



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



THIRD 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 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 of the Stock Exchange 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 the 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 and the nine months ended 30 September 2020, together with comparative unaudited figures for the same corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	31,930	17,149	68,938	55,429
Cost of sales		(21,311)	(10,831)	(45,014)	(34,096)
Gross profit		10,619	6,318	23,924	21,333
Other revenue	4	4	7	260	120
Other net (loss) gain	4	(640)	456	(234)	602
Selling and distribution costs		(1,288)	(1,022)	(3,226)	(3,441)
Administrative expenses		(3,684)	(3,021)	(10,642)	(11,292)
Profit from operations		5,011	2,738	10,082	7,322
Finance costs	5(a)	(45)	(204)	(171)	(652)
Profit before taxation	5	4,966	2,534	9,911	6,670
Income tax	6	(1,854)	(1,017)	(3,876)	(2,957)
Profit for the period		3,112	1,517	6,035	3,713
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period attributable to owners of the Company		3,112	1,517	6,035	3,713
Earnings per share		RMB cent	RMB cent	RMB cent	RMB cent
Basic and diluted	8	0.78	0.38	1.51	0.93

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB '000	Share premium RMB '000	Capital reserve RMB '000	Share- based payment reserve RMB '000	Statutory reserve RMB '000	Retained profits RMB '000	Total RMB '000
At 1 January 2019 (Audited)	3,600	20,900	9,557	1,133	4,493	9,584	49,267
Profit and total comprehensive income for the period	-	-	-	-	-	3,713	3,713
Equity-settled share-based payments	-	-	-	300	-	-	300
Transfer to statutory reserve	-	-	-	-	659	(659)	-
At 30 September 2019 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>1,433</u>	<u>5,152</u>	<u>12,638</u>	<u>53,280</u>
At 1 January 2020 (Audited)	3,600	20,900	9,557	1,533	5,327	12,224	53,141
Profit and total comprehensive income for the period	-	-	-	-	-	6,035	6,035
Equity-settled share-based payments	-	-	-	300	-	-	300
Transfer to statutory reserve	-	-	-	-	891	(891)	-
At 30 September 2020 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>1,833</u>	<u>6,218</u>	<u>17,368</u>	<u>59,476</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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, the 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 period, 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 nine months ended 30 September 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 ("**HKFRSs**") 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 those 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 nine months ended 30 September 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 nine months ended 30 September 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 sales 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 30 September		For the nine months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of fiberglass reinforced plastic				
– fiberglass reinforced plastic (“FRP”) grating	13,874	11,585	31,913	37,897
– United States Coast Guard (“USCG”) approved phenolic grating	–	509	163	1,761
– epoxy wedge strip	18,056	5,055	36,862	15,771
	<u>31,930</u>	<u>17,149</u>	<u>68,938</u>	<u>55,429</u>

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 AND OTHER NET (LOSS) GAIN

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other revenue				
Interest income on bank deposits	4	7	22	52
Government subsidies	–	–	228	–
Sundries	–	–	10	68
	<u>4</u>	<u>7</u>	<u>260</u>	<u>120</u>
Other net (loss) gain				
Net foreign exchange (loss) gain	(640)	456	(234)	602

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following items:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
(a) Finance costs				
Interest on bank borrowings	45	204	171	652
(b) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	3,000	2,602	8,508	7,805
Contributions to defined contribution retirement plans	126	259	370	811
Equity-settled share-based payments	100	100	300	300
	3,226	2,961	9,178	8,916
(c) Other items				
Amortisation of right-to-use asset	9	9	28	28
Depreciation for property, plant and equipment	501	676	1,581	1,848
Cost of inventories recognised as expenses (note (i))	21,226	11,174	46,018	37,017
Research and development costs (note (ii))	1,445	1,490	4,249	5,676

Notes:

