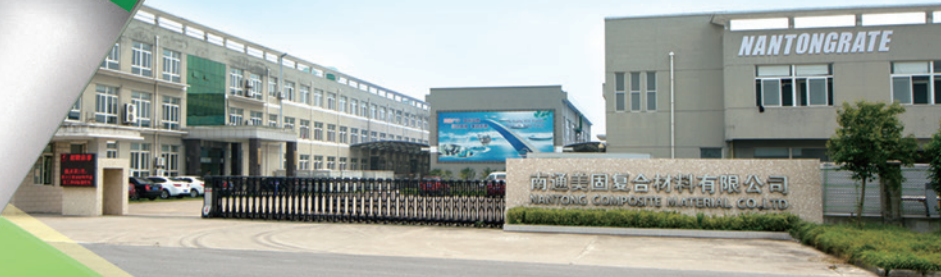




**MEIGU Technology Holding Group Limited**  
**美固科技控股集團有限公司**

(incorporated in the Cayman Islands with limited liability)  
Stock Code : 8349

**FIRST QUARTERLY REPORT 2019**



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This report, for which the board (the “Board”) of directors (the “Directors”) of MEIGU Technology Holding Group Limited (the “Company”) collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## RESULTS

The Board is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2019, together with comparative unaudited figures for the same corresponding period in 2018 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   |              | <b>For the three months<br/>ended 31 March</b> |             |
|---|--------------|--|-------------|
|   |              | <b>2019</b>                                    | 2018        |
|   |              | <b>RMB'000</b>                                 | RMB'000     |
|   |              | <b>(Unaudited)</b>                             | (Unaudited) |
|   | <i>Notes</i> |  |             |
| <b>Revenue</b>  | 3            | <b>16,212</b>                                  | 13,769      |
| <b>Cost of sales</b>  |              | <b>(10,202)</b>                                | (10,569)    |
| <b>Gross profit</b>   |              | <b>6,010</b>                                   | 3,200       |
| Other revenue   | 4            | <b>37</b>                                      | 283         |
| Selling and distribution costs  |              | <b>(1,099)</b>                                 | (1,462)     |
| Administrative expenses   |              | <b>(3,881)</b>                                 | (3,137)     |
| <b>Profit/(Loss) from operations</b>  |              | <b>1,067</b>                                   | (1,116)     |
| Finance costs   | 5(a)         | <b>(223)</b>                                   | (302)       |
| <b>Profit/(Loss) before taxation</b>  | 5            | <b>844</b>                                     | (1,418)     |
| Income tax  | 6            | <b>(467)</b>                                   | 76          |
| <b>Profit/(Loss) for the period</b>   |              | <b>377</b>                                     | (1,342)     |
| <b>Other comprehensive income for the period</b>  |              | <b>-</b>                                       | -           |
| <b>Total comprehensive income/(loss) for the period attributable to owners of the Company</b> |              | <b>377</b>                                     | (1,342)     |
| <b>Earnings/(Loss) per share</b>  |              | <b>RMB cent</b>                                | RMB cent    |
| Basic and diluted   | 8            | <b>0.09</b>                                    | (0.34)      |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Reserves            |                      |                     |                             |                     |                     | Sub-total            | Total                |
|--|---------------------|----------------------|---------------------|-----------------------------|---------------------|---------------------|----------------------|----------------------|
|  | Share capital       | Share premium        | Capital Reserve     | Share-based payment reserve | Statutory reserve   | Retained profits    |                      |                      |
|  | RMB'000             | RMB'000              | RMB'000             | RMB'000                     | RMB'000             | RMB'000             | RMB'000              | RMB'000              |
| <b>At 1 January 2018 (Audited)</b>                   | 3,600               | 20,900               | 9,557               | 733                         | 3,907               | 8,700               | 43,797               | 47,397               |
| Loss and total comprehensive loss for the period     | -                   | -                    | -                   | -                           | -                   | (1,342)             | (1,342)              | (1,342)              |
| Equity-settled share-based payments                  | -                   | -                    | -                   | 100                         | -                   | -                   | 100                  | 100                  |
| <b>At 31 March 2018 (Unaudited)</b>                  | <u>3,600</u>        | <u>20,900</u>        | <u>9,557</u>        | <u>833</u>                  | <u>3,907</u>        | <u>7,358</u>        | <u>42,555</u>        | <u>46,155</u>        |
| <b>At 1 January 2019 (Audited)</b>                   | <b>3,600</b>        | <b>20,900</b>        | <b>9,557</b>        | <b>1,133</b>                | <b>4,493</b>        | <b>9,584</b>        | <b>45,667</b>        | <b>49,267</b>        |
| Profit and total comprehensive income for the period | -                   | -                    | -                   | -                           | -                   | 377                 | 377                  | 377                  |
| Equity-settled share-based payments                  | -                   | -                    | -                   | 100                         | -                   | -                   | 100                  | 100                  |
| Transfer to statutory reserve                        | -                   | -                    | -                   | -                           | 123                 | (123)               | -                    | -                    |
| <b>At 31 March 2019 (Unaudited)</b>                  | <u><b>3,600</b></u> | <u><b>20,900</b></u> | <u><b>9,557</b></u> | <u><b>1,233</b></u>         | <u><b>4,616</b></u> | <u><b>9,838</b></u> | <u><b>46,144</b></u> | <u><b>49,744</b></u> |

