



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

2020



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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 Holdings 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 2020, together with comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three months ended 31 March	
	<i>Notes</i>	2020 RMB'000 (Unaudited)	2019 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue	3	13,031	16,212
Cost of sales		(8,111)	(10,202)
Gross profit		4,920	6,010
Other revenue	4	239	37
Other net gain	4	81	–
Distribution costs		(943)	(1,099)
Administrative expenses		(3,480)	(3,881)
Profit from operations		817	1,067
Finance costs	5(a)	(63)	(223)
Profit before taxation	5	754	844
Income tax	6	(520)	(467)
Profit for the period		234	377
Other comprehensive income for the period		–	–
Total comprehensive income for the period		234	377
Earnings per share		RMB cent	<i>RMB cent</i>
Basic and diluted	8	0.06	0.09

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reserves							Total
	Share capital	Share premium	Capital Reserve	Share-based payment reserve	Statutory reserve	Retained profits	Sub-total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (Audited)	3,600	20,900	9,557	1,133	4,493	9,584	45,667	49,267
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)	-	-
At 31 March 2019 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>1,233</u>	<u>4,616</u>	<u>9,838</u>	<u>46,144</u>	<u>49,744</u>
At 1 January 2020 (Audited)	3,600	20,900	9,557	1,533	5,327	12,224	49,541	53,141
Profit and total comprehensive income for the period	-	-	-	-	-	234	234	234
Equity-settled share-based payments	-	-	-	100	-	-	100	100
Transfer to statutory reserve	-	-	-	-	189	(189)	-	-
At 31 March 2020 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>1,633</u>	<u>5,516</u>	<u>12,269</u>	<u>49,875</u>	<u>53,475</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 2020 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 2020 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2019.

The consolidated results of the Group for the three months ended 31 March 2020 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.

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of fiberglass reinforced plastic		
– fiberglass reinforced plastic (“FRP”) grating	6,736	10,977
– United States Coast Guard (“USCG”) approved phenolic grating	–	227
– epoxy wedge strip	6,295	5,008
	13,031	16,212

In a manner consistent with the way in which information is reported internally to the 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 AND OTHER NET INCOME

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other revenue		
Interest income on bank deposits	9	14
Government subsidies	220	–
Sundry Income	10	23
	239	37
Other net gain		
Net foreign exchange gain	81	–

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest on bank borrowings	63	223
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	2,398	2,453
Contributions to defined contribution retirement plans	128	290
Equity-settled share-based payments	100	100
	2,626	2,843
(c) Other items		
Amortisation for a right-of-use asset	9	9
Depreciation for property, plant and equipment	531	367
Cost of inventories recognised as expense (Note 1)	8,738	11,019
Research and development costs (Note 2)	1,317	1,611

Notes:

- (1) Cost of inventories recognised as expenses include RMB1,283,000 (three months ended 31 March 2019: RMB1,565,000) relating to staff costs, and RMB388,000 (three months ended 31 March 2019: RMB136,000) relating to depreciation for property, plant and equipment and RMB939,000 (three months ended 31 March 2019: RMB1,169,000) relating to research and development costs, the amounts of which are also included in the total amount disclosed separately above for each of these types of expenses.
- (2) Included in the research and development costs are staff cost of RMB332,000 (three months ended 31 March 2019: RMB282,000) and costs of materials consumed of RMB939,000 (three months ended 31 March 2019: RMB1,169,000), 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

	For the three months ended 31 March	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT") on profits of the Group's PRC subsidiary	400	359
Deferred tax		
Origination of temporary differences in respect of withholding tax on distributable profits of the Group's PRC subsidiary	120	108
	<u>520</u>	<u>467</u>

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 2020 and the corresponding three months in 2019 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% (three months ended 31 March 2019: 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 2020 (three months ended 31 March 2019: Nil).

