Group (HK) since July 2015 and a director of Megain International since July 2016. He is primarily responsible for overall strategic planning and business development of our Group.

Mr. Cheng has over 14 years of experience in the compatible cartridge related industries. He served as the deputy general manager of business development in Chen Phon General Construction Co. Ltd.* (成豐綜合營造有限公司), a company principally engaged in the development of residential buildings and leasing of immovable properties, from July 2004 to March 2007. From 2008 to 2010, he was the director and chief executive officer of and held 80% equity interest in Megain Technology Pte. Ltd., a company principally engaged in the trading of computer hardware and peripheral equipment in Singapore. From July 2022 to Oct 2022, Mr. Cheng was appointed as the chairman of the board of directors of Zhuhai BENTSAL Printing Technology Co. Ltd.* (“ZBPT”) (珠海奔彩打印科技有限公司), a company principally engaged in the development and research, and the production of portable printers, which can print images and text on objects such as textile materials and wooden products. Since Nov 2022, Mr. Cheng has been appointed as the chairman of the board of directors of Zhuhai BENTSAL Technology Co. Ltd.* (珠海奔彩科技股份有限公司), the successor of ZBPT after shareholding reform, which is listed on the National Equities Exchange and Quotations in the PRC (Stock code: 873054.NQ).

Mr. Cheng completed his studies in automobile maintenance at KaiNan Vocational High School (台北市私立開南高級商工職業學校) in Taiwan in June 1994. He obtained a master’s degree in science in Chaoyang University of Technology (朝陽科技大學) in Taiwan in June 2020 and a master’s degree in green technology at National Ilan University (國立宜蘭大學) in Taiwan in June 2021.

Non-Executive Directors

Mr. Lam Tsz Leung (林子良), aged 62, was appointed as a Director in February 2020 and re-designated as a Non-executive Director in March 2020. He is primarily responsible for participating in the formulation of our general corporate business plans and strategies.

During the period from 1987 to 1992, Mr. Lam was a salesperson in the Jiangmen branch office of China National Metals & Minerals Import & Export Corporation* (中國五金礦產進出口公司江門支公司), a company principally engaged in the trading of iron and steel, non-ferrous metal and mineral products. He served as a business manager in Jiangmen Sanrong Mining Company* (江門三榮礦業公司), a company principally engaged in the export of mining products, from 1992 to 2003. He then served as a research and development director of Jiangmen Jianghai District Sanrong Hardware Airproof Products Factory* (江門市江海區三榮五金密封件製品廠), a company principally engaged in the manufacturing and sale of spare parts of printer consumables, as well as airproof and metal products, from October 2003 to April 2019.

Mr. Lam graduated from Wuhan University of Technology (武漢理工大學) in the PRC in July 1987.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Yu Erhao (余尔好) (formerly known as Yu Erhao (余迩好)), aged 35, was appointed as a Director in June 2018 and re-designated as a Non-executive Director in March 2020. Ms. Yu is the daughter of Mr. Yu, a substantial shareholder of our Company. She is primarily responsible for participating in the formulation of our general corporate business plans and strategies.

From November 2019 to September 2021, Ms. Yu was an assistant to the chief executive officer in Xinsheng Liliang (Tianjin) Cultural Brokerage Co., Ltd.* (新生麗量(天津)文化經紀有限公司), a company principally engaged in performance and brokerage business. Since October 2021, Ms. Yu has served as the general manager of Qianhai Shengshi Culture Holding (Shenzhen) Company Limited* (前海盛世文化控股(深圳)有限公司).

Ms. Yu obtained a bachelor's degree in arts from California State University, Northridge in the United States in December 2016.

Independent Non-Executive Directors

Mr. Chen Mark Da-jiang (陳大江), aged 58, was appointed as an Independent Non-Executive Director in February 2021. He is responsible for overseeing the management of our Group independently.

Mr. Chen has more than 20 years of extensive private equity investment experience in a wide range of industry sectors globally, including semiconductor and life sciences. From December 1999 to 2006, he was a managing director of Easton Hunt Capital Partners, L.P., a private equity investment firm. From April 2006 to 2009, he was the chairman of the board of directors, the chief executive officer and the president of Pantheon China Acquisition Corp., a public listed special purpose acquisition company which he founded. He has been a managing partner of Pantheon Pacific Capital Management Ltd., a global private equity investment advisory company, since 2009. He was also an independent non-executive director of Global Cord Blood Corporation ("Global Cord"), a life sciences enterprise principally engaged in the storage of umbilical cord blood stem cells and a public company listed on the New York Stock Exchange (the "NYSE") (NYSE: CO). As disclosed in our announcements dated 14 October 2022 and 20 October 2022, pursuant to an order of the Grand Court of the Cayman Islands dated 22 September 2022, joint provisional liquidators were appointed in respect of Global Cord. Mr. Chen subsequently ceased to be the independent non-executive director of Global Cord on 16 February 2023 pursuant to a further order made by the Grand Court of the Cayman Islands dated 14 February 2023.

Mr. Chen received a bachelor's degree in material science and engineering from Shanghai Jiao Tong University in the PRC in July 1989, a master's degree in material science and engineering from The Pennsylvania State University in the United States in December 1994, and a master's degree in business administration from the Columbia Business School at Columbia University in the United States in May 1999.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kao Yi-Ping (高亦平), aged 53, was appointed as an Independent Non-executive Director in February 2021. He is responsible for overseeing the management of our Group independently.

Mr. Kao was a deputy manager in VIA Technologies, Inc., a company listed on the Taiwan Stock Exchange (stock code: 2388) and principally engaged in the production of hardware, software and cloud building blocks for systems and devices, from January 2004 to March 2006. He joined Media Tek Inc., a company listed on the Taiwan Stock Exchange (stock code: 2454) and principally engaged in chipset technology for electrical appliances, in April 2006, and has been serving as the director of the high-performance processors technology advanced CPU & Technology Division II since April 2016.

Mr. Kao obtained a master's degree in science from National Taiwan University (國立臺灣大學) in Taiwan in June 1999.

Mr. Li Huaxiong (李華雄), aged 62, was appointed as an Independent Non-executive Director in February 2021. He is responsible for overseeing the management of our Group independently. He is the Independent Non-executive Director who has the qualifications and experience to meet the requirements under Rule 3.10(2) of the Listing Rules.

During the period from 1990 to 2004, Mr. Li held various positions in Hainan Hong Kong-Macau Industrial Co., Ltd.* (海南港澳實業股份有限公司), Zhuhai Huadian Co., Ltd.* (珠海華電股份有限公司), Xiangcai Securities Co., Ltd.* (湘財證券有限公司) and Youlian Strategic Management Center* (友聯戰略管理中心) under Delong Group* (德隆集團). He also served as the strategic management director of Zhongkezhi Holdings Group Co., Ltd.* (中科智控股集團有限公司) and the general manager of Shenzhen Zhongkezhi Capital Investment Co., Ltd.* (深圳中科智資本投資有限公司), from 2007 to 2015. He has been serving as an independent director of Shenzhen Guofu Gold Co., Ltd.* (深圳市國富黃金股份有限公司), a company principally engaged in the development of precious metal cultural industry since December 2011. In addition, Mr. Li currently serves as an independent director of Shenzhen AOTO Electronics Co., Ltd.* (深圳市奧拓電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002587) and principally engaged in the production of display products for a term from December 2019 to January 2022 where he also served for the same position for two terms from December 2009 to December 2012, and from December 2012 to January 2016.

Mr. Li obtained a master's degree in economics from Zhongnan University of Finance and Economics (中南財經大學) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC in October 1988. He further obtained a doctoral degree in accounting from Renmin University of China (中國人民大學) in the PRC in July 1998. He is a certified public accountant and a non-practising member of the Chinese Institute of Certified Public Accountants.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Wang Hua (王華), aged 39, is the chief executive officer of our Group and Zhuhai Megain. He has been an executive director and the general manager of Zhuhai Megain since August 2017. He is primarily responsible for formulating our corporate strategies and operation plans as well as overseeing the overall management and operations of our Company and Zhuhai Megain.

Mr. Wang has over 12 years of experience in the IC solutions industry. From July 2009 to June 2011, he was a sales manager in Zhuhai Apex Microelectronics Co., Ltd.* (珠海艾派克微電子有限公司), a company principally engaged in the research, development, manufacturing and sale of ICs and IT products and accessories. He was a co-founder, a director and a deputy general manager in Zhuhai Taisi Technology Co., Ltd.* (珠海泰斯科技有限公司) (“Zhuhai Taisi”), an ink cartridge manufacturer, from February 2012 until its deregistration in September 2018. He joined our Group in June 2013 as a deputy general manager of Zhuhai Megain. After Mr. Wang joined our Group, the operations of Zhuhai Taisi ceased and Mr. Wang was able to focus his time on managing the operations of Zhuhai Megain.

Mr. Wang obtained a bachelor’s degree in electronic information science and technology from the Zhuhai College of Jilin University* (吉林大學珠海學院) in the PRC in July 2009.

Ms. Lyu Liang (呂亮), aged 52, is the chief financial officer of our Group. She is primarily responsible for overseeing the financial matters of our Group.

During the period from September 1996 to May 2015, Ms. Lyu worked in Zhuhai SMH Electronic Co., Ltd.* (珠海新明珠電子有限公司), a subsidiary of The Swatch Group Limited and principally engaged in the manufacturing, processing and sale of mechanical products, where she last served as the general manager. She was a service centre manager of O Grupo Swatch (Macau) Limitada (斯沃琪集團(澳門)有限公司), a subsidiary of The Swatch Group Limited and principally engaged in the sale and distribution of watches, from June 2015 to December 2015, and a senior manager of the investment department in Zhuhai Apex Technology Co., Ltd.* (珠海艾派克科技股份有限公司), a company principally engaged in the manufacturing of printing equipment and consumables, from September 2016 to August 2017. She then worked in Profilex Plastic Technology (Zhuhai FTZ) Co., Ltd.* (波菲麗斯塑膠科技(珠海保稅區)有限公司), a company principally engaged in the manufacturing of industrial plastic products, from August 2017 to November 2019, where she last served as the vice general manager. She joined our Group in December 2019.

Ms. Lyu obtained a diploma in water transportation finance and accounting from Wuhan Transportation University (武漢水運工程學院) (now known as Wuhan University of Technology (武漢理工大學)) in the PRC in June 1993, and a master’s degree in business administration from Huazhong University of Science and Technology (華中科技大學) in the PRC in December 2006. She was qualified as an intermediate accountant by the Ministry of Personnel of the PRC in May 2002, and received the advanced diploma in management accounting from the Chartered Institute of Management Accountants in December 2014.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung Chien-Yuan (洪健元), aged 55, is the head of the hardware department of the Taiwan branch office of Megain Holding (BVI). He is primarily responsible for overseeing and managing our hardware design and research and development matters.

Mr. Hung was an assistant manager in Syntek Semiconductor Co., Ltd. (太欣半導體股份有限公司), an IC design company, from July 1994 to November 2005. From March 2010 to November 2015, he was an engineer in Echip-Tech, a company principally engaged in the research, design, development and sale of compatible cartridge chips. He joined our Group in December 2015 as the head of the hardware department of the Taiwan branch office of Megain Holding (BVI).

Mr. Hung completed his studies in electrical engineering at St John's and St Mary's Institute of Technology (新埔工業專科學校) (now known as St. John's University (聖約翰科技大學)) in Taiwan in June 1992.

Mr. Hung is the elder brother of Mr. Hung Wen-Lung (洪文隆).

Mr. Hung Wen-Lung (洪文隆), aged 54, is the head of the software department of the Taiwan branch office of Megain Holding (BVI). He is primarily responsible for overseeing and managing our software design matters.

Mr. Hung worked in the research and development department in Pacific Image Electronics Co., Ltd. (全譜科技股份有限公司), a scanning and imaging solution provider, from October 1998 to November 2005, where his last position was hardware engineer. From May 2006 to May 2010, he was a senior engineer in GoodWay Technology Co., Ltd. (東碩資訊股份有限公司), a company principally engaged in computer and peripheral equipment manufacturing. From June 2010 to November 2015, he was an engineer in Echip-Tech Electronic Corporation (宏利科技有限公司), a company principally engaged in the research, design, development and sale of compatible cartridge chips. He joined our Group in December 2015 as the head of the software department of the Taiwan branch office of Megain Holding (BVI).

Mr. Hung graduated from Taipei Municipal Nangang Vocational High School (台北市立南港高級工業職業學校) in Taiwan in July 1989.

Mr. Hung is the younger brother of Mr. Hung Chien-Yuan (洪健元).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Wong Cheuk Lam (黃焯琳), aged 57, was appointed as the company secretary of the Company on 1 March 2020. He is primarily responsible for the company secretarial affairs of our Company.

Mr. Wong has over 20 years of experience in the company secretarial field. From February 2003 to January 2013, he worked in Zhengzhou China Resources Gas Company Limited (formerly known as Zhengzhou Gas Company Limited), a company previously listed on the Main Board of the Stock Exchange (stock code: 3928) and delisted in February 2012, where he last served as the chief financial officer and company secretary. He then worked in Genvon Group Limited (currently known as Beijing Enterprises Medical and Health Industry Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2389), from January 2015 to May 2015, where he last served as the financial controller and deputy company secretary. From May 2015 to June 2016, he worked in ASR Logistics Holdings Limited (currently known as Beijing Sports and Entertainment Industry Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1803), where he last served as the chief financial officer and company secretary. He was the deputy company secretary of China Shun Ke Long Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 974), from August 2018 to October 2019. Since November 2010, he has been serving as an independent non-executive director of Kingworld Medicines Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1110).

Mr. Wong obtained a bachelor's degree in arts from The University of Hong Kong in December 1992 and a master's degree in business from Victoria University of Technology in Australia in November 1997. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 2001 and a certified practising accountant of CPA Australia in December 2000. Mr. Wong is also an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

* For identification purpose only

REPORT OF DIRECTORS

The Directors are pleased to present the Directors' report together with the audited consolidated financial statements of the Company for the year ended 31 December 2025.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the Relevant Period, the Group is principally engaged in the provision of research, design, development and sales of compatible cartridge and IoT chips in the PRC.

