



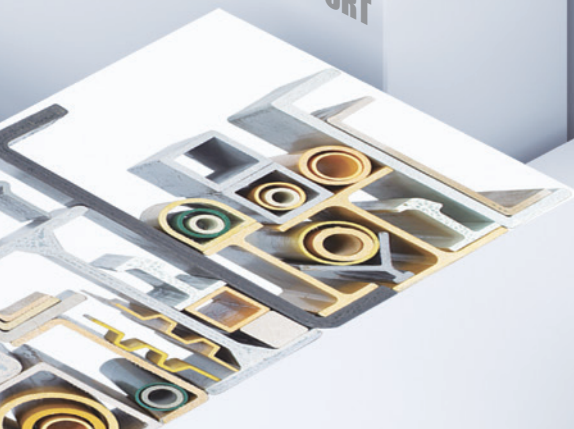
MEIGU

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

2021
FIRST QUARTERLY REPORT



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 presents the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2021, together with comparative unaudited figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three months ended 31 March	
	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	13,623	13,031
Cost of sales		(10,468)	(8,111)
Gross profit		3,155	4,920
Other revenue	4	4	239
Other net (loss) gain	4	(154)	81
Distribution costs		(948)	(943)
Administrative expenses		(2,375)	(3,480)
(Loss) profit from operations		(318)	817
Finance costs	5(a)	(63)	(63)
(Loss) profit before taxation	5	(381)	754
Income tax	6	(87)	(520)
(Loss) profit for the period		(468)	234
Other comprehensive income for the period		–	–
Total comprehensive (expense) income for the period		(468)	234
(Loss) earnings per share		RMB cent	RMB cent
Basic and diluted	8	(0.12)	0.06

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 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>
At 1 January 2021 (Audited)	3,600	20,900	9,557	1,933	6,407	16,693	55,490	59,090
Loss and total comprehensive expense for the period	-	-	-	-	-	(468)	(468)	(468)
Equity-settled share-based payments	-	-	-	100	-	-	100	100
Transfer to statutory reserve	-	-	-	-	94	(94)	-	-
At 31 March 2021 (Unaudited)	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>2,033</u>	<u>6,501</u>	<u>16,131</u>	<u>55,122</u>	<u>58,722</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 Windward 3, Regatta Office Park, P.O. Box 1350 Grand Cayman KY1-1108, Cayman Islands and its principal place of business is 66 South 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 2021 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 (the "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 three months ended 31 March 2021 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2020.

The consolidated results of the Group for the three months ended 31 March 2021 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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of fiberglass reinforced plastic		
– fiberglass reinforced plastic (“FRP”) grating products	6,710	6,736
– Epoxy wedge strip products	6,913	6,295
	13,623	13,031

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 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other revenue		
Interest income on bank deposits	4	9
Government subsidies	–	220
Sundry Income	–	10
	4	239
Other net (loss) gain		
Net foreign exchange (loss) gain	(154)	81

5. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation is arrived at after charging the following items:

	For the three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest on bank borrowings	63	63
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	2,668	2,398
Contributions to defined contribution retirement plans	232	128
Equity-settled share-based payments	100	100
	3,000	2,626
(c) Other items		
Amortisation for a right-of-use asset	9	9
Depreciation for property, plant and equipment	477	531
Cost of inventories recognised as expenses (note (i))	10,530	8,738
Research and development costs (note (ii))	900	1,317

Notes:

- (i) Cost of inventories recognised as expenses include approximately RMB1,424,000 (three months ended 31 March 2020: RMB1,283,000) relating to staff costs, and approximately RMB335,000 (three months ended 31 March 2020: RMB388,000) 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) Included in the research and development costs are staff cost of approximately RMB406,000 (three months ended 31 March 2020: RMB332,000) and costs of materials consumed of RMB449,000 (three months ended 31 March 2020: RMB939,000), 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 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT") on profits of the Group's subsidiary	67	400
Deferred tax		
Origination of temporary differences in respect of withholding tax on distributable profits of the Group's PRC subsidiary	20	120
	87	520

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 2021 and the corresponding three months in 2020 as the Group did not have assessable profits subject to Hong Kong Profits Tax during the aforesaid periods.

The PRC subsidiaries of the Group are subject to PRC EIT at 25% (three months ended 31 March 2020: 25%). Dividends declared to Prosperous Composite Material Co., Ltd., as a non-resident shareholder, in respect of profits earned by Nantong Meigu, are subject to the 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 2021 (three months ended 31 March 2020: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	For the three months ended 31 March	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) earnings for the purpose of basic (loss) earnings per share		
(Loss) profit for the period attributable to the owners of Company	(468)	234
Number of shares	'000	'000
Number of shares at the beginning and the end of the reporting period and the weighted average number of shares	400,000	400,000

Basic (loss) earnings per share for the three months ended 31 March 2021 amounted to RMB(0.12 cent) (three months ended 31 March 2020: RMB0.06 cent) per share.

No diluted (loss) earnings per share was presented as there was no potential ordinary share outstanding during the periods ended 31 March 2021 and 2020.