- (i) Cost of inventories recognised as expenses include approximately RMB4,987,000 (nine months ended 30 September 2019: approximately RMB5,343,000) relating to staff costs, and approximately RMB1,153,000 (nine months ended 30 September 2019: approximately RMB1,317,000) 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.
- (ii) Including in the research and development costs are staff cost of approximately RMB1,057,000 (nine months ended 30 September 2019: approximately RMB871,000) and the cost of materials consumed of approximately RMB3,054,000 (nine months ended 30 September 2019: approximately RMB4,184,000), the amounts of which are also included in the total amount separately disclosed for these types of expenses.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax				
PRC Enterprise Income Tax ("EIT") on profits of the Group's subsidiary	1,427	782	2,982	2,295
Deferred tax				
Origination and reversal of temporary differences in respect of withholding tax on distributable profits of the Group's PRC subsidiary	427	235	894	662
	1,854	1,017	3,876	2,957

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 nine months ended 30 September 2020 and also the corresponding nine months in 2019 as the Group did not have assessable profits subject to Hong Kong profits tax during the aforesaid periods.

Nantong Meigu, a PRC subsidiary, is subject to PRC EIT at 25% (nine months ended 30 September 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 nine months ended 30 September 2020 (nine months ended 30 September 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 30 September		For the nine months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit attributable to owners of Company for the purpose of calculating basic earnings per share	<u>3,112</u>	<u>1,517</u>	<u>6,035</u>	<u>3,713</u>
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

Basic earnings per share for the nine months ended 30 September 2020 amounted to 1.51 RMB cents (nine months ended 30 September 2019: 0.93 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 TRANSACTION

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 30 September		For the nine months ended 30 September	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term employee benefits	<u>294</u>	310	<u>886</u>	956
Post-employment benefits	<u>11</u>	53	<u>42</u>	133
Equity-settled share-based payments	<u>100</u>	100	<u>300</u>	300
	<u>405</u>	<u>463</u>	<u>1,228</u>	<u>1,389</u>

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

For the nine months ended 30 September 2020, the sales performance of FRP grating products and USCG approved phenolic grating products were not as satisfactory as that of epoxy wedge strip products as the former two products suffered a reduction of sales revenue by approximately 15.8% and 90.7%, respectively, as compared to that of the corresponding nine months in 2019. While there was no sales revenue generated in respect of composite subway evacuation platform products and FRP crosstie products for the nine months ended 30 September 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 Initiatives". With all these efforts, the Groups 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.



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 economy of the country 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. Although the outbreak of the COVID-19 pandemic in the PRC has been controlled at acceptable level, the crisis across the globe has become more critical. There are signs of indication that a new wave of pandemic spread is happening in various countries. Stricter prevention and control measures including lock-downs have already been imposed in certain countries. The Group will therefore continue to keep a close attention to the impact caused by the COVID-19 and will take all relevant actions in order to minimize the negative impact on the Group.

Going forward, the Group will need to be more rigorous 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 fulfill the Group's mission in product research, development and market expansion.


Sales Performance

The Group posted a consolidated revenue of approximately RMB68.9 million for the nine months ended 30 September 2020, representing an increase of approximately RMB13.5 million or 24.4% as compared to the corresponding period in 2019. The increase in revenue was primarily driven by the increase in sales revenue generated from epoxy wedge strip products, which was mitigated by the decrease in sales of FRP grating products and USCG approved phenolic grating products. Moreover, sales for the domestic market increased by approximately 58.6% to approximately RMB42.6 million for the nine months ended 30 September 2020 from approximately RMB26.9 million for the same corresponding period in 2019. The domestic market contributed approximately 61.8% of total sales for the nine months ended 30 September 2020, which has increased by 13.3 percentage points in comparison with that of approximately 48.5% for the nine months ended 30 September 2019.