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2025 and the state of affairs of the Company and the Group at that date are set out in the Financial Statements on pages 73 to 75.

On 28 June 2024, the Company paid a final dividend of approximately RMB9,286,000, in aggregate to its owners of the Company in respect of the year ended 31 December 2023. We did not pay any dividend to the owners of the Company in respect of the year ended 31 December 2024.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2025.

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

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a policy on payment of dividends (the "Dividend Policy"), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company may distribute dividends by way of cash or by other means that the Directors consider appropriate. The Company currently targets to distribute to the Shareholders dividends not less than 40% of the Group's net profit for the year attributable to equity shareholders of the Company in each financial year, commencing from the financial year ended 31 December 2021. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The Board will review the Dividend Policy from time to time in light of the following factors in determining whether dividends are to be declared and paid, namely (i) our financial results; (ii) our Shareholders' interest; (iii) general business conditions, strategies and future expansion needs, (iv) the Group's capital requirements, (v) the payment by its subsidiaries of cash dividends to the Company, (vi) possible effects on liquidity and financial position of the Group and (vii) other factors the Board may deem relevant. Our historical declarations of dividends may not reflect our future declarations of dividends.

CLOSURE OF THE REGISTER OF MEMBERS

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

The register of members of the Company will be closed from Wednesday, 24 June 2026 to Monday, 29 June 2026 (both days inclusive) during which period no transfer of Shares will be registered. To be qualified to attend and vote at the forthcoming annual general meeting, all Share transfer documents must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 23 June 2026.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 27 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Upon the listing on the Main Board of the Stock Exchange on 31 March 2021 and up to the date of this report, 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)).

RESERVES

Details of change in reserves of the Group are set out on pages 76 to 77 of the "Consolidated Statement of Changes in Equity" of this report.

DISTRIBUTABLE RESERVES

Under the Companies Act, the funds in the share premium account and contributed surplus account of the Company are distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The maximum amount of distributable profits of the Company as at 31 December 2025, representing the total owner's equity less share capital, and calculated in accordance with the Companies Act, was approximately RMB277.5 million. Details of movements in reserves of the Group during the Relevant Period are set out in the "Consolidated Statement of Changes in Equity" on pages 76 to 77 of this annual report.

REPORT OF DIRECTORS

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Details of the movements in property, plant and equipment and intangible assets of the Group for the year ended 31 December 2025 are set out in Notes 15 and 16 to the Financial Statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares to the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

SUBSIDIARY COMPANIES

Details of the major subsidiary companies of the Company as at 31 December 2025 are set out in Note 32 to the Financial Statements.

BUSINESS REVIEW

A fair business review of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion and analysis of the Group's performance during the year ended 31 December 2025 using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred after 31 December 2025 (if any) as well as an indication of likely future development in the business of the Group are provided in the sections "Chairman's Statement" "Management Discussion and Analysis", and "Report of Directors" on pages 10 to 11, pages 12 to 25, and pages 32 to 52 of this annual report, respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

In accordance with Rule 13.91 of the Listing Rules and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 to the Listing Rules, the "Environmental, Social and Governance Report" of the Company has been published separately on our website and the website of the Stock Exchange at the same time as the publication of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Relevant Period, as far as the Directors are aware, there was no material breach of or non-compliance with the applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group. Reference should be made to the section headed “Regulatory Overview” in the Prospectus for details of the relevant laws and regulations that regulate the business and operations of the Group.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON INDEPENDENCE

The Company has received a confirmation from each Independent Non-executive Director of the Company on his independence in accordance with Rule 3.13 of the Listing Rules, and the Company considers that all Independent Non-executive Directors of the Company are independent during the year ended 31 December 2025 and up to the date of this annual report.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including customers, employees, financial institutions, Shareholders, suppliers and other business associates are key to the Group’s success.

The Group believes that it is vital to attract, recruit and retain quality employees. Thus, our Group provides competitive remuneration package and regular training to attract and motivate the employees. During the Relevant Period, the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations.

Our Group also understands that it is important to maintain good relationship with customers, financial institutions, Shareholders and suppliers to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Relevant Period, there was no material dispute between our Group and its customers, financial institutions, Shareholders and suppliers.

KEY RISKS AND UNCERTAINTIES

Our Group’s financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group’s businesses. Please refer to the section headed “Risk Factors” in the Prospectus for details of the risks and uncertainties faced by the Group. The risk factors relating to our business and the industry faced by the Group are set out below:

- (i) our business, results of operations, financial conditions and business sustainability could be affected if we fail to develop new products or enhance our products;
- (ii) we face significant competition in our business and our profitability and prospects for future growth depend on our ability to compete effectively with the other competitors;

REPORT OF DIRECTORS

KEY RISKS AND UNCERTAINTIES (Continued)

- (iii) our business could be materially and adversely affected if we are unable to maintain our business relationship with our largest customer, which is our competitor and whose demand may decline with the improvement of its research and development capabilities;
- (iv) our performance can be significantly affected by the popularity and sales of a limited number of models of chips;
- (v) the prospect of our business may be undermined in the long run by the digitalisation of documentation and information and the advent of paperless workplace due to technological advancement and environmental protection;
- (vi) selling price of our products may fluctuate as our pricing strategy is closely associated with the life cycle of products and market competition in the compatible cartridge chip market;
- (vii) our business, result of operations and financial conditions may be affected by the market competition in the compatible cartridge chip market;
- (viii) normal commercial risks such as inventory obsolescence, impairment of intangible assets, inadequate insurance coverage, failure to collect trade receivables in time and in full, inability to optimize production capacity, business seasonality, etc., may also affect our business performance; and
- (ix) the rise of trade protectionism and the tariff war launched among major economic entities will bring uncertainty to the Group's financial results. Although the customers of compatible printer cartridge chips of the Group are mainly Chinese enterprises, Europe and the United States are their major markets. The trade disputes shall indirectly affect the sales revenue of the Group's compatible printer cartridge chips business.

Details of risks and uncertainties faced by the Group during the Relevant Period are explained in the Management Discussion and Analysis section in this annual report.

The list above is not exhaustive. There may be other risks and uncertainties in addition to those shown above which are not known to our Group or which may not be material now but could turn out to be material in the future.

PLEDGE OF ASSETS

As at 31 December 2024 and 2025, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2024 and 2025, the Group did not have any material contingent liabilities, on-going legal proceedings or potential proceedings threatened to be brought against the Group.

GOING CONCERN

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

During the Relevant Period, charitable donations made by the Group were approximately RMB70,000 (2024: approximately RMB37,000).

DIRECTORS

The Directors as at the date of this report are:

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)

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out in pages 26 to 31 under the section headed “Biographies of Directors and Senior Management” in this annual report.

REPORT OF DIRECTORS

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company receive remuneration from us in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind. The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee with reference to their relevant qualifications, experience, competence, performance of the Group and the prevailing market conditions. The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to the Directors for the Relevant Period is set out in Note 10 to the Financial Statements. None of the Directors had waived any remuneration during the Relevant Period.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Group's five highest paid individuals, including the Directors, for the Relevant Period is set out in Note 10 to the Financial Statements.

No payment was made by us to the Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Relevant Period.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the Shareholders on 26 February 2021. All conditions, to which the Share Option Scheme was subject to, had been fulfilled on or before the Listing Date. As at the date of this report, no option has been granted under the Share Option Scheme and the Company does not have any other share option scheme.

(A) Purpose

The purpose of the Share Option Scheme is to motivate Eligible Persons (as set out in paragraph (b) below) to (i) optimise their future contributions to our Group; (ii) reward them for their past contributions; and (iii) attract, retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of our Group.

(B) Eligible Persons

The Board may, at its sole discretion, offer the grant of any options to (i) any executive director or manager of or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (an "Employee"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "Executive"); (ii) any director or proposed director (including an independent non-executive director) of any member of our Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group; or a close associate (as defined under the Listing Rules) of any of the foregoing persons (together, the "Eligible Persons" and each an "Eligible Person").

SHARE OPTION SCHEME (Continued)

(C) Maximum number of Shares available for issue

The maximum number of Shares to be issued upon exercise of all options which may be granted under the Share Option Scheme shall not in aggregate exceed 50,000,000 Shares, representing 10% of the Shares in issue immediately after completion of the Global Offering and as at the Listing Date (the “Scheme Mandate Limit”), provided that our Company may at any time as our Board may think fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, except that the maximum number of Shares to be issued upon exercise of all options which may be granted under the Share Option Scheme shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed.

As at the date of this report, the total number of Shares available for issue upon the exercise of the options granted under the Share Option Scheme was 50,000,000, representing 10% of the total issued Shares (500,000,000 Shares) as at the date of this report.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (and under any other share option scheme of our Company) shall not exceed 30% of the Shares in issue from time to time.

(D) Maximum entitlement of each Eligible Person

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with.

SHARE OPTION SCHEME (Continued)

(D) Maximum entitlement of each Eligible Person (Continued)

Each grant of options to a director, chief executive or substantial shareholder of our Company or any of their respective associates shall be approved by the Independent Non-executive Directors (excluding an Independent Non-executive Director who is a proposed grantee). Where a grant of options to a Substantial Shareholder or an Independent Non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such Eligible Person in the 12-month period up to and including the date of grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK\$5 million,

such further grant of options shall be approved by the Shareholders. Our Company shall send a circular to the Shareholders containing the information required under Rule 17.04 of the Listing Rules. The relevant Eligible Person, his associates and all core connected persons of our Company shall abstain from voting at such general meeting.

(E) Exercisable period

The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(F) Minimum holding period

The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

(G) Consideration for acceptance

An offer of the grant of an option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within the period specified in the letter containing the offer of the grant of the option. Once such acceptance is made, the option shall be deemed to have been granted and to have taken effect from the offer date.

SHARE OPTION SCHEME (Continued)

(H) Basis of determining the subscription price

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

- (i) the nominal value of the Shares;
- (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (iii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date.

(I) Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its adoption (i.e. 26 February 2021). As at the date of this report, the Share Option Scheme had a remaining life of approximately 4 years and 10 months.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The Company entered into a service contract with our Executive Director and a letter of appointment with each of our Non-executive Directors and our Independent Non-executive Directors on 27 March 2024. Each of the service contracts and the letters of appointment is for a fixed term of three years commencing from 31 March 2024, which may be terminated by either party by giving not less than three months' written notice.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the Relevant Period and up to the date of this report.

SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries subsisting during the Relevant Period and up to the date of this report.

REPORT OF DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at 31 December 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, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange, will be as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding
Mr. Cheng	Interest in a controlled corporation ⁽²⁾	151,812,500(L)	29.27%
Mr. Lam	Beneficial owner	86,250,000(L)	16.63%

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) As at 31 December 2025, the Company is approximately 29.27% directly owned by GMTL. As at 31 December 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 31 December 2025.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 December 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 31 December 2025, our Company is approximately 29.27% directly owned by GMTL. As at 31 December 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 31 December 2025, our Company is approximately 18.80% directly owned by GLC. As at 31 December 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 31 December 2025, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

REPORT OF DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Relevant Period was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Relevant Period and up to the date of this report, none of the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Relevant Period and up to the date of this report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

PERMITTED INDEMNITY PROVISION

Article 164(1) of the Articles of Association provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets and the profits of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office. The Company has arranged appropriate directors' liability insurance coverage for the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

During the Relevant Period, the respective percentage of the total purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 33% and 56% and the respective percentage of the total sales attributable to the Group's largest customer and five largest customers in aggregate was 29% and 51%, respectively.

None of the Directors or any of their close associates or any Shareholder (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers or customers.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

The related party transactions of the Group during the Relevant Period are set out in Note 33 to the Financial Statements. None of them constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. During the Relevant Period, the Group has not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Chapter 14A of the Listing Rules.

USE OF NET PROCEEDS FROM THE LISTING

As disclosed in the Prospectus, the Company intended to use the net proceeds from the Global Offering for the following purposes:

- (i) approximately 51.4% of the net proceeds for strengthening the Group's product development capacity and diversifying its product portfolio;
- (ii) approximately 16.8% of the net proceeds for accelerating the development of the Group's hardware design capabilities through acquisition of integrated circuit design company;
- (iii) approximately 16.8% of the net proceeds for increasing the Group's presence in the compatible cartridge industry through forward vertical expansion;
- (iv) approximately 2.5% of the net proceeds for stepping up the Group's sales and marketing efforts to cater for the expansion of its product offerings;
- (v) approximately 2.5% of the net proceeds for improving the functionality of the Group's back office to support its business growth; and
- (vi) approximately 10.0% of the net proceeds for general working capital of the Group.

The net proceeds from the Global Offering and the exercise of the over-allotment option thereof, upon deduction of underwriting commissions and related costs and expenses, are approximately HK\$118 million (equivalent to approximately RMB98.5 million).

As disclosed in the announcement of the Company dated 2 January 2024 (the "Announcement"), the Board resolved to revise the expected deadline for the use of the net proceeds which remained unutilised as at the date of the Announcement to on or before 31 December 2024.

REPORT OF DIRECTORS

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

The Board wishes to inform the Shareholders 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” below, 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 as set out below:

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 31 December 2025 (RMB million) (approximately)	Unutilised Net Proceeds as at 31 December 2025 (RMB million) (approximately)
Strengthening the Group’s product development capacity and diversifying the Group’s product portfolio	51.4%	50.7	9.5	9.1	0.4
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	17.6	12.7

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

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 31 December 2025 (RMB million) (approximately)	Unutilised Net Proceeds as at 31 December 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%	9.6	4.0	4.0	–
Total:	100%	98.5	43.8	30.7	13.1

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.