Notes:

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares have been listed on the GEM of the Stock Exchange since 13 January 2017. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108, Cayman Islands and its principal place of business is 66 Oujiang Road, Haimen Economic Development Zone, Nantong City, Jiangsu Province, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the research and development, production and sales of fiberglass reinforced plastic products in the PRC. During the reporting periods, the principal business was carried out through Nantong Meigu Composite Materials Company Limited ("Nantong Meigu"), which is an indirect wholly-owned subsidiary of the Company incorporated in the PRC.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited consolidated results for the three months ended 31 March 2019 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of amendments to HKFRSs which are effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2019 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2018.

The consolidated results of the Group for the three months ended 31 March 2019 are unaudited but have been reviewed by the audit committee of the Company.

### 3. REVENUE

The principal activities of the Group are research and development, production and sale of fiberglass reinforced plastic products in the PRC.

Revenue represents net invoiced value of goods sold, less value-added and sales taxes, returns and discounts, during the period.

|  | <b>For the three months<br/>ended 31 March</b> |             |
|--|--|-------------|
|  | <b>2019</b>                                    | 2018        |
|  | <b>RMB'000</b>                                 | RMB'000     |
|  | <b>(Unaudited)</b>                             | (Unaudited) |
| Sales of fiberglass reinforced plastic products                |  |             |
| – fiberglass reinforced plastic (“FRP”) grating                | <b>10,977</b>                                  | 9,099       |
| – United States Coast Guard (“USCG”) approved phenolic grating | <b>227</b>                                     | 902         |
| – composite subway evacuation platform                         | –  | 1,594       |
| – epoxy wedge strip  | <b>5,008</b>                                   | 977         |
| – FRP crossies   | –  | 1,197       |
|  | <b>16,212</b>                                  | 13,769      |

In a manner consistent with the way in which information is reported internally to the Company’s directors for the purposes of resource allocation and performance assessment, no segment information is presented in respect of the Group’s operating segment as the Group is principally engaged in one segment in the research and development, production and sales of FRP products in the PRC.