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

	For the nine months ended 30 September 2020		For the nine months ended 30 September 2019	
	Sales revenue <i>RMB'000</i>	Gross profit margin %	Sales revenue <i>RMB'000</i>	Gross profit margin %
FRP grating products	31,913	33.0	37,897	33.5
USCG approved phenolic grating products	163	39.8	1,761	46.2
Epoxy wedge strip products	36,862	36.1	15,771	49.6
	68,938	34.7	55,429	38.5

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 United States of America ("U.S.") and the United Kingdom ("U.K.") who generally buy the products on per purchase order basis with no distribution arrangement. The revenue derived from sales of FRP grating products decreased by approximately RMB6.0 million or 15.8% from approximately RMB37.9 million for the nine months ended 30 September 2019 to approximately RMB31.9 million for the nine months ended 30 September 2020. This was primarily due to the reduction in demands from both the domestic and overseas markets resulting from the outbreak of the COVID-19. The gross profit margin decreased slightly by 0.5 percentage point from 33.5% for the nine months ended 30 September 2019 to 33.0% for the nine months ended 30 September 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. Revenue generated from sales of USCG approved phenolic grating products decreased drastically by approximately 90.7% from approximately RMB1.8 million for the nine months ended 30 September 2019 to approximately RMB163,000 for the nine months ended 30 September 2020. The 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 approximately 6.4 percentage points from 46.2% for the nine months ended 30 September 2019 to 39.8% for the nine months ended 30 September 2020. This was mainly due to the inflexibility for the reduction in the fixed costs of production resulting from substantial decrease in the production volume during the nine months ended 30 September 2020.

During the nine months ended 30 September 2020, sales of epoxy wedge strip products became the largest contributor to the Group's revenue and accounted for approximately 53.5% of the total revenue of the Group. 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 RMB21.1 million or 133.7% from approximately RMB15.8 million for the nine months ended 30 September 2019 to approximately RMB36.9 million for the nine months ended 30 September 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 imposition of controlling measures by the government. The gross profit margin decreased by approximately 13.5 percentage points from approximately 49.6% for the nine months ended 30 September 2019 to approximately 36.1% for the nine months ended 30 September 2020. The decrease in gross profit margin can be explained by the increase in cost of production resulting from changes in demands from customers.

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

	For the nine months ended 30 September 2020		For the nine months ended 30 September 2019	
	Average selling price per unit <i>RMB</i>	Volume	Average selling price per unit <i>RMB</i>	Volume
FRP grating products	281.9	113,216 m²	274.7	137,945 m ²
USCG approved phenolic grating products	569.8	287 m²	636.2	2,768 m ²
Epoxy wedge strip products	69.2	533,050 m	64.4	244,968 m

The average selling price of the FRP grating products per m² increased by approximately RMB7.2 per m² or approximately 2.6% from RMB274.7 per m² for the nine months ended 30 September 2019 to RMB281.9 per m² for the nine months ended 30 September 2020, with a decrease in sales volume of approximately 17.9% 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 USCG approved phenolic grating products per m² decreased by approximately 10.4% from RMB636.2 per m² for the nine months ended 30 September 2019 to RMB569.8 per m² for the nine months ended 30 September 2020, with a decrease in sales volume of approximately 89.6% in comparison between the two periods. The decrease in average selling price was mainly due to the management's attempt to boost sales revenue by lowering average selling price.

The average selling price of the epoxy wedge strip products per m increased by approximately RMB4.8 per m from RMB64.4 per m for the nine months ended 30 September 2019 to RMB69.2 per m for the nine months ended 30 September 2020, with an increase in sales volume of approximately 117.6% 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:

	For the nine months ended 30 September	
	2020	2019
	RMB'000	RMB'000
PRC	42,601	26,865
U.S.	11,473	13,292
U.K.	9,742	9,935
Others	5,122	5,337
	68,938	55,429

Sales to the PRC market increased by approximately 58.6% from approximately RMB26.9 million for the nine months ended 30 September 2019 to approximately RMB42.6 million for the nine months ended 30 September 2020, which was mainly attributable to the significant increase in sales of epoxy wedge strip products to the PRC customers during the nine months ended 30 September 2020.