REPORT OF DIRECTORS

REASONS FOR THE UPDATED EXPECTED TIMETABLE AND THE CHANGE IN THE USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The intended use of the net proceeds from the Global Offering as disclosed in the Prospectus was based on the best estimation made by the Board in relation to the then future market conditions and business plans as at the latest practicable date of the Prospectus.

As disclosed in the interim report of the Company for the six months ended 30 June 2024 published on 23 September 2024 (the “2024 Interim Report”), while part of the net proceeds from the Global Offering were applied in accordance with the intended usage set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus and within the timeframe indicated in the Announcement, the actual utilisation of the net proceeds from the Global Offering was slower than expected. The delay was mainly caused by the impacts of the COVID-19 pandemic which has resulted in the slowdown of the Group’s business development as a whole and the fierce competition for talents in the research and development of semi-conductors from different industries such as artificial intelligence, electric vehicle, internet, smartphone, etc. Specifically, while the Group has been persistently striving for strengthening its product development capacity and diversifying its products portfolio, the keen competition for talents in the research and development of semi-conductors made it difficult to expand its research and development team for hardware and software components on schedule.

The net proceeds allocated to “strengthening the Group’s product development capacity and diversifying the Group’s product portfolio” had not been fully utilised as at 31 December 2024 mainly due to the following reasons:

- due to the shortage of skilled software talents and the higher costs related to the hiring of full-time employees, to reduce overall costs and provide greater flexibility, the Group had outsourced the research and development capacity instead of recruiting additional employees, therefore the net proceeds originally allocated to expanding the team of talents in research and development had not been fully utilised; and
- due to the decrease in consumer demand for printers, there has been a reduction in the number of new models of original brand printers being launched in the market and a general slowdown in the introduction of new models of original brand printers, therefore the net proceeds originally allocated to acquiring new models of original brand printers had not been fully utilised.

The Board expects that the unutilised net proceeds allocated to “strengthening the Group’s product development capacity and diversifying the Group’s product portfolio” will be fully utilised on or before 31 December 2026 by outsourcing its research and development projects and purchasing new models of original brand printers.

REASONS FOR THE UPDATED EXPECTED TIMETABLE AND THE CHANGE IN THE USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING (Continued)

Regarding the net proceeds allocated to “accelerating the development of the Group’s hardware design capabilities through acquisition of integrated circuit design company”, although the Group has been exploring for suitable acquisition opportunities that are in line with the Group’s business strategy, in view of the uncertain economic outlook and market uncertainty, the Group had not been able to identify potential targets that are complementary to the Group’s business. The Board expects that the economic uncertainty will continue for a foreseeable future and that the high valuation of integrated circuit design companies will continue due to strong demand for integrated circuit design companies. As a result of the high valuation, it may take longer periods to release returns and lead to increased costs. Accordingly, the Board is of the view that, it is unlikely for the Group to fully utilise the total amount of RMB16.6 million for the acquisition of integrated circuit design company in the near future and has resolved to develop its hardware design capabilities mainly through outsourcing of its hardware design needs to professional research and development companies.

Regarding the net proceeds allocated to “increasing the Group’s presence in the compatible cartridge industry through forward vertical expansion”, at the time of the Listing, according to the industry consultant of the Company for the Listing, the total demand for compatible toner cartridges and compatible ink cartridges in the PRC in terms of sales volume was projected to grow. However due to the outbreak of the COVID-19 pandemic and economic slowdown, there had been a decrease in demand for original brand printers, which in turn resulted in the decrease in demand for compatible cartridges. Although the Group has been exploring for suitable acquisition opportunities since the Listing, the Group had not been able to identify potential targets that are complementary to the Group’s business. The Board is of the view that due to the decrease in demand for compatible cartridges, acquiring downstream compatible cartridge manufacturers may expose the Group to additional liabilities and uncertainties. Instead of acquiring downstream compatible cartridge manufacturers that may not yield immediate returns and require significant ongoing operating, maintenance and repair costs, the Board has resolved to expand its presence in the compatible cartridge industry by selling compatible cartridges produced by other manufacturers under the Group’s brand name through online channels. The Board is of the view that this provides greater flexibility and requires lower upfront investments and represents a better utilisation of the Unutilised Net Proceeds.

REPORT OF DIRECTORS

REASONS FOR THE UPDATED EXPECTED TIMETABLE AND THE CHANGE IN THE USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING (Continued)

The Board has resolved to reallocate the RMB33.1 million originally allocated to “accelerating the development of the Group’s hardware design capabilities through acquisition of integrated circuit design company” and “increasing the Group’s presence in the compatible cartridge industry through forward vertical expansion” as follows:

- RMB30.3 million to be reallocated to expanding its presence in the compatible cartridge industry through online channels. The Group intends to enhance its e-commerce capabilities, which include setting up online shops through e-commerce platforms, increasing digital marketing efforts to improve its online visibility, implementing online marketing promotions and recruiting additional employees for the operation of the online shops. The Board considers that selling of compatible printer cartridges, toner and other finished printer consumables through online channels can increase its market presence, broaden its market reach and attract new customers, which will in turn result in increased sales and improved financial results; and
- RMB2.8 million to be reallocated to general working capital.

Regarding the net proceeds allocated to “improving the functionality of the Group’s back office to support its business growth”, the Directors consider that due to the slowdown of operating activities, there is no immediate need to expand the current team of legal and compliance staff. The Board has resolved to reallocate RMB1.2 million of the net proceeds originally allocated to improving the functionality of the Group’s back office to support its business growth to general working capital.

The Directors consider that the development direction of the Group is still in line with the disclosures in the Prospectus despite the change in use of the Unutilised Net Proceeds as stated above. As at the date of this report of Directors, the Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider the change in use of the Unutilised Net Proceeds in the best interest of the Company and its shareholders as a whole and will not have any material adverse impact on the business and operations of the Group. The Unutilised Net Proceeds will be utilised in a manner consistent with the above usage. The expected 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 plan for the use of the Unutilised Net Proceeds, the Company will make appropriate announcement(s) in due course.

For further details, please refer to the announcement of the Company dated 10 January 2025.

EVENTS AFTER THE RELEVANT PERIOD

The Subscription Agreements

On 8 January 2026 and 23 January 2026, the Company and Geehy International Limited (the “Offeror”) entered into the subscription agreements (the “Subscription Agreements”), pursuant to which the Offeror has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 103,750,000 shares in the Company (the “Subscription Share(s)”) at HK\$0.61 per Subscription Share. The Subscription Shares shall be allotted and issued pursuant to the general mandate to allot and issue shares in the Company granted to the Directors by a resolution of the Shareholders passed at the annual general meeting held on 6 June 2025. The completion of the subscription pursuant to the Subscription Agreements is conditional upon the fulfilment of the conditions precedent as set out in the Subscription Agreements.

The Share Purchase Agreement and Possible Unconditional Mandatory Cash Offer

The Board was informed by the Offeror that on 8 January 2026, the Offeror (as purchaser) and several existing Shareholders (as sellers) entered into the share purchase agreement (the “Share Purchase Agreement”) for the acquisition of an aggregate of 211,000,000 Shares at a total consideration of HK\$105,500,000 (being HK\$0.50 per Sale Share). The completion of the share purchase pursuant to the Share Purchase Agreement is conditional upon the fulfilment of the conditions precedent as set out in the Share Purchase Agreement.

Immediately upon the completion of the Subscription Agreements and the Share Purchase Agreement, the Offeror will be interested in 314,750,000 Shares, representing approximately 50.56% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription Agreements, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the date of the allotment and issue of the Subscription Shares. Accordingly, the Offeror will then be required to make an unconditional mandatory cash offer (the “Offer”) pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”) for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer, if made, will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. The price of the Offer will be HK\$0.61 per Shares payable in cash.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer and will take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

For the details of the Subscription Agreements, the Share Purchase Agreement and the Offer, please refer to the joint announcement dated 23 January 2026 issued by the Company and the Offeror.

REPORT OF DIRECTORS

AUDITOR

The Financial Statements for the Relevant Period have been audited by BDO Limited, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

MEGAIN Holding (Cayman) Co., Ltd.

Cheng Hsien-Wei

Chairman

30 March 2026

CORPORATE GOVERNANCE REPORT

The Board believes that good corporate governance standards are essential to safeguard the interests of the Shareholders, enhance corporate value, formulate our business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles of the CG Code to its corporate governance structure and practices as described in this report. The Board has taken up full corporate governance responsibilities and delegated some corporate governance functions to its three committees under defined terms of reference, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. A summary of the work of the Committees during the Relevant Period and up to the date of this report is set out in this report.

During the Relevant Period and up to the date of this report, the corporate governance practices of the Company have complied with the applicable CG Code provisions as set out in Appendix C1 to the Listing Rules.

CORPORATE PURPOSE AND STRATEGY

The well-defined, long-term corporate purpose of the Group is to maintain and strengthen its position as a leading compatible cartridge chips provider in the PRC by implementing the business strategies of strengthening product development capacity and diversifying product portfolio. The Group has also attempted to explore opportunities in IoT chips market in order to fully exert its research and development capacity. The progress of implementing these business strategies during the Relevant Period was reported in the Management Discussion and Analysis section of this annual report and has been reviewed by the Board with the aim of making sure that the Group has generated sustainable long-term value for the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code governing securities transactions of the Directors. Enquiries have been made to the Directors and all Directors have confirmed that they have fully complied with the standards of dealings as set out in the Model Code during the Relevant Period and up to the date of this report.

BOARD OF DIRECTORS

The Board is the core of the Company's corporate governance framework and its role is clearly separated from that of senior management. The Board is responsible for providing guidance for senior management and maintaining effective supervision over senior management.

The Board currently comprises a total of six Directors, being one Executive Director, two Non-executive Directors and three Independent Non-executive Directors. Mr. Cheng Hsien-Wei (Chairman) served as Executive Director, Mr. Lam Tsz Leung and Ms. Yu Erhao served as Non-executive Directors, Mr. Chen Mark Da-jiang, Mr. Kao Yi-Ping and Mr. Li Huaxiong served as Independent Non-executive Directors. The Non-executive Directors and Independent Non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the best interests of the Group and its Shareholders. One of the Independent Non-executive Directors, Mr. Li Huaxiong, is a qualified accountant who has appropriate professional qualifications and related financial management expertise to meet the requirements under Rule 3.10(2) of the Listing Rules.

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" on pages 26 to 31 of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

To the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationships among members of the Board and senior management of the Company, except for the fact that Mr. Hung Chien-Yuan (洪健元) is the elder brother of Mr. Hung Wen-Lung (洪文隆), both being members of the senior management of the Company.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the company secretary of the Company (the “Company Secretary”). The Board and each Director also have separate and independent access to the Company’s senior management.

RESPONSIBILITIES OF THE BOARD

All the Directors (including the Independent Non-executive Directors) have acquired a proper understanding of the Company’s operation and business and are fully aware of his/her functions and responsibilities under statute and common law, the Listing Rules, and other applicable legal and regulatory requirements. Every Director has given the Company the details on the number and nature of offices held in other companies and significant commitments at the time of his/her appointment.

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs. The Board focuses on formulating the Group’s overall strategies, authorizing the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management’s performance of the Group; and setting the Group’s values and standards. Though the Board delegates the day-to-day management, administration and operation of the Group to the management, all the Directors continue to give sufficient time and attention to the Company’s affairs. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

The Board is also responsible for fostering an appropriate corporate culture that is aligned with the Group’s purpose, values and strategies. Such corporate culture instills and continually reinforces across the Group values of acting lawfully, ethically and responsibly.

BOARD PERFORMANCE REVIEW

The Board evaluates its performance every two years. During the Relevant Period, the Company has not conducted the evaluation of the performance of the Board, except for the review of the Board’s composition and skills. The Board will conduct a board performance review during the year ending 31 December 2026.

DIRECTORS’ AND OFFICERS’ LIABILITIES INSURANCE

The Company has arranged appropriate directors’ and officers’ liability insurance in respect of possible legal actions taken against Directors and officers of the Company arising out of the corporate activities.

BOARD PROCEEDINGS AND ATTENDANCE

Regular Board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the chairman of the Board (the "Chairman") or the Company Secretary to include matters in the agenda for regular Board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of meetings of the Board and board committees are kept by the company secretary in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the Board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring compliance with the Board procedures.

During the Relevant Period and up to date of this report, the Board held 5 meetings. Details of the attendance records of Directors on Board meetings and board committee meetings from the beginning of the Relevant Period to the date of this report are as follows:

Name of Director	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
	Number of Meetings Attended/Held				
<i>Executive Director</i>					
Cheng Hsien-Wei	5/5		1/1		1/1
<i>Non-executive Directors</i>					
Lam Tsz Leung	5/5				1/1
Yu Erhao	5/5			1/1	1/1
<i>Independent Non-executive Directors</i>					
Chen Mark Da-jiang	5/5	4/4	1/1	1/1	1/1
Kao Yi-Ping	5/5	4/4			1/1
Li Huaxiong	5/5	4/4	1/1	1/1	1/1

CORPORATE GOVERNANCE REPORT

APPOINTMENTS AND RE-ELECTION OF DIRECTORS

The Company entered into a letter of appointment with each of our Non-executive Directors and our Independent Non-executive Directors on 27 March 2024 with specific terms. Each of the letters of appointment is for an initial fixed term of three years commencing from 31 March 2024, which may be terminated by either party by giving not less than three months' written notice.

The appointments of all Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association. Under the Articles of Association, at every AGM of the Company, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to, but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Articles of Association also provides that any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Ms. Yu Erhao as a Non-executive Director, and Mr. Kao Yi-Ping and Mr. Li Huaxiong as Independent Non-executive Directors, shall retire at the forthcoming annual general meeting of the Company. The retiring Directors, all being eligible, shall offer themselves for re-election.