### 4. OTHER REVENUE

|                                  | <b>For the three months<br/>ended 31 March</b> |             |
|----------------------------------|--|-------------|
|                                  | <b>2019</b>                                    | 2018        |
|                                  | <b>RMB'000</b>                                 | RMB'000     |
|                                  | <b>(Unaudited)</b>                             | (Unaudited) |
| Interest income on bank deposits | <b>14</b>                                      | 4           |
| Government subsidies             | –  | 277         |
| Sundry Income                    | <b>23</b>                                      | 2           |
|                                  | <b>37</b>                                      | 283         |

## 5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging the following:

|  | <b>For the three months<br/>ended 31 March</b> |             |
|--|--|-------------|
|  | <b>2019</b>                                    | 2018        |
|  | <b>RMB'000</b>                                 | RMB'000     |
|  | <b>(Unaudited)</b>                             | (Unaudited) |
| <b>(a) Finance costs</b>                                     |  |             |
| Interest on bank borrowings                                  | <b>223</b>                                     | 302         |
| <b>(b) Staff costs (including<br/>directors' emoluments)</b> |  |             |
| Salaries, wages and other benefits                           | <b>2,453</b>                                   | 2,986       |
| Contributions to defined contribution<br>retirement plans    | <b>290</b>                                     | 244         |
| Equity-settled share-based payments                          | <b>100</b>                                     | 100         |
|  | <b>2,843</b>                                   | 3,330       |
| <b>(c) Other items</b>                                       |  |             |
| Amortisation prepaid lease payments                          | <b>9</b>                                       | 9           |
| Depreciation for property,<br>plant and equipment            | <b>367</b>                                     | 477         |
| Cost of inventories recognised<br>as expense (Note 1)        | <b>10,202</b>                                  | 10,569      |
| Research and development costs (Note 2)                      | <b>1,611</b>                                   | 641         |

Notes:

- (1) Cost of inventories recognised as expenses include RMB1,565,000 (three months ended 31 March 2018: RMB1,432,000) relating to staff costs, and RMB136,000 (three months ended 31 March 2018: RMB300,000) relating to depreciation for property, plant and equipment, the amounts of which are also included in the total amount disclosed separately above for each of these types of expenses.
- (2) Including in the research and development costs are staff cost of RMB282,000 (three months ended 31 March 2018: RMB274,000) the amount of which is also included in the total amount separately disclosed for this type of expense.

## 6. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   | <b>For the three months<br/>ended 31 March</b> |                                |
|---|--|--------------------------------|
|   | <b>2019<br/>RMB'000<br/>(Unaudited)</b>        | 2018<br>RMB'000<br>(Unaudited) |
| <b>Current tax</b>  |  |                                |
| PRC Enterprise Income Tax ("EIT")<br>on profits of the Group's subsidiary   | <b>359</b>                                     | 27                             |
| <b>Deferred tax</b>   |  |                                |
| Origination and reversal of temporary<br>differences in respect of withholding<br>tax on distributable profits of<br>the Group's PRC subsidiary | <b>108</b>                                     | 49                             |
|   | <b>467</b>                                     | 76                             |

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

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2019 and the corresponding three months in 2018 as the Group did not have assessable profits subject to Hong Kong Profits Tax during the two periods.

Nantong Meigu, a PRC subsidiary, is subject to PRC EIT at 25%. Dividends declared to Prosperous Composite Material Co., Ltd., as a non-resident shareholder of Nantong Meigu, in respect of profits earned by Nantong Meigu, are subject to PRC withholding tax at 10%.

## 7. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: Nil).



## 8. EARNINGS/(LOSS) PER SHARE

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

|  | For the three months<br>ended 31 March |                     |
|--|--|---------------------|
|  | 2019<br>(Unaudited)                    | 2018<br>(Unaudited) |
| Profit/(Loss) attributable to owners of<br>Company for the purpose of calculating<br>basic loss per share (RMB'000)            | <u>377</u>                             | <u>(1,342)</u>      |
| Number of shares<br>Weighted average number of ordinary<br>shares for the purpose of basic earnings/(loss)<br>per share ('000) | <u>400,000</u>                         | <u>400,000</u>      |

No diluted earnings/(loss) per share was presented as there was no potential ordinary shares outstanding in the above periods.

