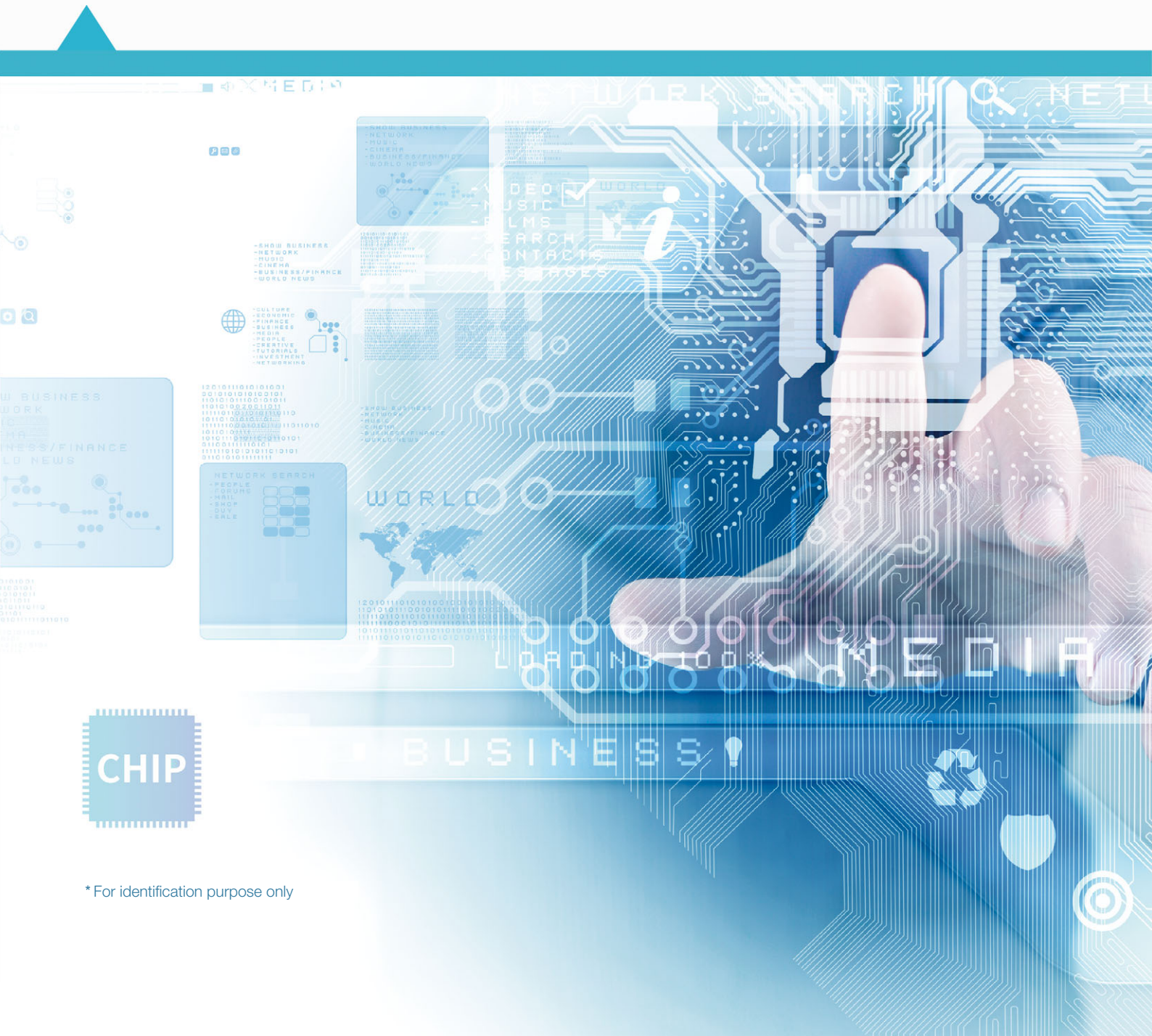


MEGAIN Holding (Cayman) Co., Ltd. 美佳音控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock code: 6939



* For identification purpose only

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“BDO Limited”	BDO Limited Certified Public Accountants
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China and, for the sole purpose of this report, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	MEGAIN Holding (Cayman) Co., Ltd. (美佳音控股有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2016, which is the holding company of our Group and the Shares of which are listed on the Main Board
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code(s)” or “CG Code(s)”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“COVID-19”	the Coronavirus Disease 2019
“Director(s)”	the director(s) of our Company
“Executive Director”	the executive director of our Company
“GLC”	GOOD LOYAL CORPORATION (忠好有限公司), a company incorporated in the BVI with limited liability on 7 July 2017 and wholly owned by Mr. Yu, a substantial shareholder of our Company
“Global Offering”	the offer of 37,500,000 new Shares for subscription by the public in Hong Kong and the conditional placing of 87,500,000 new Shares to international investors by our Company at the offer price of HKD1.26

“GMTL”	GLOBAL MEGAIN TECHNOLOGY PTE. LTD., an international business company incorporated in Belize on 23 December 2014 and wholly owned by Mr. Cheng, a substantial shareholder of our Company
“Group”	the Company and its subsidiaries
“HK\$”, “HKD” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IC”	integrated circuit, a set of electronic circuits where all the elements of the circuit are integrated together on a single semiconductor chipset
“Independent Non-executive Director(s)”	independent non-executive director(s) of our Company
“IoT”	Internet of Things, being a system of interrelated computing devices, mechanical and digital machines, objects and people with the ability to transfer data over a network; the system includes physical devices, vehicles, home appliances and other items embedded with electronics, software, sensors and actuators, which enables these objects to connect, collect and exchange data through various communication protocols
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	31 March 2021, the date on which the Shares are listed and dealings in the Shares first commenced on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Mr. Cheng”	Mr. Cheng Hsien-Wei (鄭憲徽), an Executive Director, the chairman of our Board and a substantial shareholder of our Company
“Mr. Lam”	Mr. Lam Tsz Leung (林子良), a Non-executive Director and a substantial shareholder of our Company
“Mr. Yu”	Mr. Yu Yiding (余一丁), a substantial shareholder of our Company
“Non-executive Director(s)”	non-executive director(s) of our Company