Up to the date of this report, no Independent Non-executive Director has served the Company for more than 9 years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the Chairman is separate from that of the chief executive officer of the Group (the "CEO"). They exercised separate responsibilities in the Group. Mr. Wang Hua has been appointed as the CEO since 1 January 2016, and the position of Chairman was held by Mr. Cheng Hsien-Wei since 22 June 2016. The Chairman was responsible for the overall strategic planning and business development of our Group while the CEO was responsible for formulating our corporate strategies and operation plans as well as overseeing the overall management and operations of our Group.

In addition, the Chairman also provides leadership to the Board. He monitors the Board effectiveness and fosters constructive relations among Directors. Up to the date of this report, the Chairman held meetings with the Independent Non-executive Directors without the presence of other Directors.

BOARD COMMITTEES

We have established the following three committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees operate in accordance with their terms of reference established by our Board. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request. Each of the committees is provided with sufficient resources to perform its duties.

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 primary duties of the Audit Committee include, among other things, making recommendations to our Board on the appointment, reappointment and removal of the external auditor, reviewing our financial information, and assisting our Board in providing an independent view of our financial reporting, risk management and internal control systems.

During the Relevant Period and up to the date of this report, the Audit Committee held four meetings. In these meetings, the Audit Committee reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2024, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2025, the audit scope for the Relevant Period, the audited consolidated financial statements for the Relevant Period, and the effectiveness of the internal control practices of the Group.

During the Relevant Period and up to the date of this report, the Audit Committee met the external auditors three times to discuss the audited results for the year ended 31 December 2024, the unaudited consolidated interim financial results for the six months ended 30 June 2025, and the audited results for the Relevant Period without the presence of the Executive Director.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code.

The Remuneration Committee has three members, namely Mr. Chen Mark Da-jiang and Mr. Li Huaxiong, both Independent Non-executive Directors, and Ms. Yu Erhao, a Non-executive Director. Mr. Chen Mark Da-jiang has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among other things, making recommendations to our Board on our policy and structure for the remuneration of our Directors and senior management, and the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee adopted the approach under Code Provision E.1.2(c)(ii) of the CG Code to make recommendation to the Board on the remuneration packages of the individual Executive Directors and senior management of the Company.

One meeting was held by the Remuneration Committee during the Relevant Period and up to the date of this report. At the meeting, the Remuneration Committee reviewed the remuneration policy of the Company and remuneration package of Directors and senior management, and approved the year-end bonus to the Directors and staff at all levels for the year ended 31 December 2025. Since there were no shares granted under the Share Option Scheme, there were no material matters relating to the Share Option Scheme under Chapter 17 of the Listing Rules required to be reviewed or approved by the Remuneration Committee during the Relevant Period.

Remuneration policy

The Remuneration Committee makes recommendations to the Board from time to time on the remuneration of the Executive Directors and CEO. The remuneration of the Executive Directors and CEO is in the form of director's fees/salary and year-end bonus.

It is the remuneration policy of the Company to ensure that remuneration is appropriate and aligns with the Company's purpose, strategies and performance. To achieve this, the Company has taken into consideration a number of relevant factors such as salaries paid by comparable companies, job responsibilities, duties and scope, experience in the industry, market practices, financial and non-financial performance of the Group.

Details of remuneration for the Directors and the five highest paid employees are set out in Note 11 to the Financial Statements.

BOARD COMMITTEES (Continued)

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code.

The Nomination Committee has five members, namely, Mr. Cheng Hsien-Wei, the Chairman and Executive Director, Ms. Yu Erhao, a Non-executive Director, Mr. Chen Mark Da-jiang, Mr. Kao Yi-Ping, and Mr. Li Huaxiong, all Independent Non-executive Directors. Mr. Cheng Hsien-Wei has been appointed as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, among other things, making recommendations on any proposed changes to our Board composition to complement our corporate strategies.

One meeting was held by the Nomination Committee during the Relevant Period and up to the date of this report. At the meeting, the Nomination Committee reviewed the composition of the Board, including its diversity, and assessed the independence of the Independent Non-executive Directors. The Nomination Committee was satisfied that the existing composition of the Board could meet the development of the Group and aligned with the objective and strategies of the Group. It was also satisfied that each of the Independent Non-executive Directors has maintained his independence.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's board diversity policy (the "Board Diversity Policy"). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the relevant criteria of director nomination as formulated by the Company that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Director Nomination Criteria

The Company has formulated the selection criteria in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The director nomination criteria makes clear the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Integrity
- Commitment in respect of available time and relevant interest
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

Time commitment and contribution

Board effectiveness is achieved through the significant commitment and contributions of each Director. On an annual basis, the Nomination Committee, ensuring alignment with the Director's role and responsibilities, reviews and evaluates each Director's time commitment and contributions made to the Board, as well as his ability to discharge his responsibilities effectively. During the Relevant Period, our Directors demonstrated strong engagement and sufficient commitment to the Company's affairs. All Directors have also confirmed that they committed sufficient time to the affairs of the Group throughout their tenure during the year ended 31 December 2025.

The director nomination policy of the Company also includes the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the director nomination criteria and procedures, from time to time and as appropriate, to ensure its effectiveness.

Board Diversity Policy

We consider diversity at the Board level an essential element in promoting our long-term business development. We have adopted the Board Diversity Policy, which sets out the approach to promote, achieve and maintain adequate diversity in our Board. Pursuant to the Board Diversity Policy, the selection of Board candidates will be based on a range of diversity perspectives, including gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The selected candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board. We believe that the Board Diversity Policy will ensure that our Board has the right balance of skills, experience and diversity of perspectives that are required to support the formulation and implementation of business strategies, thus allowing us to achieve sustainable development.

BOARD COMMITTEES (Continued)

Board Diversity Policy (Continued)

We value gender diversity and will continue to take steps to promote gender diversity at all levels of our Company, in particular at the Board level. In order to achieve an appropriate balance of gender diversity in our Board, it is our policy that our Board should have at least one female Director. Currently we have one female Director, namely Ms. Yu Erhao and the Company will maintain that there is at least one female Director in our Board and the Nomination Committee all the time. In addition, we are committed to providing career development and training opportunities for female staff whom we consider have the suitable experience, skills and knowledge with an aim to promote them to senior management members or Directors. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so as to develop a pipeline of potential female successors to our Board.

The Nomination Committee has reviewed the Board skills matrix to map the current expertise of the Board as a strategic tool to identify future recruitment priorities. The Nomination Committee found that our existing Board composition covered the skills and competency of the industry (2 Directors), business management (1 Director), capital market knowledge and experience (2 Directors), and financial and accounting (1 Director), demonstrating a well-balanced skills matrix.

The Nomination Committee is responsible for ensuring the diversity of our Board. The Nomination Committee reviews the implementation and effectiveness of the Board Diversity Policy on an annual basis. The Nomination Committee, which can seek independent professional advice from external experts such as human resources consultants when necessary, mainly comprises Independent Non-executive Directors. The Board believes that independent views and inputs are assured in the implementation of the Board Diversity Policy.

Workforce Diversity

As at 31 December 2025, the Group employed 153 number of staff (excluding Directors), including 93 female and 60 male staff members, representing a female-to-male ratio of 1.6 which demonstrated the dominance of female workers in our workforce. As at 31 December 2025, we had one female and four male members in our senior management team, representing a female-to-male ratio of 0.25. For our Group, gender is neutral in our recruitment consideration as no position of any kind in our Group requires any capability or skill that is regarded as performed better by one gender than another.

The Company considers there to be diversity across its Board and workforce in terms of gender mix, and has therefore not set quantitative targets to refine its gender mix to a specific ratio. With the objective of further optimising gender diversity in mind, the Group will continue to take gender diversity into account in its ongoing recruitment process. Accordingly, the Board considered the objectives of the Board Diversity Policy and work force diversity to be achieved.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established by our Company and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance and code of conduct applicable to employees and Directors, reviewing and monitoring training and continuous professional development of Directors and senior management and our Company's policies and practices on compliance with legal and regulatory requirements, as well as reviewing the Company's compliance with the CG Code and disclosure in our corporate governance reports.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of the Group and that he/she is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements.

All Directors are provided with regularly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge his/her duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in continuous professional development on the following topics by reading materials and attending training programmes to develop and refresh their knowledge.

Name of Director	Topics				
	Board and directors' duties	Listing Rules and Hong Kong law compliance	Corporate governance and ESG matters	Risk management and internal controls	Industry and business updates
<i>Executive Director</i>					
Cheng Hsien-Wei	✓	✓	✓	✓	✓
<i>Non-executive Directors</i>					
Lam Tsz Leung	✓	✓	✓	✓	✓
Yu Erhao	✓	✓	✓	✓	✓
<i>Independent Non-executive Directors</i>					
Chen Mark Da-jiang	✓	✓	✓	✓	✓
Kao Yi-Ping	✓	✓	✓	✓	✓
Li Huaxiong	✓	✓	✓	✓	✓

Each Director has confirmed that he/she has spent not less than 2 hours in studying the knowledge and skills in respect of each topic.

COMPANY SECRETARY

The Board appointed Mr. Wong Cheuk Lam as the Company Secretary on 1 March 2020, responsible for the secretarial affairs of the Company and ensuring a good information flow within the Board and compliance with the board policy and procedures. He is an employee of the Company and has day-to-day knowledge of the Company's affairs. During the Relevant Period, he has confirmed that he has duly complied with the relevant requirement under Rule 3.29 of the Listing Rules. His biographical details are set out in the paragraph headed "Biographies of Directors and Senior Management" in this annual report.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the Relevant Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report from page 68 to page 72 in this annual report.

Internal Control and Risk Management

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The Board realizes that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board reviews the effectiveness of the risk management and internal control system at least once annually.

The Company has formulated internal control measures and procedures in various aspects, including risks relating to ESG, information system, human resources, internal control and credit in order to provide reasonable assurance for our operations, reporting and compliance.

Identification of risk

The Company identifies risk at the activity level which can help to focus risk assessment on major business units or functions and also contribute to maintaining an acceptable level across the Group. We also review periodically economic and industry factors affecting our business and meet industry analysts and players to keep abreast of the new developments of the industry. Factors such as increased competition, regulatory changes, personnel changes, and developments in the markets which contribute to and increase risks are always on the watch list.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

(Continued)

Internal Control and Risk Management (Continued)

Evaluation of risk

The evaluation of risk involves procedures to assess the probability of occurrence of adverse events and the potential size of the risk. The Company will prioritize risks according to their impact and likelihood in terms of their potential effect on the Company's objectives.

Risk management

The Board will decide a suitable risk response to an identified risk and ensure that it can align with the Company's risk appetite and risk tolerance. Risk responses include accepting the risk, transferring the risk such as changing contractual terms, eliminating the risk such as adopting an exit strategy, controlling the risk such as building control measures into the operational process, and sharing the risk with another party such as insuring against the risk. The Board is also responsible for establishing and implementing the appropriate policies and procedures to ensure the risk responses are effectively carried out.

The risk management and internal control system of the Group has the following main features:

- it is embedded into the daily operations of the Group;
- it emphasizes a culture of risk awareness by the involvement of all staff members across the Group;
- it is a continuing process involving re-identification of risk, reappraisal of risk profile and appetite, improvement of risk control measures, etc; and
- it considers the need to engage external advisers to assess the risk management framework.

Major Risks and Uncertainties

During the Relevant Period, the Board and the Audit Committee reviewed the material risks encountered by the Group. The risk areas identified included two market risks – market competition and the lack of new models of original printers for developing new compatible printer chips – and one geopolitical risk, namely the potential increase in production costs (such as energy and transportation costs) arising from political and military tensions in different regions worldwide.

Under a three-tier classification system, the significance level of market risks was classified as "High," which has adversely affected the Group's results for several years, while the significance level of geopolitical risks was classified as "Middle". The trend of market risks is expected to continue, and the potential negative impacts of geopolitical risks on our operations may materialize soon if energy prices keep rising.

Reference should be made to the section "Management Discussion and Analysis" of the annual report for details of the impacts of these risks on our financial results during the Relevant Period.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Internal Control and Risk Management (Continued)

An internal audit team of the Company has been set up and assists the Board and the Audit Committee in their review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function will examine key issues in relation to the accounting practices and all material controls.

The Board had conducted a review of the effectiveness of the risk management and internal control systems of the Company in respect of the Relevant Period by reviewing the internal control report issued by the internal audit team, and considered the system effective and adequate in all material aspects in both design and operations. In the event that material internal control defects are discovered, the Board will assign the internal audit team to take follow-up actions.

The Group has established a whistleblowing policy and system for employees and other stakeholders of the Group such as customers, suppliers, contractors, creditors, debtors, etc. to raise concerns about possible improprieties related to the Group. The Group has also established an anti-corruption policy which has been incorporated into the staff manual of the Group in order to promote and support anti-corruption laws and regulations.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the SFO, the Group has taken various procedures and measures, including: (i) promoting the awareness to preserve confidentiality of inside information within the Group; (ii) sending blackout period and securities dealing restrictions notification to the relevant directors and employees before the commencement of blackout or other trade restriction period; and (iii) disseminating information to specified persons on a need-to-know basis and referring closely to the “Guidelines on Disclosure of Inside Information” issued by the SFC in June 2012.

EXTERNAL AUDITOR

BDO Limited has been appointed as the external auditor of the Company for the Relevant Period. The Audit Committee has been notified of the nature and the service charges of the services performed by BDO Limited.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR (Continued)

For the Relevant Period, the remuneration paid or payable to BDO Limited in respect of audit and non-audit services provided is set out below:

	Remuneration paid/ payable RMB'000
Services rendered	
Audit services:	
– 2025 annual audit	831
Non-audit services:	
– Review on the interim financial statements of the Group for the six months ended 30 June 2025	256
	<hr/>
	1,087

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor up to the date of this report.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to convene extraordinary general meeting

According to Article 58 of the Articles of Association, any one or more members of the Company (i.e. Shareholders) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

SHAREHOLDERS' RIGHTS (Continued)

Right to convene extraordinary general meeting (Continued)

The written requisition shall be deposited at the place of business of the Company in Hong Kong (Room 09, 11/F Wayson Commercial Building, 28 Connaught Road West, Sheung Wan, Hong Kong), or, in the event the Company ceases to have such place of business, the registered office of the Company (Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands). The requisition must state clearly the name of the requisitioner(s), his/her/their shareholding in the Company at the date of deposit of the requisition, the reason(s) to convene the EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM, the contact details of the requisitioner(s), the number of the identity document of the requisitioner(s), and signed by all requisitioner(s).