## 9. MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the directors and certain of the highest paid employees is as follows:

|                                     | For the three months<br>ended 31 March |                                |
|-------------------------------------|--|--------------------------------|
|                                     | 2019<br>RMB'000<br>(Unaudited)         | 2018<br>RMB'000<br>(Unaudited) |
| Short-term employee benefits        | 349                                    | 287                            |
| Post-employment benefits            | 40                                     | 40                             |
| Equity-settled share-based payments | <u>100</u>                             | <u>100</u>                     |
|                                     | <u>489</u>                             | <u>427</u>                     |

## 10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and represented so as to conform with the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review and Prospect

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sale of a variety of FRP products. The Group's major products consist of: (i) FRP grating products; (ii) USCG approved phenolic grating products; (iii) composite subway evacuation platform products; (iv) epoxy wedge strip products; and (v) FRP crosstie products.

The applications for FRP are quite wide including building and construction field, electrical and telecommunications engineering. As the product is characterized by its light weight, high strength, toughness, anti-slippery, anti-erosion, flame retardant, insulation and easy to colour and artistic properties as well as its good and comprehensive economic benefits, it is widely applied in industries including petrochemical, electrical, marine engineering, plating, vessel, metallurgy, steel, papermaking, brewing and municipal industry and mainly used in operating platform, equipment platform, stair treads, trench covers, filter plates, etc, which indicates that it is an ideal components for corrosive environment. Given that FRP delivers outstanding performance as a comparatively new type of materials and as a substitute of traditional materials such as wood, concrete and metal, and the potential application of products made of FRP composites in a wide range of fields such as aerospace, energy and transportation industries, the management expects that the overall FRP market in China will grow at a revised CAGR of 5.0% for the coming two years in light of gradual maturity and better understanding of the FRP market in future.

For the three months ended 31 March 2019, the sales performance of composite subway evacuation platform products and FRP crosstie products were not as satisfactory as FRP grating products and epoxy wedge strip products. The Group will therefore exert extra efforts in marketing campaign for composite subway evacuation platform products and FRP crosstie products by taking part actively in more trade fairs for exploring oversea markets. Moreover, the Group adheres to the policy in promoting its products especially FRP crosstie products in countries along the "Belt and Road Initiative". With all these efforts, the Group is hopeful that the performances of composite subway evacuation platform products and FRP crosstie products would turn around by the end of this year.

There has been a sign of improvement for macro-economic conditions in the PRC and alleviation of tension for the trade war between the PRC and the United States of America (“**U.S.**”). According to the Chinese National Bureau of Statistics, the gross domestic product of the PRC increased by 6.4% in the first quarter of 2019 compared to a year earlier. However, while the trade negotiation between the PRC and the U.S. went on satisfactorily to both parties and it was generally believed that a final deal will be closed out very soon, U.S. president Donald Trump has just recently announced that the tariff on the US\$200 billion of imports from the PRC previously levied at 10% will be raised to 25% and that another US\$325 billion of imports from the PRC which is previously tariff free will possibly be subject to a tariff rate of 25% due to the progress for trade negotiation beyond his expectation. This will cast into significant doubt for ending the long-sought trade war between the two super powers. Taking into account these various factors, the Group will need to participate proactively in tender bidding for all potential projects both in the PRC and the overseas markets. In addition, the Group will continue to enhance product recognition by improving production technology in order to maintain effective cost control and strengthen the competitiveness. Meanwhile, the Group will recruit more talents to fulfill its development and expansion.

### **Financial Review**

The Group posted a consolidated revenue of approximately RMB16.2 million for the three months ended 31 March 2019, representing an increase of approximately RMB2.4 million or 17.7% as compared to the corresponding period in 2018. The increase in revenue was primarily driven by the strong increase in sales revenue generated from sales of FRP grating products and epoxy wedge strip products, which was offset by the decrease in sales revenue of USCG approved phenolic grating products, composite subway evacuation platform products and FRP crosstie products.