Sales to the U.S. market decreased by approximately 13.7% from approximately RMB13.3 million for the nine months ended 30 September 2019 to approximately RMB11.5 million for the nine months ended 30 September 2020, mainly because of the decrease in sales orders from the major customers in the U.S. market resulting from the outbreak of the COVID-19.

Sales to the U.K. market slightly decreased by approximately 1.9% from approximately RMB9.9 million for the nine months ended 30 September 2019 to approximately RMB9.7 million for the nine months ended 30 September 2020, mainly because of the decrease in sales orders from the major customers in the U.K. market resulting from the outbreak of COVID-19.

Sales to the other locations decreased by approximately 4.0% from approximately RMB5.3 million for the nine months ended 30 September 2019 to approximately RMB5.1 million for the nine months ended 30 September 2020, mainly because of the decrease in sales order from the customers in Belgium, France and South Africa resulting from the outbreak of the COVID-19.

Selling and distribution costs

The selling and distribution costs decreased by approximately RMB215,000 or 6.3% to approximately RMB3.2 million for the nine months ended 30 September 2020 from approximately RMB3.4 million for the nine months ended 30 September 2019. The decrease was mainly attributable to the decrease in exhibition expenses.

Administrative expenses

The administrative expenses decreased by approximately RMB650,000, or 5.8% to approximately RMB10.6 million for the nine months ended 30 September 2020 from approximately RMB11.3 million for the nine months ended 30 September 2019. The decrease was mainly attributable to the decrease in research and development expenses.

Finance costs

Finance costs decreased by approximately RMB481,000 to approximately RMB171,000 for the nine months ended 30 September 2020 from approximately RMB652,000 for the nine months ended 30 September 2019. The decrease was mainly due to the partial repayment of bank loan.

Operating results

Profit before taxation increased by approximately RMB3.2 million, or 48.6% to approximately RMB9.9 million for the nine months ended 30 September 2020 from approximately RMB6.7 million for the nine months ended 30 September 2019. It was mainly attributable to the surge of sales revenue generated by sales of epoxy wedge strip products during the nine months ended 30 September 2020.

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

As at 30 September 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 the 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 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 Buybacks (the “**Takeover 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 controlled 40.9% of the entire share capital of the Company as at 30 September 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 30 September 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 the 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.

DIRECTOR'S 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 30 September 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 provision 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 (Notes 1 and 2)	Interest held jointly with other persons	163,600,000	40.9%
Munsing (Notes 1 and 2)	Interest held jointly with other persons	163,600,000	40.9%
Singa (Notes 2 and 5)	Interest held jointly with other persons; beneficial owners	163,600,000	40.9%
Ms. Gong Hui (Note 3)	Interest of spouse	163,600,000	40.9%
Ms. Chen Lijuan (Note 4)	Interest of spouse	163,600,000	40.9%
Mr. Huang Xuechao	Beneficial owner	103,620,000	25.9%

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 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 Takeovers 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 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 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 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 (as selling shareholder) and Yunhong (as potential purchaser) entered into a memorandum of agreement (as supplemented by the supplemental agreements dated 22 January 2020, 14 April 2020, 30 June 2020, 31 August 2020, 30 September 2020 and 13 October 2020 respectively) 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 Yunhong and 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, 22 January 2020, 6 February 2020, 4 March 2020, 3 April 2020, 14 April 2020, 14 May 2020, 12 June 2020, 2 July 2020, 3 August 2020, 1 September 2020, 5 October 2020, 14 October 2020 and 13 November 2020.



Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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, Munsing 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 nine months ended 30 September 2020 and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

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 nine months ended 30 September 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 nine months ended 30 September 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 external auditor and to provide advice and comments to the Board on matters related to corporate governance. The Group's unaudited results for the nine months ended 30 September 2020 have been reviewed by the audit committee.

By order of the Board

MEIGU Technology Holding Group Limited

Jiang Guitang

Executive Director

Hong Kong, 13 November 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 Listed Company Information" page for 7 days from the date of its posting and on the website of the Company at www.nantongrate.com.