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association or the Companies Act regarding procedures for Shareholders to put forward proposals at general meetings. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries. Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

There was no change in the constitutional documents of the Company during the Relevant Period. The Articles of Association is available on the respective website of the Stock Exchange and the Company.

The Company has established its shareholders' communication policy, which includes channels for Shareholders to communicate their views on matters affecting the Company, as well as steps taken to solicit and understand the views of Shareholders and stakeholders of the Company. The Board reviewed the implementation and effectiveness of the shareholders' communication policy and considered that the policy has been effective during the Relevant Period and up to the date of this annual report after taking into consideration factors such as the timeliness of information disclosure, number of information and meeting requests received and responsiveness to enquiries from the Shareholders and the investment community.

By order of the Board
MEGAIN Holding (Cayman) Co., Ltd.

Cheng Hsien-Wei
Chairman
30 March 2026

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF MEGAIN HOLDING (CAYMAN) CO., LTD.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of MEGAIN Holding (Cayman) Co., Ltd. (the “Company”) and its subsidiaries (together the “Group”) set out on pages 73 to 142, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Impairment assessment of non-financial assets

As at 31 December 2025, the carrying amount of the Group's property, plant and equipment and intangible assets amounted to RMB23,712,000 and RMB13,341,000 (collectively "non-financial assets"). The Group has sustained a loss of RMB83,697,000 for the year ended 31 December 2025 and accordingly, the management considered that there was indicator of impairment of the Group's non-financial assets.

For the purpose of assessing impairment, these assets were allocated to respective cash generating units ("CGUs"). Impairment loss is recognised by which the carrying amount of a CGU exceeds its recoverable amount. Recoverable amount of each CGU is the higher of its fair value less costs of disposal ("FVLCOD") and value-in-use ("VIU").

In measuring the CGUs' FVLCOD, the management performed the calculation with reference to valuations prepared by external valuation expert.

Based on the assessment, impairment losses on property, plant and equipment and intangible assets amounted to RMB2,989,000 and RMB18,398,000 respectively are recognised in profit or loss for the year ended 31 December 2025.

We focused on this area and identified it as the key audit matter because of the significance of non-financial assets to the Group and the level of the subjectivity associated with the judgement and assumptions used in estimating the recoverable amount of the CGUs.

Refer to "Impairment of non-financial assets" in summary of accounting policies in note 4(k), critical accounting estimates and judgements in note 5 and disclosures of detail of the impairment assessment in note 16 to the consolidated financial statements.

Our response:

Our audit procedures in relation to management's impairment assessment included:

- Understood and evaluated management's impairment assessment through discussion with the management and its external valuation expert;
- Evaluated the competence and objectivity of the management's external valuation expert;
- Discussed with the management's external valuation expert to understand and evaluate the appropriateness of their valuation methodology;
- Engaged our external valuation expert to assist us in evaluating the management's impairment assessment methodology, the appropriateness of the discount rates used, the key assumptions applied and calculations contained, where applicable;
- Assessed our external valuation expert's qualifications, experience and expertise and considered their objectivity and independence;

INDEPENDENT AUDITOR'S REPORT

- Assessed management's future cash flow forecasts and calculations of VIU of the CGUs with the assistance of our external valuation expert. Our procedures included:
 - Obtained the discounted cash flow analysis of the relevant CGUs prepared by the management and its external valuation expert;
 - Evaluated the historical accuracy of the discounted cash flow analysis made by the management and its external valuation expert by comparing the historical analysis made against the actual performance of the Group; and
 - Performed sensitivity analysis of the key assumptions adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions.
- Assessed management's FVLCOD calculations on CGUs with the assistance of our external valuation expert. Our procedures included:
 - Assessed the reasonableness of the underlying key assumptions used;
 - Assessed and challenged the appropriateness of other key input data; and
 - Assessing the mathematical accuracy of FVLCOD calculations.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Chan Tsz Hung

Practising Certificate Number P06693

Hong Kong, 30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	6 & 7	155,338	149,654
Cost of sales and services		(146,619)	(101,403)
Gross profit		8,719	48,251
Other income and gains and losses	8	3,833	16,496
Impairment losses of trade receivables	37(a)	(1,958)	(1,712)
Impairment losses of property, plant and equipment	15	(2,989)	–
Impairment losses of intangible assets	16	(18,398)	–
Research and development expenses		(22,232)	(19,142)
Selling and distribution expenses		(16,511)	(9,929)
Administrative expenses		(28,579)	(22,852)
Finance costs	9	(721)	(306)
(Loss)/profit before income tax expense	10	(78,836)	10,806
Income tax expense	12	(4,861)	(1,144)
(Loss)/profit for the year		(83,697)	9,662
Other comprehensive income for the year, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(899)	192
Total comprehensive income for the year		(84,596)	9,854
(Loss)/profit for the year attributable to:			
Owners of the Company		(83,691)	9,662
Non-controlling interests	30	(6)	–
		(83,697)	9,662
Total comprehensive income for the year attributable to:			
Owners of the Company		(84,590)	9,854
Non-controlling interests		(6)	–
		(84,596)	9,854
(Loss)/earnings per share – Basic and diluted	14	(0.161)	0.019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	15	23,712	6,320
Intangible assets	16	13,341	24,114
Prepayments	19	356	5,770
Other receivables	19	2,092	1,272
Finance lease receivable	25(d)	227	491
Deferred tax assets	26	–	1,268
Bank deposits		40,000	40,000
Total non-current assets		79,728	79,235
Current assets			
Inventories	17	22,095	33,730
Trade receivables	18	53,654	67,349
Deposits, prepayments and other receivables	19	14,565	26,834
Finance lease receivables	25(d)	264	254
Income tax recoverable		–	437
Bank deposits		20,000	30,000
Cash and cash equivalents	34	144,602	172,352
Total current assets		255,180	330,956
Current liabilities			
Trade payables	20	15,091	17,963
Accruals and other payables	21	8,170	8,271
Bank borrowings	22	12,000	10,000
Lease liabilities	25(b)	2,776	483
Contract liabilities	23	667	524
Provisions	24	870	1,368
Total current liabilities		39,574	38,609
Net current assets		215,606	292,347
Total assets less current liabilities		295,334	371,582

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Lease liabilities	25(b)	8,148	141
Deferred tax liabilities	26	245	654
Total non-current liabilities		8,393	795
NET ASSETS		286,941	370,787
Capital and reserves			
Share capital	27	4,325	4,325
Reserves	29	281,872	366,462
Equity attributable to owners of the Company		286,197	370,787
Non-controlling interests	30	744	–
TOTAL EQUITY		286,941	370,787

On behalf of the board of directors

Cheng Hsien-Wei
Director

Yu Erhao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Reserves							
	Share capital RMB'000 (Note 27)	Share premium RMB'000 (Note 29(a))	Other reserves RMB'000 (Note 29(b))	Statutory reserve RMB'000 (Note 29(c))	Foreign exchange reserve RMB'000 (Note 29(d))	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 year	-	-	-	-	-	9,662	9,662	9,662
<i>Other comprehensive income</i>								
Exchange differences arising on translation of foreign operations	-	-	-	-	192	-	192	192
Total comprehensive income	-	-	-	-	192	9,662	9,854	9,854
<i>Transactions with owners</i>								
Dividend paid in respect of the previous year (Note 13)	-	(9,286)	-	-	-	-	(9,286)	(9,286)
Total transactions with owners	-	(9,286)	-	-	-	-	(9,286)	(9,286)
Balance at 31 December 2024	4,325	132,637	8,460	34,500	5,235	185,630	366,462	370,787

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2025

	Reserves								
	Share capital RMB'000 <i>(Note 27)</i>	Share premium RMB'000 <i>(Note 29(a))</i>	Other reserves RMB'000 <i>(Note 29(b))</i>	Statutory reserve RMB'000 <i>(Note 29(c))</i>	Foreign exchange reserve RMB'000 <i>(Note 29(d))</i>	Retained earnings RMB'000	Attributable	Non- controlling interests RMB'000	Total equity RMB'000
							to owners of the Company 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 year	-	-	-	-	-	(83,691)	(83,691)	(6)	(83,697)
<i>Other comprehensive income</i>									
Exchange differences arising on translation of foreign operations	-	-	-	-	(899)	-	(899)	-	(899)
Total comprehensive income	-	-	-	-	(899)	(83,691)	(84,590)	(6)	(84,596)
<i>Transaction with owners</i>									
Capital contribution from non-controlling interests <i>(Note 30)</i>	-	-	-	-	-	-	-	750	750
Total transactions with owners	-	-	-	-	-	-	-	750	750
Balance at 31 December 2025	4,325	132,637	8,460	34,500	4,336	101,939	281,872	744	286,941

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
(Loss)/profit before income tax expense		(78,836)	10,806
Adjustments for:			
Amortisation of intangible assets	10	4,931	3,244
Bank interest income	8	(1,621)	(7,379)
Depreciation of property, plant and equipment	10	5,800	3,481
Effect of lease modifications	8	(9)	(44)
Finance costs	9	721	306
Bad debts written off	10	–	64
Provision for impairment losses of inventories	10	6,070	573
Impairment losses of trade receivables	37(a)	1,958	1,712
Impairment losses of property, plant and equipment	15	2,989	–
Impairment losses of intangible assets	16	18,398	–
Interest income from finance lease receivables	8	(23)	(8)
Interest income from financial assets at fair value through profit or loss	8	–	(541)
Loss on disposal of property, plant and equipment	10	3	363
Waiver of debt	8	(1,000)	–
Write-off of property, plant and equipment	10	405	–
<i>Operating (loss)/profit before working capital changes</i>		(40,214)	12,577
Decrease in inventories		5,565	6,151
Decrease/(increase) in trade receivables		11,737	(10,692)
Decrease/(increase) in deposits, prepayments and other receivables		11,449	(6,341)
(Decrease)/increase in trade payables		(1,872)	11,776
(Decrease)/increase in accruals and other payables		(101)	187
Increase in contract liabilities		143	129
Decrease in provisions		(498)	(1,245)
<i>Cash (used in)/generated from operations</i>		(13,791)	12,542
Income tax paid		(1,718)	(1,247)
Withholding tax paid		(1,847)	(652)
Net cash (used in)/generated from operating activities		(17,356)	10,643

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

<i>Notes</i>	2025 RMB'000	2024 RMB'000
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	(13,567)	(5,040)
Payment for the purchase of intangible assets	(7,133)	(8,376)
Proceeds from disposal of property, plant and equipment	15	–
Prepayments of acquisition of property, plant and equipment and intangible assets	–	(5,770)
Repayment of finance lease receivable	254	206
Disposal of financial assets at fair value through profit or loss	–	90,000
Investment in financial assets at fair value through profit or loss	–	(30,000)
Decrease/(increase) in bank deposits	10,000	(70,000)
Interest received	1,644	7,928
Net cash used in investing activities	(8,787)	(21,052)
Cash flows from financing activities		
Proceeds from bank borrowings	34(c) 12,000	20,000
Repayment of bank borrowings	34(c) (10,000)	(10,000)
Interest paid on bank borrowings	34(c) (332)	(226)
Repayment of principal portion of the lease liabilities	34(c) (2,726)	(1,684)
Interest paid on lease liabilities	34(c) (389)	(80)
Capital contribution from non-controlling interests	30 750	–
Dividends paid	13 –	(9,286)
Net cash used in financing activities	(697)	(1,276)
Net decrease in cash and cash equivalents	(26,840)	(11,685)
Cash and cash equivalents at 1 January	172,352	183,826
Effect of foreign exchange rate changes	(910)	211
Cash and cash equivalents at 31 December	34(a) 144,602	172,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of its subsidiaries is the 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. ADOPTION OF HKFRS ACCOUNTING STANDARDS (“HKFRSs”)

(a) Adoption of amended HKFRSs

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability
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Impact of the adoption of these amended HKFRSs and HKASs on the Group’s results and financial position for current or prior period are discussed below.

These amendments do not have a material impact on these consolidated financial statements.

**NOTES TO THE CONSOLIDATED
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FOR THE YEAR ENDED 31 DECEMBER 2025

2. ADOPTION OF HKFRSs (Continued)

(b) New and amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual improvements to HKFRS Accounting Standards – Volume 11 ²
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to HKFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to IAS 1	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2026.

² Effective for annual periods beginning on or after 1 January 2027.

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the HKICPA.

The adoption of these new or amended HKFRSs has no material impact on the Group's financial statements except as explained below.

HKFRS 18, Presentation and Disclosure in Financial Statements

HKFRS 18 improves comparability and transparency of companies' performance reporting. HKFRS 18 has also resulted in narrow changes to the statement of cash flows.