Details of the Group's revenue and gross profit margin by product categories are as follows:

|   | <b>For the three months ended 31 March 2019</b> |                                 | For the three months ended 31 March 2018 |                          |
|---|---|---------------------------------|--|--------------------------|
|   | <b>Sales revenue</b><br><i>RMB'000</i>          | <b>Gross profit margin</b><br>% | Sales revenue<br><i>RMB'000</i>          | Gross profit margin<br>% |
| FRP grating products                          | <b>10,977</b>                                   | <b>32.7</b>                     | 9,099                                    | 23.6                     |
| USCG approved phenolic grating products       | <b>227</b>                                      | <b>41.7</b>                     | 902                                      | 44.3                     |
| Composite subway evacuation platform products | –   | –                               | 1,594                                    | 10.3                     |
| Epoxy wedge strip products                    | <b>5,008</b>                                    | <b>43.4</b>                     | 977                                      | 21.7                     |
| FRP crosstie products                         | –   | –                               | 1,197                                    | 16.6                     |
|   | <b>16,212</b>                                   | <b>37.1</b>                     | <b>13,769</b>                            | <b>23.2</b>              |

During the three months ended 31 March 2019, sales of FRP grating products remained the largest contributor to the Group's revenue and it accounted for approximately 67.7% of the total revenue. The percentage of contribution has slightly increased by 1.6 percentage points in comparison with the corresponding three months in 2018. FRP grating products were mainly sold to corporate customers in the PRC who generally are end-users of such products, as well as distributors in the U.S. and The United Kingdom ("U.K.") who generally buy the products on per purchase order basis with no distribution arrangement. Revenue derived from sales of FRP grating products increased by 20.6% from approximately RMB9.1 million for the three months ended 31 March 2018 to approximately RMB11.0 million for the three months ended 31 March 2019. This is mainly due to the increase in sales in the PRC and U.K. markets. The gross profit margin increased by approximately 9.1 percentage points from 23.6% for the three months ended 31 March 2018 to 32.7% for the three months ended 31 March 2019, which was mainly due to the decrease in costs of raw materials.

USCG approved phenolic grating products were generally sold to shipbuilders and offshore oilfields construction companies in the PRC. Revenue generated from sales of USCG approved phenolic grating products has decreased by 74.8% from approximately RMB0.9 million for the three months ended 31 March 2018 to approximately RMB0.2 million for the three months ended 31 March 2019. The sharp reduction was due to the downturn in the shipbuilding industry in China and nearby surrounding countries, which caused the customers to be more conservative on placing new orders. The gross profit margin decreased by 2.6 percentage points from 44.3% for the three months ended 31 March 2018 to 41.7% for the three months ended 31 March 2019. This was mainly due to the increase in cost of production resulting from the increased level of complexity in the cutting technique.

Composite subway evacuation platform products were sold to main contractors who principally engaged in railway construction works in the PRC. Due to the prolonged suspension in placing order from railway construction customers, there was no revenue derived from sales of composite subway evacuation platform products for the three months ended 31 March 2019.

Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue derived from sales of epoxy wedge strip products increased substantially by approximately RMB4.0 million or 412.6% from approximately RMB1.0 million for the three months ended 31 March 2018 to approximately RMB5.0 million for the three months ended 31 March 2019. This was mainly due to the acquisition of new customers and the resumption of confidence from the existing customers on the wind turbine manufacturing industry regardless of the controlling measures imposed by the government. The gross profit margin increased by 21.7 percentage points from 21.7% for the three months ended 31 March 2018 to 43.4% for the three months ended 31 March 2019. The increase in gross profit margin can be explained by the increase in selling price.

FRP crosstie products were developed in line with the PRC's policies in promoting "Belt and Road Initiatives". It is intended to apply as the replacement of wooden crossties for the railway sector. The target customers of such products are (i) PRC railway corporations; and (ii) corporations which participate in the construction of national railway bridges. Due to the prolonged suspension in placing order from railway construction customers, there was no revenue derived from sales of FRP crosstie products for the three months ended 31 March 2019.