DEFINITIONS

“Prospectus”	the prospectus of the Company dated 18 March 2021 in relation to the Global Offering and the Listing
“Relevant Period”	the six months ended 30 June 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 26 February 2021
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“Zhuhai Megain”	Zhuhai Megain Technology Co., Ltd.* (珠海美佳音科技有限公司), a company incorporated in the PRC with limited liability on 13 September 2010 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

* for identification purpose only

CORPORATE INFORMATION

DIRECTORS

Executive Director

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

Non-executive Directors

Mr. Lam Tsz Leung (林子良)

Ms. Yu Erhao (余尔好)

Independent Non-executive Directors

Mr. Chen Mark Da-jiang (陳大江)

Mr. Kao Yi-Ping (高亦平)

Mr. Li Huaxiong (李華雄)

AUDIT COMMITTEE MEMBERS

Mr. Li Huaxiong (李華雄) (*Chairman*)

Mr. Chen Mark Da-jiang (陳大江)

Mr. Kao Yi-Ping (高亦平)

REMUNERATION COMMITTEE MEMBERS

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

Mr. Li Huaxiong (李華雄)

Ms. Yu Erhao (余尔好)

NOMINATION COMMITTEE MEMBERS

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

Mr. Chen Mark Da-jiang (陳大江)

Mr. Li Huaxiong (李華雄)

COMPANY SECRETARY

Mr. Wong Cheuk Lam (黃焯琳)

HKICPA, CPAA, HKACG, ACG

AUTHORISED REPRESENTATIVES

Mr. Cheng Hsien-Wei (鄭憲徽)

Mr. Wong Cheuk Lam (黃焯琳)

REGISTERED OFFICE

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Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Sheung Wan

Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

AUDITOR

BDO Limited

Certified Public Accountants

25/F, Wing On Centre

111 Connaught Road Central, Hong Kong

CORPORATE INFORMATION

LEGAL ADVISER

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

PRINCIPAL BANKERS

China Resources Bank of Zhuhai Co., Ltd.
(Yinhua Branch)
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Xingye Road, Xiangzhou District
Zhuhai City, Guangdong Province
The PRC

DBS Bank (HongKong) Limited
11/F The Center
99 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

<http://www.megaincayman.com>

STOCK CODE

6939

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		% Increase/ (decrease)
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	
Revenue	65,733	87,058	(24.5)%
Cost of sales and services	(44,413)	(51,444)	(13.7)%
Gross profit	21,320	35,614	(40.1)%
Gross profit margin	32%	41%	(9) percentage points
Profit before tax	429	17,584	(97.6)%
Profit for the period	405	14,932	(97.3)%
Basic and diluted earnings per share (in RMB)	0.001	0.029	(96.6)%

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)	% Changes Increase/ (decrease)
	Total assets	395,363	
Total liabilities	33,907	19,990	69.6%
Net assets	361,456	370,219	(2.4)%

KEY FINANCIAL RATIOS

	Notes	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)	Changes in percentage points Increase/ (decrease)
		Current ratio	1	
Quick ratio	2	9.6	17.2	(7.6) percentage points
Gearing ratio	3	0.03	0	0.03 percentage points

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective dates.
2. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities as at the respective dates.
3. Gearing ratio represents total debt divided by total equity as at the end of a period and multiplying the resulting value by 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Compatible Cartridge Chips Business

With the steady recovery of the global economy, the business environment of the compatible printer cartridge chips industry has improved, and the demand for compatible printer cartridge chips has increased considerably. During the Relevant Period, the Group's sales volume of compatible printer cartridge chips increased from approximately 5,624,000 pieces for the six months ended 30 June 2023 to approximately 7,136,000 pieces, representing an increase of approximately 26.9%. However, the keen competition in the compatible printer cartridge chips industry significantly impacts the gross profit. The average selling price per piece of the Group's compatible printer cartridge chip decreased by approximately 31.3% from approximately RMB11.8 per piece in the same period last year to approximately RMB8.1 per piece during the Relevant Period. The Group's gross profit margin of compatible printer cartridge chips for the Relevant Period narrowed significantly from approximately 40.9% in the same period last year to 32.4% for the Relevant Period.

In order to cope with the fierce competition in the market, the Group has accelerated the research and development of new models of compatible printer cartridge chips. The number of newly developed compatible printer cartridge chips of the Group during the Relevant Period and the comparative data of the same period last year are as follows:

	As at 30 June	
	2024	2023
	Number of newly developed compatible printer cartridge chips	Number of newly developed compatible printer cartridge chips
Compatible printer chips applied to the following products:		
Desktop laser printer	297	98
Desktop inkjet printer	51	0
Commercial printer	45	8
Total:	393	106

The gross profit margins of the new model compatible printer cartridge chips are generally higher than those of the old model. Most of the newly developed compatible printer cartridge chips will be launched in the second half of 2024.

BUSINESS REVIEW (Continued)

Internet of Things Chips Business

Since the commencement of the IoT chips business, the Group has developed a series of IoT chips such as Hall sensor chips, PMICs, battery charge management ICs, etc. At the same time, we have also developed IoT products such as temperature and humidity measuring instruments to provide customers with IoT solutions. During the Relevant Period, the Group successfully developed 45 IoT chips, including low-dropout regulating chips (the “LDO”) for power management.

The IoT chip market is expansive and characterized by a broad array of applications and a substantial number of buyers who typically engage in transactions of small quantities. Consequently, building a customer base can be a time-consuming process. 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 weak recovery of China’s manufacturing industry, the gross profit margin of the Group’s IoT chips business was temporarily unsatisfactory during the Relevant Period, but the Group has put more effort into various aspects such as marketing and hopes to improve the performance of the IoT chips business as soon as possible.