HKFRS 19, Subsidiaries without Public Accountability: Disclosures

The adoption of HKFRS 19 is optional. HKFRS 19 specifies the disclosure requirements that an entity is permitted to apply to substitute the disclosure requirements in other HKFRSs. The Company's shares are listed and traded in The Stock Exchange of Hong Kong Limited. Therefore, it has public accountability according to HKFRS 19 and does not qualify for electing to apply the standard to prepare its financial statements.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred as the “HKFRS Accounting Standards” or “HKFRSs”) issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

(c) Functional and presentation currency

The functional currency of the Company is United States dollars (“US\$”), while the consolidated financial statements are presented in Renminbi (“RMB”). All values are rounded to the nearest thousand (RMB’000) except when otherwise indicated. The consolidated financial statements are presented in RMB as in the opinion of the directors of the Group, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the reporting periods. The useful lives are as follows:

Leasehold improvements	1 to 5 years
Machineries and equipment	3 to 5 years
Motor vehicles	5 to 7 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset’s estimated recoverable amount.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(a) Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(b) Leases

The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group presents right-of-use assets within the same line item of "property, plant and equipment".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Leases (Continued)

The Group as a lessee (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed lease payments less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Leases (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

(c) Intangible assets

(i) Intangible assets acquired separately

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each of the reporting periods. Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software and patents	3 to 10 years
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Intangible assets (Continued)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(d) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets including trade receivables, deposits and other receivables and cash and cash equivalents are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Financial assets at fair value through profit or loss: Assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

- 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised cost, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status of the debtor.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Financial instruments (Continued)

(iii) Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(e) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Revenue recognition

Sales of chips and trading of integrated circuits and other cartridge components (together as “sales of compatible cartridge chips”)

Revenue from sales of compatible cartridge chips is recognised at a point in time upon delivery of the goods to the customer.

The Group permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered. The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data of products. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventories. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Technical and design services income

The Group provides technical, design, research and development, and testing services for chips based on contracts entered with customers. Under the terms of the contracts, if the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced or the asset created or enhanced has no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, the Group recognises revenue from overtime by using output method based on progress reports certified by customers upon each milestone set in the contracts. Otherwise, revenue is recognised at a point in time when the customer obtain the control of the asset.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Revenue recognition (Continued)

Contract cost

Cost to fulfill a contract are capitalised as inventory if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocation of costs and other costs that are incurred only because of the Group entered into the contract. Costs of fulfilling a contract, which are not capitalised as inventory, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(g) Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(h) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from the initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Employee benefits

(i) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the “Scheme”), whereby the subsidiaries of the Group in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. As at 31 December 2025, the Group had no forfeited contributions available to reduce the existing level of contributions.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) for Hong Kong subsidiaries, under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company in an independently administered fund. The Hong Kong subsidiaries’ employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. For forfeited contributions that are not vest fully, if any, may be used to reduce the existing level of contributions.

(ii) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are deducted in reporting the related expense or recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted the grant in calculating the carrying amount of the asset that is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense. An unconditional government grant is recognised in profit or loss as other revenue when the grant becomes receivable.

(k) Impairment of non-financial assets

At the end of each of the reporting periods, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- intangible assets with finite lives.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired.

(m) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in HKFRS financial statements.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined by reference to the country where the majority of the Company's subsidiaries operate.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of non-financial assets

In determining whether an item of non-financial assets is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing:

- (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence;
- (ii) whether the carrying value of an asset or a CGU can be supported by the recoverable amount of the CGU, which is the higher of fair value less costs of disposal and value-in-use of the CGU. The value-in-use calculation is based on the net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, or derecognition; and
- (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates, revenue growth rate and forecasting periods assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Revenue recognition – Estimating variable consideration for returns

The Group estimates variable considerations to be included in the transaction price for the sale of compatible cartridge chips with rights of return.

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data of product to come up with the expected return percentages. During the year ended 31 December 2025, the expected return rate is 0.6% (2024: 1.1%). This percentage is applied to determine the expected value of the variable consideration. The provisions of the expected return as at 31 December 2025 is RMB870,000 (2024: RMB1,357,000). Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Revenue recognition – Estimating variable consideration for returns (Continued)

The Group updates its assessment of expected returns annually and the refund liabilities are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns entitlements may not be representative of customers' actual returns entitlements in the future.

Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises the intangible assets in accordance with the accounting policies stated in Notes 4(a) and 4(c) respectively. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets. The management reassesses the estimated useful lives at the end of each of the reporting periods.

Impairment of receivables

The impairment of trade, deposits and other receivables are based on assumptions about risk of default and ECLs rates. The Group adopts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of the reporting period. As at 31 December 2025, the Group's gross receivables and their related impairment allowances amounted to RMB64,731,000 and RMB5,519,000 (2024: RMB79,188,000 and RMB4,128,000) respectively.

Estimates of current tax and deferred tax

Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related tax. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made. As at 31 December 2025, the Group's deferred tax assets, deferred tax liabilities and income tax recoverable amounted to RMBNil, RMB245,000 and RMBNil (2024: RMB1,268,000, RMB654,000 and RMB437,000) respectively.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Management reassesses these estimates at the end of each reporting periods. As at 31 December 2025, the Group's gross inventories and their related impairment allowances amounted to RMB30,618,000 and RMB8,523,000 (2024: RMB36,183,000 and RMB2,453,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of non-financial assets

Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable, except that intangible assets that are not yet available for use are tested for impairment at least annually. The Group assesses whether there are any indicators of impairment for all applicable non-financial assets at the end of each reporting period. An impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

6. SEGMENT INFORMATION

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. The chief operating decision-maker assesses the performance of the business based on a measure of operating results and consider the business in a single operating segment. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment and no segment information is presented.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**
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6. SEGMENT INFORMATION (Continued)

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

	2025 RMB'000	2024 RMB'000
Products		
Sales of chips	72,247	122,457
Trading of integrated circuits and other cartridge components	83,091	27,197
	155,338	149,654
Timing of revenue recognition		
Point in time	155,338	149,654

(ii) Geographic information

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

	2025 RMB'000	2024 RMB'000
External revenue by location of customers		
PRC	67,897	106,577
Overseas	87,441	43,077
	155,338	149,654

	2025 RMB'000	2024 RMB'000
Non-current assets by location of assets		
PRC	36,031	29,511
Overseas	1,022	923
	37,053	30,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. SEGMENT INFORMATION (Continued)

(iii) Information about major customers

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

	2025 RMB'000	2024 RMB'000
Customer A	61,366	36,464

7. REVENUE

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

The Group is principally engaged in the provision of research, design, development and sales of compatible cartridge chips. An analysis of the Group's revenue by category for the year ended 31 December 2025 is disclosed in Note 6.

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2025 RMB'000	2024 RMB'000
Trade receivables (Note 18)	53,654	67,349
Contract liabilities (Note 23)	667	524

Contract liabilities represent receipts in advance from customers for goods or services that have not yet been transferred to the customers. As at 31 December 2025, the contract liabilities represented the receipts in advance received from sales of compatible cartridge chips.

As at 31 December 2025, the Group did not have transaction price allocated to performance obligations that are unsatisfied under contracts for technical and design services for chips (2024: RMBNil).

**NOTES TO THE CONSOLIDATED
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8. OTHER INCOME AND GAINS AND LOSSES

An analysis of other income and gains and losses is as follows:

	2025 RMB'000	2024 RMB'000
Bank interest income	1,621	7,379
Interest income from finance lease receivables	23	8
Interest income from financial assets at fair value through profit or loss	–	541
Exchange (losses)/gains, net	(1,679)	1,387
Government grants (<i>note</i>)	2,894	6,124
Effect of lease modifications (<i>Note 25(c)</i>)	9	44
Waiver of debt	1,000	–
Sundry (expense)/income, net	(35)	1,013
	3,833	16,496

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.

9. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on bank borrowings	332	226
Interest on lease liabilities (<i>Note 25(c)</i>)	389	80
	721	306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

10. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/profit before income tax expense is arrived at after charging:

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	126,753	90,218
Provision for impairment losses of inventories	6,070	573
Cost of inventories recognised as expense	132,823	90,791
Amortisation of intangible assets	4,931	3,244
Auditor's remuneration	1,087	1,250
Bad debt written off	–	64
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	2,925	1,851
– Right-of-use assets	2,875	1,630
Loss on disposal of property, plant and equipment	3	363
Write-off of property, plant and equipment	405	–
Short-term leases expenses (<i>Note 25(c)</i>)	374	398
Research and development expenses (other than staff costs)	14,567	9,706
Staff costs (including directors' emoluments (<i>Note 11</i>))		
– Salaries, wages and other benefits	24,542	24,573
– Retirement scheme contributions	4,408	4,405
	28,950	28,978

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2025

11. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Details of directors' emoluments during the reporting period are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2025					
<i>Executive director</i>					
Mr. Cheng Hsien-Wei	1,291	127	95	22	1,535
<i>Non-executive directors</i>					
Mr. Lam Tsz Leung	133	-	9	-	142
Ms. Yu Erhao	133	-	9	-	142
<i>Independent non-executive directors (note (i))</i>					
Mr. Chen Mark Da-jiang	133	-	9	-	142
Mr. Kao Yi-Ping	133	-	9	-	142
Mr. Li Huaxiong	133	-	9	-	142
	1,956	127	140	22	2,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

11. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

Details of directors' emoluments during the reporting period are as follows: (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2024					
<i>Executive directors</i>					
Mr. Cheng Hsien-Wei	1,283	124	118	24	1,549
<i>Non-executive directors</i>					
Mr. Lam Tsz Leung	138	–	–	–	138
Ms. Yu Erhao	138	–	–	–	138
<i>Independent non-executive directors (note (i))</i>					
Mr. Chen Mark Da-jiang	138	–	–	–	138
Mr. Kao Yi-Ping	138	–	–	–	138
Mr. Li Huaxiong	138	–	–	–	138
	1,973	124	118	24	2,239

Notes:

- (i) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.
- (ii) No directors received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the reporting period. No directors waived or agreed to waive any emoluments during the reporting period.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2025

11. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS
(Continued)

(b) The five highest paid individuals

The five highest paid individuals of the Group during the reporting period are analysed as follows:

	2025 Number of individuals	2024 Number of individuals
Directors	1	1
Non-directors, the highest paid individuals	4	4
	5	5

Details of the emoluments of the above non-directors highest paid individuals during the reporting period are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other benefits	1,834	1,877
Discretionary bonuses	806	632
Retirement scheme contributions	231	207
	2,871	2,716

The emoluments of the non-directors highest paid individuals were within the following band:

	2025 Number of individuals	2024 Number of individuals
Nil to RMB1,000,000	4	4

During the reporting period, no emoluments were paid by the Group to any directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any emolument during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

11. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2025 Number of individuals	2024 Number of individuals
Nil to RMB1,000,000	6	6

12. INCOME TAX EXPENSE

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

	2025 RMB'000	2024 RMB'000
PRC Enterprise Income Tax		
– Current year	–	580
– Under provision in prior years	2,155	46
Deferred tax		
– Charged to profit or loss for the year (Note 26)	859	518
Withholding tax	1,847	–
Income tax expense	4,861	1,144

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 years ended 31 December 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.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**
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12. INCOME TAX EXPENSE (Continued)

Under the PRC Enterprise Income Tax Law (the “EIT 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 year. For the year ended 31 December 2025, income tax provision is calculated at 15% (2024: 15%) of the assessable income of Zhuhai Megain.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

Withholding tax arose from the payment of a withholding tax at 5% (2024: 10%), for the dividend paid by Zhuhai Megain to its immediate holding company outside the PRC, Megain Group (HK) Limited (“Megain Group (HK)”) in respect of the year ended 31 December 2025.

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

	2025 RMB'000	2024 RMB'000
(Loss)/profit before income tax expense	(78,836)	10,806
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	(12,295)	2,480
Tax effect of revenue not taxable for tax purposes	(469)	(1,739)
Additional reduction in research and development expenses	(1,711)	(2,433)
Tax effect of expenses not deductible for tax purposes	7,387	2,391
Tax effect of tax losses not recognised	8,005	400
Tax effect of deductible temporary differences not recognised	(58)	(1)
Under provision in prior years	2,155	46
Withholding tax on dividend declared by a PRC subsidiary	1,847	–
Income tax expense	4,861	1,144

13. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Final dividends – RMB0.0179 per share for the year ended 31 December 2023	–	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 year ended 31 December 2023. The board of directors did not propose any final dividend for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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

The calculation of basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	2025 RMB'000	2024 RMB'000
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to the owners of the Company)	(83,691)	9,662

	2025 Number'000	2024 Number'000
Number of shares Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	518,750	518,750

Note:

Weighted average of 518,750,000 shares for the years ended 31 December 2025 and 2024 represent the number of shares in issue throughout the year.

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as the Group had no dilutive potential ordinary shares for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets <i>(Note 25(a))</i> RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost					
At 1 January 2024	5,042	1,218	8,400	4,220	18,880
Additions	776	–	5,770	–	6,546
Disposals	(2,694)	–	(1,377)	(827)	(4,898)
Effect of lease modifications	(1,152)	–	–	–	(1,152)
Exchange realignment	(11)	8	(23)	–	(26)
At 31 December 2024 and 1 January 2025	1,961	1,226	12,770	3,393	19,350
Additions	12,593	–	2,605	10,962	26,160
Disposals	(1,172)	–	(258)	–	(1,430)
Effect of lease modifications	(179)	–	–	–	(179)
Write-off	–	–	(1,105)	–	(1,105)
Exchange realignment	11	(7)	10	1	15
At 31 December 2025	13,214	1,219	14,022	14,356	42,811
Accumulated depreciation and impairment					
At 1 January 2024	3,277	1,078	5,879	3,760	13,994
Charge for the year	1,630	59	1,355	437	3,481
Disposals	(2,694)	–	(63)	(827)	(3,584)
Effect of lease modifications	(838)	–	–	–	(838)
Exchange realignment	(17)	7	(13)	–	(23)
At 31 December 2024 and 1 January 2025	1,358	1,144	7,158	3,370	13,030
Charge for the year	2,875	44	2,162	719	5,800
Impairment for the year (note 16)	277	–	1,704	1,008	2,989
Disposals	(1,172)	–	(240)	–	(1,412)
Effect of lease modifications	(610)	–	–	–	(610)
Write-off	–	–	(700)	–	(700)
Exchange realignment	3	(7)	5	1	2
At 31 December 2025	2,731	1,181	10,089	5,098	19,099
Net carrying amount					
At 31 December 2025	10,483	38	3,933	9,258	23,712
At 31 December 2024	603	82	5,612	23	6,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. INTANGIBLE ASSETS

	Software and patents RMB'000
Cost	
At 1 January 2024	23,494
Additions	11,440
Disposals	(367)
Exchange realignment	(12)
At 31 December 2024 and 1 January 2025	34,555
Additions	12,547
Exchange realignment	11
At 31 December 2025	47,113
Accumulated amortisation	
At 1 January 2024	7,575
Amortisation charge for the year	3,244
Disposals	(367)
Exchange realignment	(11)
At 31 December 2024 and 1 January 2025	10,441
Amortisation charge for the year	4,931
Impairment for the year (note)	18,398
Exchange realignment	2
At 31 December 2025	33,772
Net carrying amount	
At 31 December 2025	13,341
At 31 December 2024	24,114

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
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16. INTANGIBLE ASSETS (Continued)

Note

During the year, the gross profit margin of sales of chips business CGU ("Chips CGU") decreased significantly as a result of keen competition of the compatible cartridge chips industry. The Group considered it is an indication of impairment and accordingly, the Group has performed impairment assessment for the Chips CGU.