Details of the average selling price and the sales volume by product categories are as follows:

|   | <b>For the three months ended 31 March 2019</b> |                             | For the three months ended 31 March 2018 |                       |
|---|---|-----------------------------|--|-----------------------|
|   | <b>Average selling price per unit RMB</b>       | <b>Volume</b>               | Average selling price per unit RMB       | Volume                |
| FRP grating products                          | <b>261.3</b>                                    | <b>42,005 m<sup>2</sup></b> | 258.1                                    | 35,258 m <sup>2</sup> |
| USCG approved phenolic grating products       | <b>605.2</b>                                    | <b>374 m<sup>2</sup></b>    | 582.6                                    | 1,548 m <sup>2</sup>  |
| Composite subway evacuation platform products | -   | -                           | 349.6                                    | 2,794 m <sup>2</sup>  |
| Epoxy wedge strip products                    | <b>63.9</b>                                     | <b>78,370 m</b>             | 43.4                                     | 36,730 m              |
| FRP crosstie products                         | -   | -                           | 17,777.8                                 | 67 m <sup>3</sup>     |

The average selling price of the FRP grating products per m<sup>2</sup> increased by approximately 1.2% from RMB258.1 per m<sup>2</sup> for the three months ended 31 March 2018 to RMB261.3 per m<sup>2</sup> for the three months ended 31 March 2019, with an increase in sales volume of approximately 19.1% in comparison between the two periods. The increase in average selling price was mainly due to the increased level of complexity in the cutting technique which allows an increase in the average selling price of this product category.

The average selling price of the USCG approved phenolic grating products per m<sup>2</sup> increased by approximately 3.9% from RMB582.6 per m<sup>2</sup> for the three months ended 31 March 2018 to RMB605.2 per m<sup>2</sup> for the three months ended 31 March 2019, with a reduction in sales volume of approximately 75.8% on comparison between the two periods. The increase in average selling price was mainly due to the increased level of complexity in the cutting technique which allows an increase in the average selling price of this product category.

The average selling price of the epoxy wedge strip products per m increased by approximately 47.2% from RMB43.4 per m for the three months ended 31 March 2018 to RMB63.9 per m for the three months ended 31 March 2019, with an increase in sales volume of approximately 113.4% in comparison between the two periods. Due to the significant increase in demand for epoxy wedge strip products, the Group was in a better position to fetch higher selling prices for epoxy wedge strip products.

Details of the Group's sales revenue by geographical area are as follows:

|        | <b>For the three months<br/>ended 31 December</b> |             |
|--------|---|-------------|
|        | <b>2019</b>                                       | 2018        |
|        | <b>RMB'000</b>                                    | RMB'000     |
| PRC    | <b>7,367</b>                                      | 6,614       |
| U.S.   | <b>3,694</b>                                      | 3,634       |
| U.K.   | <b>3,925</b>                                      | 2,925       |
| Others | <b>1,226</b>                                      | 596         |
|        | <hr/>   | <hr/>       |
| Total  | <b>16,212</b>                                     | 13,769      |
|        | <hr/> <hr/>                                       | <hr/> <hr/> |

Sales to the PRC market increased by approximately 11.4% from approximately RMB6.6 million for the three months ended 31 March 2018 to approximately RMB7.4 million for the three months ended 31 March 2019, which was mainly attributable to the significant increase in sales of epoxy wedge strip products to the PRC customers during the three months ended 31 March 2019.

Sales to the U.S. market increased by approximately 1.7% from approximately RMB3.6 million for the three months ended 31 March 2018 to approximately RMB3.7 million for the three months ended 31 March 2019, mainly because of the increase in sales orders from the major customers in the U.S. market.