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 during the Relevant Period, mainly selling compatible printer cartridges, toner and other finished printer consumables. Due to the short period of operation, there is no comparable data to analyze, but the Group is still very encouraged by having an additional source of revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our overall revenue decreased by approximately 24.5% from approximately RMB87.1 million for the six months ended 30 June 2023 to approximately RMB65.7 million for the Relevant Period. The following table summarises the revenue for each of the product categories by application during the periods indicated:

	Six months ended 30 June							
	2024 (Unaudited)				2023 (Unaudited)			
	Revenue	% of total revenue	Sales volume 000' pieces of chips	Average selling price RMB	Revenue	% of total revenue	Sales volume 000' pieces of chips	Average selling price RMB
	RMB'000	%			RMB'000	%		
Sales of chips								
Product category-application								
– Desktop laser printers	44,395	67.5	4,684	9.5	52,870	60.7	4,128	12.8
– Desktop inkjet printers	12,242	18.6	2,323	5.3	12,429	14.3	1,384	9.0
– Commercial printers ¹	1,298	2.1	130	10.0	1,174	1.3	112	10.5
Sub-total	57,935	88.2	7,136	8.1	66,473	76.3	5,624	11.8
Sales of other chips	2,508	3.8	5,377	0.5	2,067	2.4	253	8.2
Technical and design services for chips	–	–	–	–	3,443	4.0	N/A	N/A
Trading of ICs and other cartridge components²	5,290	8.0	N/A	N/A	15,075	17.3	N/A	N/A
Total	65,733	100			87,058	100		

Notes:

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

FINANCIAL REVIEW (Continued)

Revenue (Continued)

(i) Sales of compatible cartridge chips

Our revenue from the sales of compatible cartridge chips decreased by approximately 12.8% from approximately RMB66.5 million for the six months ended 30 June 2023 to approximately RMB57.9 million for the Relevant Period. The decrease was mainly attributable to the decrease in revenue from the sales of our chips for desktop laser printers from approximately RMB52.9 million for the six months ended 30 June 2023 to approximately RMB44.4 million for the Relevant Period.

The sales volume of compatible cartridge chips increased to approximately 7,136,000 pieces for the Relevant Period from approximately 5,624,000 pieces for the corresponding period of last year. However, the average selling price of our compatible cartridge chips decreased to approximately RMB8.1 per piece for the Relevant Period from approximately RMB11.8 per piece for the corresponding period of last year. The decrease of average selling price was mainly due to the intensifying competition in the industry.

(ii) Sales of other chips

In addition to the Hall sensor chips the Group launched in 2021, the Group developed some new IoT chips such as PMICs, battery management ICs, etc. We also provide customised IoT solution to clients. The sales of other chips for the Relevant Period increased by approximately 21.3% from approximately RMB2.1 million for the six months ended 30 June 2023 to approximately RMB2.5 million for the Relevant Period. The increase was mainly due to the introduction of new IoT chips, mainly PMICs.

(iii) Trading of ICs and other cartridge components

Our revenue generated from trading of ICs and other cartridge components decreased by approximately 64.9% from approximately RMB15.1 million for the six months ended 30 June 2023 to approximately RMB5.3 million for the Relevant Period mainly due to the tightening of credit control by the Group.

During the Relevant Period, the Group started to engage in the sales of compatible cartridges, toner and other printer consumables in its online shop in order to expand our sales network. During the Relevant Period, our online sales amounted to RMB2.3 million.

(iv) Technical and design services for chips

Occasionally, the Group provides technical and design services for chips upon request from our customers. During the Relevant Period, the Group did not recognise any revenue from the provision of such services as we did not receive any order for such services placed by customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Cost of sales and services

Our cost of sales and services decreased from approximately RMB51.4 million for the six months ended 30 June 2023 to approximately RMB44.4 million for the Relevant Period. The decrease was mainly caused by the decrease in trading of ICs and other cartridge components.

Gross profit and gross profit margin

Our overall gross profit decreased by approximately 40.1% from approximately RMB35.6 million for the six months ended 30 June 2023 to approximately RMB21.3 million for the Relevant Period. Our overall gross profit margin decreased from approximately 40.9% for the six months ended 30 June 2023 to approximately 32.4% for the Relevant Period. The following table sets forth a breakdown of our gross profit and gross profit margin for each of the product categories by application during the periods indicated:

	Six months ended 30 June			
	2024 (Unaudited)		2023 (Unaudited)	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Sales of chips				
Product category-application				
– Desktop laser printers	21,629	48.7	30,242	57.2
– Desktop inkjet printers	(1,483)	(13.8)	1,059	8.5
– Commercial printers	561	60.9	526	44.8
Sub-total	20,707	35.7	31,827	47.9
Sales of other chips	(117)	(4.7)	328	15.9
Technical and design services for chips	–	–	2,661	77.3
Trading of ICs and other cartridge components	730	13.8	798	5.3
Total	21,320	32.4	35,614	40.9

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 RMB31.8 million for the six months ended 30 June 2023 to approximately RMB20.7 million for the Relevant Period, mainly due to the decrease in gross profit from the sales of our chips for desktop laser printers and inkjet printers from approximately RMB30.2 million and RMB1.1 million respectively for the six months ended 30 June 2023 to approximately RMB21.6 million and negative RMB1.5 million respectively for the Relevant Period, which was mainly because the competition in the compatible cartridge chips industry was keen and most compatible cartridge chips we sold during the Relevant Period were those for old printer models with low gross profit margins.

Our gross profit margin of compatible cartridge chips decreased from approximately 47.9% for the six months ended 30 June 2023 to approximately 35.7% for the Relevant Period, mainly due to the reasons mentioned in the last paragraph.