8. EARNINGS PER SHARE

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

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of Company for the purpose of calculating basic loss per share	234	377
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	400,000	400,000

Basic earnings per share for the three months ended 31 March 2020 amounted to 0.06 RMB cent (three months ended 31 March 2019: 0.09 RMB cent).

No diluted earnings per share was presented as there was no potential ordinary shares outstanding during 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 ended 31 March	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	295	349
Post-employment benefits	20	40
Equity-settled share-based payments	100	100
	415	489


MANAGEMENT DISCUSSION AND ANALYSIS

Review and Prospects

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 of 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 year in light of gradual maturity and better understanding of the FRP market in future.



For the three months ended 31 March 2020, the sales performance of FRP grating products was not as satisfactory as that of epoxy wedge strip products as the former suffered a reduction of sales revenue by approximately 38.6% as compared to that of the corresponding three months in 2019. While there was no sales revenue generated in respect of USCG approved phenolic grating products, composite subway evacuation platform products and FRP crosstie products for the three months ended 31 March 2020, the Group will have to exert extra efforts in marketing campaign for the Group's products by taking part actively in more trade fairs for exploring overseas and domestic markets. Moreover, the Group continues to adhere 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 performance of FRP grating products, USCG approved phenolic grating products, composite subway evacuation platform products and FRP crosstie products would turn around by the end of this year.

Although the United States ("U.S.") and the PRC governments have entered into an agreement for easing the tension of the trade war in January 2020, there was no sign of removing the import tariff of the Group's products sold to the U.S., which took effect from 1 September 2019. Since most of the import tariff for the U.S. exports of the Group was born by the U.S. importer, it is expected that the tariff levied on the Group's U.S. exports will not cause significant impact on the Group financially.

Since the outbreak of the novel coronavirus (COVID-19) in January 2020, the PRC central government has adopted a series of prevention and control measures, including regional traffic control, restriction or suspension of entertainment, as well as delayed resumption of factory production, etc. This has undoubtedly led to temporary negative impact on the economic activities and hence the PRC central government implemented a series of measures to mitigate the negative impact on the economy, such as reduction of tax, fees, interest rate and rent. With the relaxation of the prevention and control measures in April 2020, factory production was allowed to resume.


Going forward, the Group will need to take part more rigorously in tender bidding for all potential projects both in the PRC and overseas markets. Moreover, the Group will continue to enhance product recognition by improving production technology in order to maintain effective cost control and strengthen its competitiveness. Furthermore, the Group will recruit more experienced talents to fulfil the Group's mission in product research, development and market expansion.

Financial Review

The Group posted a consolidated revenue of approximately RMB13.0 million for the three months ended 31 March 2020, representing a decrease of approximately RMB3.2 million or 19.6% as compared to the corresponding period in 2019. The decrease in revenue was primarily driven by the decrease in sales revenue generated from sales of FRP grating products and USCG approved phenolic grating products, which was offset by the increase in sales revenue of epoxy wedge strip products.

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

	For the three months ended 31 March 2020		For the three months ended 31 March 2019	
	Sales revenue <i>RMB'000</i>	Gross profit margin %	Sales revenue <i>RMB'000</i>	Gross profit margin %
FRP grating products	6,736	28.3	10,977	32.7
USCG approved phenolic grating products	–	–	227	41.7
Epoxy wedge strip products	6,295	47.8	5,008	43.4
	13,031	37.8	16,212	37.1



During the three months ended 31 March 2020, sales of FRP grating products remained the largest contributor to the Group's revenue and it accounted for approximately 51.7% of the total revenue. The percentage of contribution has decreased by 16 percentage points in comparison with the corresponding three months in 2019. 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 decreased by 38.6% from approximately RMB11.0 million for the three months ended 31 March 2019 to approximately RMB6.7 million for the three months ended 31 March 2020. This was mainly due to the decrease in sales in the U.S. and U.K. markets. The gross profit margin decreased by approximately 4.4 percentage points from 32.7% for the three months ended 31 March 2019 to 28.3% for the three months ended 31 March 2020, which was mainly due to the increase in costs of raw materials and the continuous payment of workers' wages with low production output resulting from reduction in orders from customers.