For the purpose of impairment assessment of non-financial assets, property, plant and equipment (note 15) and intangibles assets that generate cash flows together are included in a CGU for the purpose of impairment assessment. Chips CGU is identified as the only CGU of the Group.

The recoverable amount of the Chips CGU has been determined by the directors on the basis of fair value less cost of disposal ("FVLCO") with reference to independent professional valuation report issued by Yinxin Assets Appraisal Co., Ltd..

The FVLCO was determined using income approach and market approach, where applicable, which largely used both observable and unobservable inputs, including royalty rate for trademark and patents, discount rate of time value, as well as price adjustment index for property, plant and equipment. The fair value of the Chips CGU subject to FVLCO calculation is within level 3 of the fair value hierarchy.

The key assumptions used for the FVLCO of Chips CGU are as follows:

Royalty rate for trademark and patents	RMB48,200 to RMB1,805,800
Discount rate of time value	11.59% to 16.11%
Price adjustment index for property, plant and equipment	50% to 72%

As at 31 December 2025, the recoverable amount for the Chips CGU is RMB37,500,000. The recoverable amount is below the carrying amount of the Chips CGU by RMB21,387,000. Accordingly, impairment losses on property, plant and equipment and intangible assets amounted to RMB2,989,000 and RMB18,398,000 respectively are recognised during the year.

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FOR THE YEAR ENDED 31 DECEMBER 2025

17. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	10,795	25,030
Finished goods	9,624	7,747
Goods-in-transit	1,277	93
Right to recover returned goods	399	860
	22,095	33,730

Notes:

During the year, a provision of RMB6,070,000 (2024: RMB573,000) was made against the carrying value of inventories.

18. TRADE RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	59,173	71,477
Less: Loss allowance for trade receivables	(5,519)	(4,128)
	53,654	67,349

Notes:

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

During the years ended 31 December 2025 and 2024, the Group offered credit periods ranging from 30 to 120 days to its customers. Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit term granted to customers is reviewed regularly.

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of each of the reporting periods:

	2025 RMB'000	2024 RMB'000
Within 90 days	34,707	47,125
91 to 180 days	15,696	10,754
Over 180 days	3,251	9,470
	53,654	67,349

- (b) The Group recognised impairment of trade receivables for the years ended 31 December 2025 and 2024 based on the accounting policies stated in Note 4(d)(ii). Further details are set out in Note 37(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Deposits and other receivables		
– Non-current	2,092	1,272
– Current	3,466	6,439
	5,558	7,711
Other taxes recoverable – Current	1,043	1,965
	6,601	9,676
Prepayments (<i>note (a)</i>)		
– Non-current	356	5,770
– Current	10,056	18,430
	10,412	24,200
	17,013	33,876

Notes:

- (a) The non-current prepayments included prepaid costs for acquisition of property, plant and equipment and intangible assets while the current prepayments major included purchases of materials and subcontracting services of various research and development projects commenced during the year ended 31 December 2025.
- (b) No impairment loss has been recognised on the deposits and other receivables for the years ended 31 December 2025 and 2024 based on the accounting policies stated in Note 4(d)(ii). Further details are set out in Note 37(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

20. TRADE PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	15,091	17,963

Notes:

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

	2025 RMB'000	2024 RMB'000
Within 30 days	11,423	13,686
31 to 90 days	2,368	1,759
Over 90 days	1,300	2,518
	15,091	17,963

21. ACCRUALS AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Accruals	4,624	5,371
Other payables	3,088	1,543
Refund liabilities	458	1,357
	8,170	8,271

**NOTES TO THE CONSOLIDATED
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22. BANK BORROWINGS

	2025 RMB'000	2024 RMB'000
Current – unsecured		
Bank loans due for repayment within one year	12,000	10,000

Note: As at 31 December 2025, bank loans were denominated in RMB, unsecured and repayable on 20 March 2026 and 24 September 2026, respectively. Interest is charged at 2.5% (2024: 2.9%) per annum.

23. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Contract liabilities arising from:		
<i>Sales of compatible cartridge chips</i>		
– Billing in advance of performance	667	524

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the commencement of production activity, this gives rise to contract liabilities at the start of a contract, until the revenue recognised exceeds the amount of the deposit. The amount of the sales deposit, if any, is negotiated on a case by case basis with customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

23. CONTRACT LIABILITIES (Continued)

Movement in contract liabilities

	RMB'000
At 1 January 2024	395
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(218)
Increase as a result of billing in advance of sales of compatible cartridge chips	347
At 31 December 2024 and 1 January 2025	524
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(658)
Increase as a result of billing in advance of sales of compatible cartridge chips	801
At 31 December 2025	667

24. PROVISIONS

	Assurance- type warranties RMB'000
At 1 January 2024	2,613
Utilised in the year	(1,220)
Decrease in the year	(25)
At 31 December 2024 and 1 January 2025	1,368
Utilised in the year	(1,368)
Increase in the year	870
At 31 December 2025	870

The provision for assurance-type warranties relates to the sales of compatible cartridge chips during the years ended 31 December 2025 and 2024. The provision has been estimated based on historical data associated with similar products. The Group expects to settle the liability within next year.

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FOR THE YEAR ENDED 31 DECEMBER 2025

25. LEASES

The Group leases a number of properties in the PRC, Taiwan and Hong Kong. The periodic rent is fixed over the lease term.

(a) Right-of-use assets

	2025 RMB'000	2024 RMB'000
Properties leased for own use, carried at depreciated cost (Note 15)	10,483	603

(b) Lease liabilities

	Properties leased for own use RMB'000
At 1 January 2024	1,878
Additions	776
Effect of lease modifications	(358)
Interest expenses	80
Lease payments	(1,764)
Exchange realignment	12
At 31 December 2024 and 1 January 2025	624
Additions	12,593
Effect of lease modifications	422
Interest expenses	389
Lease payments	(3,115)
Exchange realignment	11
At 31 December 2025	10,924

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25. LEASES (Continued)

(b) Lease liabilities (Continued)

Future lease payments are due as follows:

	2025 RMB'000	2024 RMB'000
Minimum lease payment due		
– Within 1 year	3,114	499
– Between 1 to 2 years	2,896	142
– Between 2 to 5 years	5,696	–
	11,706	641
Less: future finance charges	(782)	(17)
Present value of lease liabilities	10,924	624
– Current	2,776	483
– Non-current	8,148	141

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities (Note 9)	389	80
Depreciation charge of right-of-use assets (Note 15)	2,875	1,630
Short-term leases expenses (Note 10)	374	398
Effect of lease modifications (Note 8)	9	44

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25. LEASES (Continued)

(d) Finance lease receivables

The Group entered into a finance lease arrangement as a lessor for an automated production line for three years.

The risk arising from unguaranteed residual value on the assets under lease is not significant, because of the existence of a secondary market of these assets.

	Minimum lease payments 2025 RMB'000	Present value of minimum lease payments 2025 RMB'000
Finance lease receivables comprise:		
Within one year	277	264
In the second and third years	231	227
	508	491
Less: Unearned finance income	(17)	
Present value of minimum lease payment receivables	491	
Analysed as:		
Current		264
Non-current		227
		491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

25. LEASES (Continued)

(d) Finance lease receivables (Continued)

	Minimum lease payments 2024 RMB'000	Present value of minimum lease payments 2024 RMB'000
Finance lease receivables comprise:		
Within one year	277	254
In the second and third years	509	491
	786	745
Less: Unearned finance income	(41)	
Present value of minimum lease payment receivables	745	
Analysed as:		
Current		254
Non-current		491
		745

Details of impairment assessment of finance lease receivables are set out in note 37(a).

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26. DEFERRED TAX (ASSETS)/LIABILITIES

	Right to recover returned goods RMB'000	Undistributed profits of foreign operation (Note) RMB'000	Interest income receivables RMB'000	Refund liabilities RMB'000	Provision for impairment of trade receivables RMB'000	Provision for assurance- type warranties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	119	649	-	(208)	(369)	(392)	(282)	(483)
Settled during the year	-	(652)	-	-	-	-	-	(652)
Charged/(credited) to profit or loss for the year	9	-	654	5	(251)	187	(86)	518
Exchange realignment	-	3	-	-	-	-	-	3
At 31 December 2024 and 1 January 2025	128	-	654	(203)	(620)	(205)	(368)	(614)
(Credited)/charged to profit or loss for the year (Note 12)	(128)	-	(409)	203	620	205	368	859
At 31 December 2025	-	-	245	-	-	-	-	245

The following is the analysis of deferred tax balances for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Deferred tax assets	-	(1,268)
Deferred tax liabilities	245	654

Note:

According to the PRC EIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC or earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Since, the Group controls the dividend policy of the Group's PRC subsidiaries, deferred tax liabilities arising from the undistributed profits of the Group's PRC subsidiaries is only provided to the extent that such profits are expected to be distributed in the foreseeable future.

As at 31 December 2025, the aggregate amount of temporary differences associated with deferred tax liabilities has not been recognised for the remaining undistributed profits of the Group's PRC subsidiary, namely Zhuhai Megain, was RMB167,454,000 (2024: RMB281,245,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of temporary differences and it is probable that such differences will not be reversed in the foreseeable future under the Group's current dividend policy.

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27. SHARE CAPITAL

	Number of share '000	Amount RMB'000
Ordinary shares, issued and fully paid: At 31 December 2024 and 2025	518,750	4,325

28. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was approved and adopted by the Company on 26 February 2021.

The Scheme is effective for a period of 10 years commencing on 31 March 2021 of the Company. Under the Scheme, the board of directors may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the period as specified in the offer letter issued by the Company. Once such acceptance is made, the option shall be deemed to have been granted and to have taken effect from the offer date. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

The period as the board of directors may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the Listing Rules from time to time (which is, as at the date of adoption of the Scheme, a period of 10 years from the date of the grant of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 10% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the reporting period. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

29. RESERVES

The Group

Details of the movements of the Group's reserves for the years ended 31 December 2025 and 2024 are presented in the consolidated statements of changes in equity.

The nature and purposes of reserves within equity as follows:

- (a) Share premium is arising from the issuance of new shares at price in excess of the par value of the shares.
- (b) Other reserves represented the aggregate of the paid up capital and capital reserve of the subsidiaries now comprising the Group attributable to the shareholders prior to the group reorganisation completed in 2016.
- (c) Statutory reserves represented the amount transferred from net profit for the year of the subsidiaries established in the PRC (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reach 50% of the registered capital of the subsidiaries. The statutory reserves cannot be reduced except either in setting off the accumulated losses or increasing capital, provided the remaining balance of this reserve is not less than 25% registered capital of the subsidiaries.
- (d) Foreign exchange reserve comprise all relevant translation differences arising from the translation of the financial statements of operations with functional currency other than RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. RESERVES (Continued)

The Company

The movements of the Company's reserves during the reporting period are as follows:

	Share premium RMB'000	Foreign exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2024	141,923	8,834	(55,613)	95,144
Loss for the year	–	–	(3,656)	(3,656)
Exchange differences arising on translation of the Company	–	100	–	100
Dividend paid in respect of the previous year	(9,286)	–	–	(9,286)
Balance at 31 December 2024 and 1 January 2025	132,637	8,934	(59,269)	82,302
Loss for the year	–	–	(4,227)	(4,227)
Exchange differences arising on translation of the Company	–	32	–	32
Balance at 31 December 2025	132,637	8,966	(63,496)	78,107

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30. NON-CONTROLLING INTERESTS

Summarised financial information in relation to a subsidiary of the Group that have material non-controlling interest (“NCI”), before intra-group eliminations, is presented below:

	2025	2024
Percentage of equity interest held by NCI: Guangdong Moyan New Material Co., Ltd. (“GD Moyan”)	30%	–

For the year ended 31 December 2025

	GD Moyan RMB'000
Revenue	–
Loss for the year	21
Loss allocated to NCI	6
Cash flows used in operating activities	(21)
Cash flows generated from investing activities	–
Cash flows generated from financing activities	–
Net cash outflows	(21)
Current assets	2,587
Non-current assets	–
Current liabilities	(108)
Non-current liabilities	–
Net assets	2,479
Accumulated NCI	744

During the year ended 31 December 2025, the NCI of GD Moyan made a capital contribution in cash of RMB750,000.