(ii) Sales of other chips

The gross profit from the sales of other chips amounted to approximately negative RMB0.1 million for the Relevant Period. The gross profit margin of the sales of other chips was approximately negative 4.7% for the Relevant Period. The negative gross profit margin reflects that IoT business of the Group is still at the early stage of development which requires a very competitive pricing policy to attract new customers.

(iii) Trading of ICs and other cartridge components

Our gross profit from trading of ICs and other cartridge components decreased from approximately RMB0.8 million for the six months ended 30 June 2023 to approximately RMB0.7 million for the Relevant Period as a result of tightening of credit control measures by the Group, which included conducting business prudently with customers who have high credit risk. The increase in gross profit margin from approximately 5.3% for the six months ended 30 June 2023 to approximately 13.8% for the Relevant Period was mainly due to the higher gross profit margin of the online sales business the Group launched during the Relevant Period. The gross profit margin for the online sales of the Group during the Relevant Period was 31.5%.

(iv) Technical and design services for chips

The Group provided technical and design services for chips at the request of our customers. During the Relevant Period the Group did not recognise any revenue from provision of technical and design services.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other net income

Our other net income decreased by approximately 31.6% from approximately RMB6.1 million for the six months ended 30 June 2023 to approximately RMB4.2 million for the Relevant Period, which was mainly due to the decrease in exchange gain as a result of fluctuation of exchange rate of RMB against USD during the Relevant Period.

Research and development expenses

Our research and development expenses amounted to approximately RMB9.0 million for the six months ended 30 June 2023 and the Relevant Period. The research and development expenses were relatively stable as some research work of new compatible cartridge chips sold in the Relevant Period had been finished at the second half of last year.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 42.2% from approximately RMB3.0 million for the six months ended 30 June 2023 to approximately RMB4.2 million for the Relevant Period. Such increase was mainly attributable to more marketing activities being conducted for strengthening the development of new businesses of the Group such as chips for internet of things and online sales.

Administrative expenses

Our administrative expenses decreased by approximately 7.3% from approximately RMB12.0 million for the six months ended 30 June 2023 to approximately RMB11.2 million for the Relevant Period mainly due to the decrease in written-off of raw materials.

Income tax expenses

Our income tax expenses decreased by approximately 99.1% from approximately RMB2.7 million for the six months ended 30 June 2023 to approximately RMB0.0 million for the Relevant Period, which was in line with the decrease in the profit before income tax expense for the Relevant Period due to the reasons discussed above.

Net profit and net profit margin

Our profit for the Relevant Period decreased by approximately 97.3% from approximately RMB14.9 million for the six months ended 30 June 2023 to approximately RMB0.4 million for the Relevant Period mainly because of the decrease in gross profit of our compatible cartridge chips business due to the reasons discussed above.

Our net profit margin decreased from 17.2% for the six months ended 30 June 2023 to 0.6% for the Relevant Period mainly due to the reasons discussed above.

FINANCIAL REVIEW (Continued)

Net current assets

We recorded net current assets of approximately RMB330.2 million as at 30 June 2024 and RMB345.6 million as at 31 December 2023 respectively. Our current assets decreased from approximately RMB364.5 million as at 31 December 2023 to approximately RMB363.9 million as at 30 June 2024, mainly due to the decrease in trade receivables. Our current liabilities increased from approximately RMB18.9 million as at 31 December 2023 to approximately RMB33.7 million as at 30 June 2024 primarily due to the increase in trade payables and bank borrowings.

Property, plant and equipment

The net book value of our property, plant and equipment increased from approximately RMB4.9 million as at 31 December 2023 to approximately RMB6.4 million as at 30 June 2024 mainly due to the acquisition of several items of office equipment.

Intangible assets

Our intangible assets consisted mainly of software and patent. The net book value of our intangible assets increased from approximately RMB16.0 million as at 31 December 2023 to approximately RMB21.3 million as at 30 June 2024 mainly due to the purchase of patents for circuit technology, software installed in the electronic chips analysis machines and computer software.

Inventories

Inventories primarily comprised raw materials, finished goods, goods-in-transit and right to recover returned goods. Inventories decreased slightly from approximately RMB40.5 million as at 31 December 2023 to approximately RMB40.4 million as at 30 June 2024 mainly due to the recognition of a reduction in amount of inventory to the estimated net realisable value.

Trade receivables

Our trade receivables decreased from approximately RMB58.4 million as at 31 December 2023 to approximately RMB55.6 million as at 30 June 2024 mainly due to the increase in loss allowance for trade receivables.

Deposits, prepayments and other receivables

Our deposit, prepayments and other receivables increased from approximately RMB21.8 million as at 31 December 2023 to approximately RMB27.0 million as at 30 June 2024 mainly due to the increase in prepaid costs to suppliers.

Trade payables

Our trade payables increased from RMB6.2 million as at 31 December 2023 to RMB13.4 million as at 30 June 2024 mainly due to the increase in the purchase of raw materials.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Indebtedness

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Current liabilities		
Bank borrowings due within one year	10,000	–
Lease liabilities	813	1,411
Non-current liabilities		
Lease liabilities	250	467
	11,063	1,878

As at 30 June 2024, our Group, as a lessee, had outstanding contractual lease payments amounting to approximately RMB1.1 million in aggregate in relation to the remaining lease terms of certain lease contracts, which were unsecured and unguaranteed. Our lease liabilities represent the obligations arising from the right to use certain properties through tenancy agreements.

Outlook and future plan

In the second half of 2024, the pace of China's recovery, 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. At the same time, competition within the industry will continue. However, we expect that the Group's performance in the second half of 2024 will be better than that of the first half of the year.