USCG approved phenolic grating products were generally sold to shipbuilders and offshore oilfields construction companies in the PRC. Due to the outbreak of the COVID-19, there was no revenue derived from sales of USCG approved phenolic grating products for the three months ended 31 March 2020.

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 by approximately RMB1.3 million or 25.7% from approximately RMB5.0 million for the three months ended 31 March 2019 to approximately RMB6.3 million for the three months ended 31 March 2020. 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 4.4 percentage points from 43.4% for the three months ended 31 March 2019 to 47.8% for the three months ended 31 March 2020. The increase in gross profit margin can be explained by the enhancement of production efficiency resulting from the increase in production output without noticeable increase in production costs.

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

	For the three months ended 31 March 2020		For the three months ended 31 March 2019	
	Average selling price per unit RMB	Volume	Average selling price per unit RMB	Volume
FRP grating products	306.9	21,950 m²	261.3	42,005 m ²
USCG approved phenolic grating products	-	-	606.0	374 m ²
Epoxy wedge strip products	63.4	99,346 m	63.9	78,370 m

The average selling price of the FRP grating products per m² increased by approximately 17.5% from RMB263.1 per m² for the three months ended 31 March 2019 to RMB306.9 per m² for the three months ended 31 March 2020, with a decrease in sales volume of approximately 47.7% 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 allowed an increase in the average selling price of this product category.

The average selling price of the epoxy wedge strip products per m slightly decreased by approximately 0.8% from RMB63.9 per m for the three months ended 31 March 2019 to RMB63.4 per m for the three months ended 31 March 2020, with an increase in sales volume of approximately 26.8% in comparison between the two periods. There was only a slight reduction in average selling price due to the differences in product specifications in relation to different shapes, weight and dimension for the products sold in these two periods.

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

	For the three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
PRC	7,692	7,367
U.S.	2,039	3,694
U.K.	2,367	3,925
Others	933	1,226
Total	13,031	16,212

Sales to the PRC market increased by approximately 4.4% from approximately RMB7.4 million for the three months ended 31 March 2019 to approximately RMB7.7 million for the three months ended 31 March 2020, which was mainly attributable to the significant increase in sales of the epoxy wedge strip products to the PRC customers during the three months ended 31 March 2020.

Sales to the U.S. market decreased by approximately 44.8% from approximately RMB3.7 million for the three months ended 31 March 2019 to approximately RMB2.0 million for the three months ended 31 March 2020, mainly because of the decrease in sales orders from the major customers in the U.S. market due to the outbreak of the COVID-19.

Sales to the U.K. market decreased by approximately 39.7% from approximately RMB3.9 million for the three months ended 31 March 2019 to approximately RMB2.4 million for the three months ended 31 March 2020, mainly because of the decrease in sales orders from the major customers in the U.K. market due to the outbreak of the COVID-19.

Sales to the other locations decreased by approximately 23.9% from approximately RMB1.2 million for the three months ended 31 March 2019 to approximately RMB0.9 million for the three months ended 31 March 2020, mainly because of the decrease in sales orders from customers in Belgium and South Africa due to the outbreak of the COVID-19.

Operating Costs and Expenses

Distribution costs decreased by approximately RMB156,000 or 14.2% to approximately RMB0.9 million for the three months ended 31 March 2020 from approximately RMB1.1 million for the three months ended 31 March 2019. The decrease was mainly attributable to the decrease in export declaration expenses and exhibition expenses.

Administrative expenses decreased by approximately RMB0.4 million, a 10.3% decrease to approximately RMB3.5 million for the three months ended 31 March 2020 from approximately RMB3.9 million for the three months ended 31 March 2019. The decrease was mainly attributable to the decrease in research and development expenses.