Sales to the U.K. market increased by approximately 34.2% from approximately RMB2.9 million for the three months ended 31 March 2018 to approximately RMB3.9 million for the three months ended 31 March 2019, mainly because of the increase in sales orders from the major customers in the U.K. market.

Sales to the other locations increased by approximately 105.7% from approximately RMB0.6 million for the three months ended 31 March 2018 to approximately RMB1.2 million for the three months ended 31 March 2019, mainly because of the new customers acquired in Belgium, South Africa and Indonesia for the three months ended 31 March 2019.

### **Operating Costs and Expenses**

Distribution costs decreased by approximately RMB363,000 or 24.8% to approximately RMB1.1 million for the three months ended 31 March 2019 from approximately RMB1.5 million for the three months ended 31 March 2018. The decrease was mainly attributable to the reduction in advertising expenses.

Administrative expenses increased by approximately RMB0.7 million, a 23.7% increase to approximately RMB3.9 million for the three months ended 31 March 2019 from approximately RMB3.1 million for the three months ended 31 March 2018. The increase was mainly attributable to the increase in research and development expenses.

Finance costs decreased by approximately RMB79,000 to approximately RMB223,000 for the three months ended 31 March 2019 from approximately RMB302,000 for the three months ended 31 March 2018. The decrease was mainly due to the partial repayment of bank loan.



## **Operating Results**

There was a significant improvement in the operating results as the net profit for the three months ended 31 March 2019 was approximately RMB377,000, compared to the net loss of approximately RMB1.3 million for the three months ended 31 March 2018. The improvement was mainly attributable to the increase in gross profit margin and the conscientious effort taken by the management in controlling the operating expenses.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)(**"SFO"**)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) pursuant to section 352 of the SFO to be entered in the register referred to therein pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors and to be notified to the Company and the Stock Exchange were as follows:

**(i) Long position in the Shares**

| <b>Name</b>   | <b>Capacity/Nature of interest</b>   | <b>Number of shares held/ interested in</b> | <b>Percentage of interest in the Company</b> |
|---|--|---|--|
| Mr. Jiang Guitang<br>("Mr. Jiang")<br>(Notes 1 and 2) | Interest held jointly with other persons; interest in a controlled corporation | 163,600,000                                 | 40.9%  |

Notes:

1. Mr. Jiang beneficially owns 100% of the entire issued share capital of Singa Dragon International Ventures Limited ("**Singa**"). Therefore, Mr. Jiang is deemed, or taken to be, interested in all the Shares held by Singa for the purposes of the SFO.
2. Pursuant to the concert party deed (the "**Concert Party Deed**") entered into among Mr. Shen Weixing ("**Mr. Shen**"), Mr. Jiang, Munsing Developments Limited ("**Munsing**") and Singa dated 16 December 2016, Mr. Shen and Mr. Jiang are parties acting in concert (having the meaning ascribed to it under the Codes on Takeovers and Mergers and Share Buy-backs) since 1 January 2014, and that Mr. Shen, Mr. Jiang, Munsing and Singa are parties acting in concert until the date of any written termination by them. As such, Mr. Jiang, together with Mr. Shen, Munsing and Singa, controlled 40.9% of the entire share capital of the Company as at 31 March 2019.

## (ii) Long position in the ordinary shares of associated corporations

| <b>Name of director</b> | <b>Position in the associated corporations</b> | <b>Percentage of interest in the associated corporation</b> |
|-------------------------|--|---|
| Mr. Jiang               | Director of Singa                              | 100% in Singa   |