Our optimistic outlook is based on the following factors: (1) the Group will launch more new models of compatible printer chips to seize the market, and these new products will enjoy higher gross margins; (2) the Group has successfully designed its own integrated circuits to be used as raw materials, and the production cost is expected to be greatly reduced; (3) the Group continues to strengthen the development of the market by increasing manpower, establishing an online sales platform and expanding the product category with an aim to build a more complete industrial chain; and (4) the Group will consider to increasing investment in fixed assets to enhance production efficiency. As at 30 June 2024, the Group did not have any plans for material investments and acquisition of capital assets.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

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

As at 30 June 2024, the Group had cash and cash equivalents of approximately RMB230.9 million (as at 31 December 2023: approximately RMB183.8 million).

As at 30 June 2024, the Group had net current assets of approximately RMB330.2 million (as at 31 December 2023: approximately RMB345.6 million) and net assets of approximately RMB361.5 million (as at 31 December 2023: approximately RMB370.2 million).

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

Capital Structure

A. Borrowing

The total bank borrowing of the Group as at 30 June 2024 was approximately RMB10 million (as at 31 December 2023: nil) which was denominated in RMB, so it did not have any foreign exchange impact on our financial statements during the Relevant Period. The bank borrowing was interest bearing and unsecured. During the Relevant Period, the Group did not experience any difficulties in utilising its banking facilities with its lenders.

B. Gearing Ratio

As at 30 June 2024, the Group's gearing ratio was approximately 2.8% (as at 31 December 2023: 0.0%), calculated as the total debt divided by the total equity as at the end of the Relevant Period multiplied by 100%. The increase was mainly due to the increase in bank borrowing of the Group for working capital need during the Relevant Period. The Group's gearing ratio demonstrated that the financial position of the Group was healthy as the debt level of the Group was very low as at the end of the Relevant Period.

Pledge of Assets

As at 30 June 2024, the Group did not pledge any assets of the Group.

Contingent Liabilities

As at 30 June 2024 and 2023, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL INFORMATION (Continued)

Material Acquisition and Disposal by the Group

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

Significant Investments

The Group did not hold any significant investments as at 30 June 2024.

Foreign Currency Exposure

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

Human Resources

As at 30 June 2024, we had approximately 156 full-time employees, of which 138 were based in the PRC and 18 were based in Taiwan and Hong Kong. The Group has adopted policies on recruitment, compensation, dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. The Group provides induction to new employees on its business, culture, structure, and products. We also provide regular training to our employees. Our employees' remuneration comprises salaries, bonuses, employee retirement fund and social security contributions and other welfare payments. The Group also adopted the Share Option Scheme as part of the incentive package. We regularly assess the performance of our employees, the results of which would form the basis for salary increments, bonuses and promotions.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As far as the Company is aware, as at 30 June 2024, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange are as follows:

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

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) As at 30 June 2024, the Company is approximately 29.27% directly owned by GMTL. As at 30 June 2024, GMTL was wholly owned by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in all the Shares held by GMTL.

Save as disclosed above, none of the Directors and the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2024.

OTHER INFORMATION

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

So far as the Directors are aware, as at 30 June 2024, the following persons have an interest or a short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding
GMTL	Beneficial owner ⁽²⁾	151,812,500 (L)	29.27%
Mr. Cheng	Interest in a controlled corporation ⁽²⁾	151,812,500 (L)	29.27%
GLC	Beneficial owner ⁽³⁾	97,500,000 (L)	18.80%
Mr. Yu	Interest in a controlled corporation ⁽³⁾	97,500,000 (L)	18.80%
Mr. Lam	Beneficial owner	86,250,000 (L)	16.63%

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) As at 30 June 2024, our Company is approximately 29.27% directly owned by GMTL. As at 30 June 2024, GMTL was wholly owned by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in all the Shares held by GMTL.
- (3) As at 30 June 2024, our Company is approximately 18.80% directly owned by GLC. As at 30 June 2024, GLC was wholly owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in all the Shares held by GLC.

Save as disclosed herein, our Directors are not aware of any person who, as at 30 June 2024, has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE OPTION SCHEME

On 26 February 2021, the Company conditionally adopted the Share Option Scheme. Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing on 26 February 2021 offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for the Shares. Details of the Share Option Scheme are set out in the section headed “Report of Directors” in the Company’s annual report for the year ended 31 December 2023.

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

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTEREST IN COMPETING INTERESTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

GOING CONCERN

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

OTHER INFORMATION

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering and the exercise of over-allotment option of approximately HKD118 million (equivalent to approximately RMB98.5 million). The following table illustrates the status of the use of net proceeds according to the section headed “Future Plans and Use of Proceeds” in the Prospectus dated 18 March 2021 as at 30 June 2024:

Use of Proceeds	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (Approximately)	Actual utilised amount as at 30 June 2024 (RMB million) (Approximately)	Unutilised amount as at 30 June 2024 (RMB million) (Approximately)
Strengthen our product development capacity and diversify our product portfolio	50.7	40.9	9.7
– Development of the software component	7.5	3.4	4.1
– Development of the hardware component	40.7	36.0	4.7
– Acquisition from the market of new models of original brand printers	2.5	1.5	0.9
Accelerate the development of our hardware design capabilities through acquisition of IC design company	16.6	–	16.6
Increase our presence in the compatible cartridge industry through forward vertical expansion	16.6	–	16.6
Step up our sales and marketing efforts to cater for the expansion of our product offerings	2.5	2.5	–
– Increasing budget of marketing activities, in particular participating in industry fairs and exhibitions in the PRC and at international level	1.7	1.7	–
– Employing additional members of sales and marketing staff	0.8	0.8	–

Use of Proceeds	Allocation of net proceeds as disclosed in the Prospectus (RMB million) (Approximately)	Actual utilised amount as at 30 June 2024 (RMB million) (Approximately)	Unutilised amount as at 30 June 2024 (RMB million) (Approximately)
Improve the functionality of our back office to support our business growth	2.5	1.3	1.3
– Employing additional members of legal and compliance staff	1.3	–	1.3
– Upgrading and maintaining our enterprise resource planning (ERP) system to facilitate the implementation of our expansion strategy and to optimise our operational efficiency	1.3	1.3	–
General working capital	9.9	9.9	–
Total:	98.5	54.5	44.0

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.