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31. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
Non-current assets			
Investment in a subsidiary		85,952	85,952
Current assets			
Prepayments and deposits		78	221
Amounts due from subsidiaries		7,626	17
Cash and cash equivalents		479	1,433
Total current asset		8,183	1,671
Current liabilities			
Accruals and other payables		1,021	996
Amounts due to subsidiaries		10,682	–
Total current liabilities		11,703	996
Net current (liabilities)/assets		(3,520)	675
Total assets less current liabilities		82,432	86,627
NET ASSETS		82,432	86,627
Capital and reserves			
Share capital	27	4,325	4,325
Reserves	29	78,107	82,302
TOTAL EQUITY		82,432	86,627

On behalf of the board of directors

Cheng Hsien-Wei
Director

Yu Erhao
Director

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32. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ place of operations	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities and place of business
			Direct	Indirect	
Megain Group (HK)	Hong Kong	HK\$100,425,000	100%	–	Trading of compatible cartridge chips outside of the PRC and investment holding
Hongkong Aurasky Co., Limited	Hong Kong	HK\$100,000	–	100%	Dormant
Megain Holding (BVI) Pte, Ltd. ("Megain BVI") (Note (c))	BVI	US\$50,000	–	100%	Research, design, development and sales of compatible cartridge chips in Taiwan
Megain International (HK) Limited ("Megain Int'l")	Hong Kong	HK\$1,000,000	–	100%	Investment holding
MEGAIN US INC (Note (c))	US	US\$20,000	–	100%	Trading of compatible cartridge chips on US online platform
珠海美佳音科技有限公司 Zhuhai Megain (Notes (a), (c) and (d))	PRC	RMB69,000,000	–	100%	Research, design, development, and sale of compatible cartridge chips
Aurasky US Inc (Note (c))	US	US\$20,000	–	100% (2024: nil)	Trading of compatible cartridge chips on US online platform
Megain OfficePrime Inc (Note (c))	US	US\$20,000	–	100% (2024: nil)	Trading of compatible cartridge chips on US online platform

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ place of operations	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities and place of business
			Direct	Indirect	
Weain US Inc <i>(Note (c))</i>	US	US\$20,000	–	100% (2024: nil)	Dormant
廣東墨研新材料有限公司 GD Moyan <i>(Notes (a), (c) and (d))</i>	PRC	RMB5,000,000	–	70% (2024: nil)	Research and development of new material, sale of office equipment
珠海億聞科技有限公司 Zhuhai Yiwen Technology Co., Ltd. <i>(Notes (a), (c) and (d))</i>	PRC	RMB1,000,000	–	100% (2024: nil)	Research, design, development, and sale of compatible cartridge chips
深圳美佳音科技有限公司 Shenzhen Megain Technology Co., Ltd. <i>(Notes (a), (c) and (d))</i>	PRC	RMB1,000,000	–	100% (2024: nil)	Research, design, development, and sale of compatible cartridge chips

Notes:

- (a) The English name of a subsidiary established in the PRC is translated for identification purpose only.
- (b) All companies now comprising the Group have adopted 31 December as their financial year end date.
- (c) The financial statements of these subsidiaries for the years ended 31 December 2025 and 2024 were not audited by BDO Limited.
- (d) The entity was established in the PRC in the form of wholly foreign-owned enterprise.

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33. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Remuneration of key management personnel, who are directors of the Group, during the years ended 31 December 2025 and 2024 was disclosed in Note 11.

34. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2025 RMB'000	2024 RMB'000
Cash on hand	537	399
Cash at banks	144,065	171,953
	144,602	172,352

(b) Major non-cash transactions

During the year ended 31 December 2025, the Group had non-cash additions to the right-of-use assets of RMB12,593,000 (2024: RMB776,000) and lease liabilities of RMB12,593,000 (2024: RMB776,000) respectively in respect of arrangements for properties leased for own use located in the PRC.

During the year ended 31 December 2025, the Group had non-cash modification to the right-of-use assets of RMB625,000 (2024: RMBNil) and lease liabilities of RMB625,000 (2024: RMBNil) respectively in respect of arrangements for a property leased for own use located in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Bank borrowings <i>(Note 22)</i> RMB'000	Lease liabilities <i>(Note 25(b))</i> RMB'000
At 1 January 2024	–	1,878
Changes from financing cash flows:		
Proceeds from bank borrowings	20,000	–
Repayment of bank borrowings	(10,000)	–
Repayment of principal portion of the lease liabilities	–	(1,684)
Interest paid	(226)	(80)
Other changes:		
Additions to new leases	–	776
Effect of lease modifications	–	(358)
Finance costs	226	80
Exchange realignment	–	12
At 31 December 2024 and 1 January 2025	10,000	624
Changes from financing cash flows:		
Proceeds from bank borrowings	12,000	–
Repayment of bank borrowings	(10,000)	–
Repayment of principal portion of the lease liabilities	–	(2,726)
Interest paid	(332)	(389)
Other changes:		
Additions to new leases	–	12,593
Effect of lease modifications	–	422
Finance costs	332	389
Exchange realignment	–	11
At 31 December 2025	12,000	10,924

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35. CAPITAL COMMITMENTS

	2025 RMB'000	2024 RMB'000
Commitments for acquisition of intangible assets	1,036	5,691

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2025 RMB'000	2024 RMB'000
Financial assets		
<i>Financial assets at amortised cost</i>		
– Trade receivables	53,564	67,349
– Finance lease receivables	491	745
– Deposits and other receivables	5,558	7,711
– Bank deposits	60,000	70,000
– Cash and cash equivalents	144,602	172,352
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
– Trade payables	15,091	17,963
– Accruals and other payables	7,712	6,914
– Bank borrowings	12,000	10,000
<i>Lease liabilities</i>	10,924	624

Financial instruments not measured at fair value

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.

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37. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risks (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. Details of these financial instruments are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade receivables, other receivables, finance lease receivables and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group does not obtain collateral from the counterparties. At the end of the reporting period, the Group has a certain concentration of credit risk as 30.2% (2024: 12.3%) and 59.4% (2024: 44.3%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Trade receivables

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. To measure the ECLs on a collective basis, the trade receivables have been grouped based on shared credit risk characteristics (i.e. usually by locations) and the days past due for different customer segments. The ECLs on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporated forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

The Group has categorised the customers in following segments when measuring the ECLs on a collective basis:

Customer segments	Description
Regular	Large-scale customers enjoying credit term of 120 days
Normal	Small and medium size customers enjoying credit term below 120 days

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37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

As at 31 December 2025 and 2024, the provisions made against the gross amount of trade receivables are as follows:

31 December 2025	ECLs rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Collective assessment				
<i>Regular customers</i>				
Current (not past due)	7.6	9,426	(718)	8,708
Less than 90 days past due	11.1	3,175	(353)	2,822
Over 180 days past due	42.5	1,391	(591)	800
		13,992	(1,662)	12,330
<i>Normal customers</i>				
Current (not past due)	0.9	28,841	(263)	28,578
Less than 90 days past due	1.4	11,133	(158)	10,975
91 days to 180 days past due	7.3	591	(43)	548
Over 180 days past due	19.9	800	(159)	641
		41,365	(623)	40,742
Individual assessment	84.75	3,816	(3,234)	582
		59,173	(5,519)	53,654

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37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

31 December 2024	ECLs rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Collective assessment				
<i>Regular customers</i>				
Current (not past due)	0.6	17,120	(96)	17,024
Less than 90 days past due	1.2	8,759	(102)	8,657
91 days to 180 days past due	–	13	–	13
Over 180 days past due	19.7	568	(112)	456
		26,460	(310)	26,150
<i>Normal customers</i>				
Current (not past due)	0.1	31,304	(25)	31,279
Less than 90 days past due	0.2	6,701	(16)	6,685
91 days to 180 days past due	11.9	42	(5)	37
Over 180 days past due	50.0	8	(4)	4
		38,055	(50)	38,005
Individual assessment	54.1	6,962	(3,768)	3,194
		71,477	(4,128)	67,349

The management of the Group has also assessed all available forward-looking information, including but not limited to expected growth rate of the industry and expected subsequent settlement, and concluded that there is no significant increase in credit risk.

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37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the reporting period is as follows:

	RMB'000
At 1 January 2024	2,456
Amount written off during the year	(40)
Impairment loss recognised during the year	1,712
At 31 December 2024 and 1 January 2025	4,128
Amount written off during the year	(560)
Impairment loss recognised during the year, net	1,958
Exchange realignment	(7)
At 31 December 2025	5,519

Other receivables

ECLs model for other receivables are summarised below:

Other receivables that are not credit-impaired on initial recognition are classified in “Stage 1” and have their credit risk continuously monitored by the Group. The ECLs are measured on a 12-month basis.

- If a significant increase in credit risk (as define below) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired. The ECLs are measured on lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”. The ECLs are measured on lifetime basis.
- At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial instrument subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

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37. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Other receivables (Continued)

As at 31 December 2025 and 2024, no provision was made against the gross amount of other receivables because the Group considered the impact of the impairment of other receivables to be insignificant based on past credit history and the nature of the other receivables.

Finance lease receivables

For the finance lease receivables of automated production line, the Group performs impairment assessment under ECL model under application of HKFRS 9 by assigning it to the Group's internal credit rating scale individually, giving an internal credit rating and the ECL on these assets with the same internal credit rating are assessed in a collective basis.

The management of the Group considers the loss allowance for these finance lease receivables within lifetime ECL as at 31 December 2025 was insignificant and accordingly no allowance for credit losses is provided.

In respect of bank balances and bank deposits, the credit risk is limited because majority of the deposits are placed with reputable financial institutions.

The credit policies have been consistently applied and are considered to be effective in managing the Group's exposure.

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37. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, bank borrowings and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policy has been followed by the Group during the year and is considered by the directors to have been effective in managing liquidity risks.

The following table summarises the Group's remaining contractual maturity for its financial liabilities based on the undiscounted cash flows of financial liabilities and the earliest date the Group can be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
At 31 December 2025					
Trade payables	15,091	15,091	15,091	-	-
Accruals and other payables	7,712	7,712	7,712	-	-
Bank borrowings	12,000	12,205	12,205	-	-
Lease liabilities	10,924	11,706	3,114	2,896	5,696
	45,727	46,714	38,122	2,896	5,696

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FOR THE YEAR ENDED 31 DECEMBER 2025

37. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
At 31 December 2024					
Trade payables	17,963	17,963	17,963	-	-
Accruals and other payables	6,914	6,914	6,914	-	-
Bank borrowings	10,000	10,220	10,220	-	-
Lease liabilities	624	641	499	142	-
	35,501	35,738	35,596	142	-

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has no significant interest bearing financial assets and liabilities. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

(d) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk primarily through sales and purchases which give rise to trade and other receivables, amounts due from immediate shareholders and cash and cash equivalents that are denominated in a currency other than the functional currency of the operations to which they relate.

The currencies giving rise to this risk are primarily US\$. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk.

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37. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
US\$	81,600	53,794	(9,901)	(5,097)

The following table indicates the approximate change in the Group's profit for the year and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit/decrease in loss and other equity where the US\$ strengthens against the relevant currency. For a weakening of the US\$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Increase/ (decrease) in foreign exchange rate RMB'000	Effect on profit for the year and retained earnings RMB'000
2025		
US\$	5% (5%)	3,047 (3,047)
2024		
US\$	5% (5%)	2,070 (2,070)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

37. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign currency risk (Continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In this respect, it is assumed that the pegged rate between HK\$ and US\$ would be materially unaffected by any changes in movement in value of US\$ against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or obtain new bank borrowings. No changes were made in the objectives, policies or processes for managing capital during the year.

As part of this review, the directors of the Group consider the cost of capital and the risk associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through issuance of new shares as well as the addition of new borrowings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as trade and other payables, bank borrowings, lease liabilities less cash and bank balances. Total capital is calculated as "equity", as shown in the statement of financial position, plus net debt.

**NOTES TO THE CONSOLIDATED
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37. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital management (Continued)

The gearing ratios at 31 December 2025 and 2024 were as follows:

	2025 RMB'000	2024 RMB'000
Trade payables	15,901	17,963
Accruals and other payables	8,170	8,271
Bank borrowings	12,000	10,000
Lease liabilities	10,924	624
Less: Cash and bank balances	(204,602)	(242,352)
Net debt	(157,607)	(205,494)
Total equity	286,941	370,787
Total capital	129,334	165,293
Gearing ratio	N/A	N/A

38. FAIR VALUE MEASUREMENTS

Fair values of the Group's financial assets and liabilities at amortised cost are not materially different from their carrying amounts as explained in Note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

39. EVENTS AFTER THE REPORTING PERIOD

The Subscription Agreements

On 8 January 2026 and 23 January 2026, the Company and Geehy International Limited (the “Offeror”) entered into the subscription agreements (the “Subscription Agreements”), pursuant to which the Offeror has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 103,750,000 shares in the Company (the “Subscription Share(s)”) at HK\$0.61 per Subscription Share. The Subscription Shares shall be allotted and issued pursuant to the general mandate to allot and issue shares in the Company granted to the Directors by a resolution of the shareholders of the Company passed at the annual general meeting held on 6 June 2025. The completion of the subscription pursuant to the Subscription Agreements is conditional upon the fulfilment of the conditions precedent as set out in the Subscription Agreements.

The Share Purchase Agreement and Possible Unconditional Mandatory Cash Offer

The Board was informed by the Offeror that on 8 January 2026, the Offeror (as purchaser) and several existing Shareholders (as sellers) entered into the share purchase agreement (the “Share Purchase Agreement”) for the acquisition of an aggregate of 211,000,000 Shares at a total consideration of HK\$105,500,000 (being HK\$0.50 per Sale Share). The completion of the share purchase pursuant to the Share Purchase Agreement is conditional upon the fulfilment of the conditions precedent as set out in the Share Purchase Agreement.

Immediately upon the completion of the Subscription Agreements and the Share Purchase Agreement, the Offeror will be interested in 314,750,000 Shares, representing approximately 50.56% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription Agreements, assuming that there will be no changes in the issued share capital of the Company between the date of these financial statements and the date of the allotment and issue of the Subscription Shares. Accordingly, the Offeror will then be required to make an unconditional mandatory cash offer (the “Offer”) pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”) for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer, if made, will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code. The price of the Offer will be HK\$0.61 per Shares payable in cash.

The Offeror intends to maintain the listing of the shares of the Company on the Stock Exchange following the close of the Offer and will take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the shares of the Company.

Details of the above are set out in the joint announcement made by the Company and the Offeror dated 23 January 2026.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issued by the Board on 30 March 2026.