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31 March 2019, so far as is known to the Directors, the interests and short positions of the persons or corporations (other than a Director or chief executive of the Company) in the Shares or underlying Shares which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are as follows:

| <b>Name</b>                 | <b>Capacity/Nature of interest</b>   | <b>Number of ordinary shares held/interested in</b> | <b>Percentage of interest in the Company</b> |
|-----------------------------|--|---|--|
| Mr. Shen<br>(Notes 1 and 2) | Interest held jointly with other persons; interest in a controlled corporation | 163,600,000   | 40.9%  |
| Munsing<br>(Notes 1 and 2)  | Interest held jointly with other persons; beneficial owner                     | 163,600,000   | 40.9%  |
| Singa (Note 2)              | Interest held jointly with other persons; beneficial owner                     | 163,600,000   | 40.9%  |
| Ms. Gong Hui<br>(Note 3)    | Interest of spouse   | 163,600,000   | 40.9%  |
| Ms. Chen Lijuan<br>(Note 4) | Interest of spouse   | 163,600,000   | 40.9%  |
| Mr. Huang Xuechao           | Beneficial owner   | 118,400,000   | 29.6%  |

Notes:

1. Mr. Shen beneficially owns 100% of the entire issued share capital of Munsing. Therefore, Mr. Shen is deemed, or taken to be, interested in all the Shares held by Munsing for the purposes of the SFO.
2. Pursuant to the Concert Party Deed, Mr. Shen and Mr. Jiang are parties acting in concert (having the meaning ascribed to it under the Codes on Takeovers and Mergers and Share Buy-backs) since 1 January 2014, and that Mr. Shen, Munsing, Singa and Mr. Jiang are parties acting in concert until the date of any written termination by them. As such, Mr. Shen, Munsing, Singa and Mr. Jiang together controlled 40.9% of the entire share capital of the Company.
3. Ms. Gong Hui is the spouse of Mr. Shen and is deemed or taken to be interested in all the Shares in which Mr. Shen has, or is deemed to have, an interest for the purpose of the SFO.
4. Ms. Chen Lijuan is the spouse of Mr. Jiang and is deemed or taken to be interested in all the Shares in which Mr. Jiang has, or is deemed to have, an interest for the purpose of the SFO.

Save as disclosed above, as at 31 March 2019, no other persons (other than the Directors and chief executive of the Company) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

## **CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

During the three months ended 31 March 2019, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

Details of the material related party transactions are set out in note 9 of this report. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the three months ended 31 March 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPETING INTERESTS**

The Directors confirm that none of the controlling shareholders, namely Mr. Shen, Mr. Jiang, Musing and Singa, the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business (apart from the business operated by the Group) which competes or is likely to compete, directly or indirectly, with the Group's business during the three months ended 31 March 2019 and up to the date of this report.

## **INTEREST OF COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed KGI Capital Asia Limited as its compliance adviser (the "**Compliance Adviser**") for the provision of advice and guidance to the Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the Compliance Adviser agreement entered into between the Company and the Compliance Adviser dated 14 March 2016, neither the Compliance Adviser nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' dealing in securities of the Company. The Directors have complied with such code of conduct and the required standard of dealings in the three months ended 31 March 2019.

## **CORPORATE GOVERNANCE CODE**

The Directors consider that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules in the three months ended 31 March 2019.

## AUDIT COMMITTEE

The Company established an audit committee on 16 December 2016 with written terms of reference based on the code provisions of the CG Code. The audit committee comprises of three members, namely Mr. Ng Sai Leung, Mr. Tam Tak Kei Raymond and Mr. Huang Xin, all being independent non-executive Directors. Mr. Ng Sai Leung currently serves as the chairman of the audit committee.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control and risk management systems, nominate and monitor external auditor and to provide advice and comments to the Board on matters related to corporate governance. The Group's unaudited results for the three months ended 31 March 2019 have been reviewed by the audit committee.

By order of the Board  
**MEIGU Technology Holding Group Limited**  
**Jiang Guitang**  
*Executive Director*

Hong Kong, 6 May 2019

*As at the date of this report, the executive Directors are Mr. Jiang Guitang, Mr. Cheng Dong and Ms. Shi Dongying and the independent non-executive Directors are Mr. Huang Xin, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung.*

*This report will remain on the Stock Exchange's website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company at [www.nantongrate.com](http://www.nantongrate.com)*