UPDATE ON THE EXPECTED TIMETABLE FOR THE USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

According to the announcement of the Company dated 2 January 2024 (the “UOP Announcement”), the Board informed the Shareholders that the net proceeds from the Global Offering which remained unutilised as of 31 December 2023 were approximately HK\$57.9 million (the “Unutilised Net Proceeds”). Having considered the reasons set out in the sub-paragraph headed “Reasons for the updated expected timetable for 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 from 31 December 2023 to 31 December 2024. The unutilised net proceeds have been deposited into interest-bearing accounts with licensed banks.

REASONS FOR THE UPDATED EXPECTED TIMETABLE FOR 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.

OTHER INFORMATION

As disclosed in the UOP Announcement, 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 within the timeframe indicated in the Prospectus, 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 the talent 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 the talent 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. As a result, although the Group has utilised approximately RMB33.0 million, representing approximately 33.5% of the net proceeds allocated to “strengthening the Group’s product development capacity and diversifying the Group’s product portfolio”, the Unutilised Net Proceeds in such regard amounted to approximately RMB17.7 million as at 31 December 2023. Regarding the net proceeds 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”, although the Company strived to seek potential acquisition opportunities that are in line with the Group’s business strategy, in view of the uncertain economic outlook due to the COVID-19 pandemic, the Group has taken a prudent approach in acquisition. As a result, additional time is required for the investment in and acquisition of the potential targets that are complementary to the Group’s business. As at the date of this report, the Group is in the process of identifying suitable acquisition opportunities. Regarding the net proceeds allocated to “improving the functionality of the Group’s back office to support its business growth”, the Company needs more time to search for a suitable enterprise resource planning system that can facilitate its expansion to some new product lines such as IoT chips, on top of the existing compatible printer cartridge chips.

The Board confirms that there is no material change in the use of the net proceeds from the Global Offering as at the date of this report. Save as the changes disclosed above, there are no other proposed changes in the use of the net proceeds from the Global Offering. 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 timetable of the use of the Unutilised Net Proceeds, the Company will make appropriate announcement(s) in due course.

CORPORATE GOVERNANCE PRACTICES

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

During the Relevant Period, the Company complied with the code provisions as set out in Appendix C1 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “Model Code”) as its own code governing securities transactions of the Directors.

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

REVIEW BY AUDIT COMMITTEE

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

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

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

EVENTS AFTER THE RELEVANT PERIOD

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

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

29 August 2024

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 28 to 48 which comprise the condensed consolidated statement of financial position of MEGAIN Holding (Cayman) Co., Ltd. and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and material accounting policy information and other explanatory notes (the “interim condensed consolidated financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

BDO Limited

Certified Public Accountants

Chan Tsz Hung

Practising Certificate Number P06693

Hong Kong, 29 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	65,733	87,058
Cost of sales and services		(44,413)	(51,444)
Gross profit		21,320	35,614
Other net income	6	4,210	6,143
Provision of impairment losses of trade receivables, net		(560)	(81)
Research and development expenses		(9,034)	(9,011)
Selling and distribution expenses		(4,222)	(2,970)
Administrative expenses		(11,155)	(12,025)
Finance costs	7	(130)	(86)
Profit before taxation	8	429	17,584
Income tax	9	(24)	(2,652)
Profit for the period attributable to the owners of the Company		405	14,932
Other comprehensive income, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		118	1,760
Total comprehensive income for the period attributable to the owners of the Company		523	16,692
Earnings per share – Basic and diluted	11	RMB0.001	RMB0.029

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	<i>Notes</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	6,405	4,886
Intangible assets	13	21,288	15,919
Prepayments	16	2,621	3,794
Deferred tax assets		1,196	1,132
Total non-current assets		31,510	25,731
Current assets			
Inventories	14	40,416	40,454
Trade receivables	15	55,573	58,433
Deposits, prepayments and other receivables	16	26,648	21,765
Financial assets at fair value through profit or loss	17	10,000	60,000
Income tax recoverable		363	–
Cash and cash equivalents		230,853	183,826
Total current assets		363,853	364,478
Current liabilities			
Trade payables	18	13,369	6,187
Accruals and other payables	19	6,231	8,084
Bank borrowings	20	10,000	–
Lease liabilities		813	1,411
Contract liabilities		531	395
Provisions		2,713	2,613
Income tax payable		–	184
Total current liabilities		33,657	18,874
Net current assets		330,196	345,604
Total assets less current liabilities		361,706	371,335
Non-current liabilities			
Lease liabilities		250	467
Deferred tax liabilities		–	649
Total non-current liabilities		250	1,116
NET ASSETS		361,456	370,219

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Capital and reserves			
Share capital	21	4,325	4,325
Reserves		357,131	365,894
TOTAL EQUITY		361,456	370,219

On behalf of the board of directors

Cheng Hsien-Wei
Director

Yu Erhao
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Reserves							
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Statutory reserve RMB'000	Foreign		Total reserves RMB'000	Total equity RMB'000
					exchange reserve RMB'000	Retained earnings RMB'000		
Balance at 1 January 2024	4,325	141,923	8,460	34,500	5,043	175,968	365,894	370,219
Profit for the period	-	-	-	-	-	405	405	405
<i>Other comprehensive income</i>								
Exchange differences arising from translation of foreign operations	-	-	-	-	118	-	118	118
Total comprehensive income	-	-	-	-	118	405	523	523
<i>Transactions with owners</i>								
Dividend paid in respect of the previous year	-	(9,286)	-	-	-	-	(9,286)	(9,286)
Total transactions with owners	-	(9,286)	-	-	-	-	(9,286)	(9,286)
Balance at 30 June 2024 (Unaudited)	4,325	132,637	8,460	34,500	5,161	176,373	357,131	361,456