Finance costs decreased by approximately RMB160,000 to approximately RMB63,000 for the three months ended 31 March 2020 from approximately RMB223,000 for the three months ended 31 March 2019. The decrease was mainly due to the partial repayment of bank loan.

Operating Results

Profit before taxation decreased by 10.6% from approximately RMB844,000 for the three months ended 31 March 2019 to approximately RMB754,000 for the three months ended 31 March 2020. It was mainly due to the reduction of approximately 19.7% in sales revenue of the Group for the three months ended 31 March 2020 as compared to that of the corresponding three months in 2019.

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 2020, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**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), or pursuant to section 352 of the SFO to be entered in the register referred to therein, or otherwise pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors as notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

Name	Capacity/Nature of interest	Number of shares held/interested in	Percentage of interest in the Company
Mr. Jiang Guitang ("Mr. Jiang") (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**"), which in turn beneficially owns 163,600,000 Shares (representing 40.9% of the total number of issued Shares). 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 The Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**")) 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 together held 40.9% of the total number of issued Shares as at 31 March 2020.

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

Name of director	Position in the associated corporations	Percentage of interest in the associated corporation
Mr. Jiang	Director of Singa	100% in Singa

Save as disclosed above, as at 31 March 2020, 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 its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or 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 OR UNDERLYING SHARES OF THE COMPANY


As at 31 March 2020, 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:

Name	Capacity/Nature of interest	Number of ordinary shares held/ interested in	Percentage of interest in the Company
Mr. Shen (<i>Notes 1 and 2</i>)	Interest held jointly with other persons	163,600,000	40.9%
Munsing (<i>Notes 1 and 2</i>)	Interest held jointly with other persons	163,600,000	40.9%
Singa (<i>Notes 2 and 5</i>)	Interest held jointly with other persons; beneficial owner	163,600,000	40.9%
Ms. Gong Hui (<i>Note 3</i>)	Interest of spouse	163,600,000	40.9%
Ms. Chen Lijuan (<i>Note 4</i>)	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 Takeover Code) 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 held 40.9% of the total number of issued Shares as at 31 March 2020.
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.
5. On 3 January 2020, Singa (as vendor) entered into a share transfer agreement with Yunhong Group Co., Limited (“**Yunhong**”) (as purchaser) to sell 40,000,000 Shares beneficially held by Singa (representing 10% of the total number of issued Shares) to Yunhong at a price of HK\$0.16 per share, for a total consideration of HK\$6,400,000 (the “**Disposal**”). As at the date of this report, the Disposal is not yet completed.

On 5 January 2020, Singa entered into a memorandum of agreement with Yunhong (as potential purchaser) in relation to the possible sale and purchase of 123,600,000 Shares beneficially held by Singa (representing 30.9% of the total number of issued Shares) to Yunhong (the “**Possible Transaction**”), which if materialized, may lead to a change in control of the Company and a mandatory general offer under the Takeovers Code for all the issued Shares (other than those already owned by or agreed to be acquired by Yunlong or parties acting in concert with it). As at the date of this report, Singa and Yunhong have not entered into a formal agreement in relation to the Possible Transaction. Details about the Disposal and the Possible Transaction are set out in the announcements of the Company dated 3 January 2020, 8 January 2020 and 22 January 2020, 6 February 2020, 4 March 2020, 3 April 2020 and 14 April 2020.



Save as disclosed above, as at 31 March 2020, 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 or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the three months ended 31 March 2020, 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 to the financial statements 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 2020, 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 2020 and up to the date of this report.

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 confirmed that they have complied with such code of conduct and the required standard of dealings in the three months ended 31 March 2020.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules in the three months ended 31 March 2020.

AUDIT COMMITTEE

The Company established an audit committee on 16 December 2016 with written terms of reference based on the code provisions of the Corporate Governance Practice of the GEM Listing Rules. 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 the 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 2020 have been reviewed by the audit committee.


By order of the Board

MEIGU Technology Holding Group Limited

Jiang Guitang

Executive Director

Hong Kong, 11 May 2020



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 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