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Reserves							
	Share capital	Share premium	Other reserves	Statutory reserve	Foreign exchange reserve	Retained earnings	Total reserves	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	4,325	159,872	8,460	31,186	3,879	156,070	359,467	363,792
Profit for the period	-	-	-	-	-	14,932	14,932	14,932
<i>Other comprehensive income</i>								
Exchange differences arising from translation of foreign operations	-	-	-	-	1,760	-	1,760	1,760
Total comprehensive income	-	-	-	-	1,760	14,932	16,692	16,692
Appropriation to statutory reserves	-	-	-	1,985	-	(1,985)	-	-
<i>Transactions with owners</i>								
Dividend paid in respect of the previous year	-	(17,949)	-	-	-	-	(17,949)	(17,949)
Total transactions with owners	-	(17,949)	-	-	-	-	(17,949)	(17,949)
Balance at 30 June 2023 (Unaudited)	4,325	141,923	8,460	33,171	5,639	169,017	358,210	362,535

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	5,186	22,636
Income tax paid	(635)	(9,736)
Withholding tax paid	(651)	(515)
Net cash generated from operating activities	3,900	12,385
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,729)	(732)
Purchase of intangible assets	(6,536)	(369)
Prepayment of acquisition of property, plant and equipment and intangible assets	(5)	–
Redemption of financial assets at fair value through profit or loss	50,000	–
Interest received	2,074	2,960
Net cash generated from investing activities	42,804	1,859
Cash flows from financing activities		
Proceeds from bank borrowings	10,000	–
Interest paid on bank borrowings	(94)	(20)
Repayment of bank borrowings	–	(1,000)
Repayment of principal portion of the lease liabilities	(823)	(973)
Interest paid on lease liabilities	(36)	(66)
Dividends paid	(9,286)	(17,949)
Net cash used in financing activities	(239)	(20,008)
Net increase/(decrease) in cash and cash equivalents	46,465	(5,764)
Cash and cash equivalents at 1 January	183,826	277,131
Effect of foreign exchange rate changes	562	1,746
Cash and cash equivalents at 30 June	230,853	273,113

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL INFORMATION

MEGAIN Holding (Cayman) Co., Ltd. (the “Company”) was incorporated in the Cayman Islands on 22 June 2016 as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of its subsidiaries is in the People’s Republic of China (the “PRC”).

The principal activity of the Company is investment holding. The Company and its subsidiaries (together the “Group”) are engaged in the provision of research, design, development and sales of compatible cartridge chips.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 (the “Period under Review”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). These interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (’000) except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time during the Period under Review. Details of any changes in accounting policies are set out in Note 3 below.

In preparing these interim condensed consolidated financial statements in compliance with HKAS 34, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual consolidated financial statements for the year ended 31 December 2023.

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA. BDO Limited’s independent review report to the Board of Directors is included on pages 26 to 27.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

3. CHANGES IN ACCOUNTING POLICIES

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

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

Amendment to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

Amendment to HKFRS 16, Lease Liability in a Sale and Leaseback

The amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

Amendment to HKAS 1, Classification of Liabilities as Current or Non-Current

The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period.

Amendment to HKAS 1, Non-current Liabilities with Covenants

If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period.

The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

4. REVENUE AND SEGMENT REPORTING

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

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

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

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Products		
Sales of chips	60,443	66,473
Trading of integrated circuits and other cartridge components	5,290	17,142
Services		
Technical and design services for chips	–	3,443
	65,733	87,058
Timing of revenue recognition		
Point in time	65,733	87,058

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

4. REVENUE AND SEGMENT REPORTING – Continued

(b) Geographic information

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
External revenue by location of the customers		
PRC	52,331	80,422
Overseas	13,402	6,636
	65,733	87,058
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets by location of assets		
PRC	27,075	19,965
Overseas	618	840
	27,693	20,805

5. SEASONALITY OF OPERATIONS

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

6. OTHER NET INCOME

An analysis of other net income is as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Bank interest income	2,074	2,960
Exchange gains, net	474	2,011
Government grants (<i>note</i>)	1,619	1,068
Effect of lease modifications	–	6
Sundry income	43	98
	4,210	6,143

Note:

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

7. FINANCE COSTS

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on bank borrowings	94	20
Interest on lease liabilities	36	66
	130	86

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

8. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Carrying amount of inventories sold	39,256	44,017
Reversal of impairment losses of inventories	(20)	(532)
Cost of inventories recognised as expense	39,236	43,485
Amortisation of intangible assets	1,725	1,217
Auditor's remuneration	757	646
Bad debt written off	13	–
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	1,042	833
– Right-of-use assets	788	989
Loss on disposals of property, plant and equipment	–	23
Provision of impairment losses of trade receivables, net	560	81
Short-term leases expenses	307	7
Research and developments expenses (other than staff costs)	4,594	4,929
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	10,355	10,125
– Retirement scheme contributions	1,838	1,596
	12,193	11,721

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

9. INCOME TAX

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax		
– PRC enterprise income tax	42	2,515
– Under provision in prior years	46	–
Deferred tax		
– (Credited)/charged to profit or loss for the period	(64)	137
Income tax expense	24	2,652

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.

Subsidiaries operating in Hong Kong are subject to Hong Kong profits tax. Hong Kong profits tax is calculated at two-tiered tax rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to Hong Kong dollars (“HK\$”) 2 million and 16.5% on any part of assessable profits over HK\$2 million. For the six months ended 30 June 2024 and 2023, under the two-tiered tax rates regime, if an entity has one or more connected entities, the two-tiered tax rates would only apply to the one which is nominated to be chargeable at the two-tiered tax rates.

For those entities which do not qualify for the two-tiered profits tax rates, a profits tax rate of 16.5% on assessable profit shall remain in calculating Hong Kong profits tax.

Under the PRC Enterprise Income Tax Law, which became effective on 1 January 2008, the Group’s PRC entities are subject to income tax at a rate of 25%, unless otherwise specified. One of the Group’s subsidiaries, Zhuhai Megain Technology Co., Ltd. (“Zhuhai Megain”) is eligible for a preferential income tax rate of 15% as a High New Technology Enterprise during the period. For the six months ended 30 June 2024 and 2023, income tax provision is calculated at 15% of the assessable income of Zhuhai Megain.

10. DIVIDENDS

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Final dividends	9,286	17,949

On 30 June 2023 and 28 June 2024, the Company paid a final dividend of RMB17,949,000 and RMB9,286,000, in aggregate to its owners of the Company in respect of the years ended 31 December 2022 and 2023 respectively. The directors do not recommend the payment of any dividend for the six months ended 30 June 2024 and 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

11. BASIC AND DILUTED EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	405	14,932

	Six months ended 30 June	
	2024	2023
	Number'000	Number'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	518,750	518,750

Note:

Weighted average of 518,750,000 shares for the six months ended 30 June 2024 and 2023 represents the number of shares in issue throughout the period.

Diluted earnings per share were the same as the basic earnings per share as the Group had no potential dilutive ordinary shares during the six months ended 30 June 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of office equipment with a total cost of RMB3,348,000 (six months ended 30 June 2023: RMB732,000). Items of plant and machinery with a net book value of RMB23,000 were disposed of during the six months ended 30 June 2023, resulting in a loss on disposals of RMB23,000. There was no disposal during the six months ended 30 June 2024.

In addition, the Group has entered into a lease for office in Shenzhen during the six months ended 30 June 2023. Right-of-use assets amounting to RMB565,000 have been recognised for the six months ended 30 June 2023. There was no new lease entered during the six months ended 30 June 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

13. INTANGIBLE ASSETS

During the six months ended 30 June 2024, the Group had addition of patents for circuit technology, software installed in the electronic chips analysis machines and computer software with a total cost of RMB7,095,000 (six months ended 30 June 2023: RMB15,919,000).

14. INVENTORIES

During six months ended 30 June 2024, RMB20,000 (six months ended 30 June 2023: RMB532,000) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of reversal of a write-down of inventories to the estimated net realisable value. This reversal arose due to an increase in the estimated net realisable value of certain cartridge chips.

15. TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	58,548	60,889
Less: Loss allowance for trade receivables	(2,975)	(2,456)
	55,573	58,433

Notes:

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

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

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 90 days	37,079	41,425
91 to 180 days	10,001	10,016
Over 180 days	8,493	6,992
	55,573	58,433

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Deposits and other receivables	2,358	1,876
Other taxes recoverable	5,009	3,735
– Current	7,367	5,611
Prepayments		
– Non-current	2,621	3,794
– Current	19,281	16,154
	21,902	19,948
	29,269	25,559

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets measured at fair value through profit or loss		
– Wealth management products	10,000	60,000

Financial assets measured at fair value through profit or loss represent deposits placed in licensed banks with interest rates which are linked with various market indexes (“Wealth management products”). The wealth management products are stated at fair value based on the present value of the estimated future cash flows based on interest rate obtained from the relevant licensed banks. All wealth management products will be matured on or before 9 July 2024.

Details of the fair value hierarchy of the financial assets at fair value through profit or loss are set out in Note 24.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

18. TRADE PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	13,369	6,187

Notes:

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 30 days	11,380	4,478
31 to 90 days	1,986	1,683
Over 90 days	3	26
	13,369	6,187

19. ACCRUALS AND OTHER PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Accruals	3,610	5,179
Other payables	1,503	1,517
Refund liabilities	1,118	1,388
	6,231	8,084

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

20. BANK BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Current – unsecured		
Bank loans due for repayment within one year	10,000	–

Note:

Bank loan is denominated in RMB, unsecured and is repayable on 26 September 2024. Interest is charged at 2.90% per annum.

21. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2023, 31 December 2023 and 30 June 2024 (unaudited)	4,325	4,325

22. CAPITAL COMMITMENTS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Commitments for acquisition of intangible assets	2,651	3,864

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

23. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets		
<i>Financial assets at fair value through profit or loss</i>		
– Financial assets at fair value through profit or loss	10,000	60,000
<i>Financial assets at amortised cost</i>		
– Trade receivables	55,573	58,433
– Deposits and other receivables	2,358	1,876
– Cash and cash equivalents	230,853	183,826
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
– Trade payables	13,369	6,187
– Accruals and other payables	5,113	6,696
– Bank borrowings	10,000	–
<i>Lease liabilities</i>	1,063	1,878

Financial instruments not measured at fair value

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

24. 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 23.

Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follow:

- Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3: Fair value measured using significant unobservable inputs (i.e. not derived from market data).

The following table presents the Group's assets that are measured at fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL (Current)				
– Wealth management products				
At 30 June 2024 (unaudited)	–	–	10,000	10,000
At 31 December 2023 (audited)	–	–	60,000	60,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

24. FAIR VALUE MEASUREMENTS – Continued

Financial instruments measured at fair value – Continued

Fair value hierarchy – Continued

The fair value of wealth management products was calculated as the present value of the estimated future cash flows based on an interest rate that linked with the following parameters:

Base interest rate	Annual rate from 0% to 1.1%
Floating interest rate	Annual rate from 0% to FR007 rate at maturity times participation rate
FR007 rate	Interbank fixing depository-institutions repo rate that is released to the public at 11:30 am on each trading day
Participation rate	Ranged from 0% to 100%

The Group considers that the change in the parameters would not have a significant effect on the consolidated financial statements and no quantitative analysis has been presented. A higher in the parameters would result in an increase in the fair value of the wealth management products, and vice versa.

At 30 June 2024 and 31 December 2023, the Group's wealth management products are classified as level 3 in the fair value hierarchy. There were no transfers between levels during the period/year.

25. EVENTS AFTER THE REPORTING PERIOD

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