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	300	295
Post-employment benefits	40	20
Equity-settled share-based payments	100	100
	<hr/>	<hr/>
	440	415
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MANAGEMENT DISCUSSION AND ANALYSIS

General overview

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sales of FRP products. During the first quarter of 2021, the Group produced two major products, namely, FRP grating products and epoxy wedge strip products.

The applications for FRP are quite wide including building and construction field, electrical and telecommunications engineering. As the product is characterised 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 steady pace in the future in light of gradual maturity and better understanding of the FRP market.

In the first quarter of 2021, the gross domestic product (the “GDP”) of the PRC grew by 18.3% as compared to the corresponding period in 2020. This is a record growth rate reflecting a recovery from the dramatic impact of the coronavirus pandemic (“COVID-19”) in early 2020 and the continued momentum of the world’s second largest economy. It also marks a remarkable turnaround from the first quarter of 2020 when the PRC economy suffered a dramatic collapse under pressure from the impact of COVID-19 which shrank the GDP by 6.8% in the first quarter of 2020. Whilst the PRC’s economy marks a remarkable turnaround, the COVID-19 pandemic is still spreading globally and the international landscape is complicated and severe. The foundation for domestic economic recovery is not yet solid, and some service industries, small and medium-sized enterprises are still facing more difficulties in their productions and operations.


In view of the uncertainty of the global economy ahead, 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.

Sales performance

The Group posted a consolidated revenue of approximately RMB13.6 million for the three months ended 31 March 2021, representing an increase of approximately RMB0.6 million or 4.6% as compared to the corresponding period in 2020. The increase in revenue was primarily driven by the increase in sales revenue generated from epoxy wedge strip products, which was mitigated by a slight reduction in sales of FRP grating products. Moreover, sales for the domestic market increased by approximately 16.3% to approximately RMB8.9 million for the three months ended 31 March 2021 from approximately RMB7.7 million for the corresponding period in 2020. The domestic market contributed approximately 65.6% of total sales for the three months ended 31 March 2021, which has increased by 6.6 percentage points in comparison with that of approximately 59.0% for the three months ended 31 March 2020.

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

	For the three months ended 31 March 2021		For the three months ended 31 March 2020	
	Sales revenue <i>RMB'000</i>	Gross profit margin %	Sales revenue <i>RMB'000</i>	Gross profit margin %
FRP grating products	6,710	21.8	6,736	28.3
Epoxy wedge strip products	6,913	24.5	6,295	47.8
	13,623	23.2	13,031	37.8



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 (“**U.S.**”) and the United Kingdom (“**U.K.**”) who generally buy the products on per purchase order basis with no distribution arrangement. While the revenue derived from sales of FRP grating products for the three months ended 31 March 2021 remained relatively stable as compared to the corresponding period in 2020, its gross profit margin decreased by 6.5 percentage points from 28.3% for the three months ended 31 March 2020 to 21.8% for the three months ended 31 March 2021. This was mainly attributable to the drastic increase in costs of raw materials amidst the rupture of the worldwide supply chain caused by the widespread COVID-19 pandemic.

During the three months ended 31 March 2021, sales of epoxy wedge strip products became the largest contributor to the Group’s revenue and accounted for approximately 50.8% 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 RMB0.6 million or 9.8% from approximately RMB6.3 million for the three months ended 31 March 2020 to approximately RMB6.9 million for the three months ended 31 March 2021. This was primarily due to the increase in the average selling price during the three months ended 31 March 2021. The gross profit margin dropped by approximately 23.3 percentage points from approximately 47.8% for the three months ended 31 March 2020 to approximately 24.5% for the three months ended 31 March 2021. This decrease in gross profit margin was attributable to the drastic increase in costs of raw materials amidst the rupture of the worldwide supply chain caused by the widespread COVID-19 pandemic and the relative increase in the fixed costs of production per unit resulting from the reduction in production volume.

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

	For the three months ended 31 March 2021		For the three months ended 31 March 2020	
	Average selling price	Volume	Average selling price	Volume
	RMB		RMB	
FRP grating products	276.0	24,314 m²	306.9	21,950 m ²
Epoxy wedge strip products	70.1	98,579 m	63.4	99,346 m

The average selling price of the FRP grating products per m² decreased by approximately RMB30.9 per m² or approximately 10.1% from RMB306.9 per m² for the three months ended 31 March 2020 to RMB276.0 per m² for the three months ended 31 March 2021, with an increase in sales volume of approximately 10.8% in comparison between the two periods. The decrease in average selling price was mainly due to the variations in the composition of lower priced FRP grating products sold.

The average selling price of the epoxy wedge strip products per m increased by approximately RMB6.7 per m from RMB63.4 per m for the three months ended 31 March 2020 to RMB70.1 per m for the three months ended 31 March 2021, with a modest reduction in sales volume between the two periods. The increase in average selling price was mainly attributable 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	
	2021	2020
	RMB'000	RMB'000
PRC	8,943	7,692
U.S.	1,880	2,039
U.K.	1,638	2,367
Others	1,162	933
Total	13,623	13,031

Sales to the PRC market increased by approximately 16.3% from approximately RMB7.7 million for the three months ended 31 March 2020 to approximately RMB8.9 million for the three months ended 31 March 2021, which was mainly attributable to the recovery of the PRC economy resulting in the surge of the demand for the Group's products during the three months ended 31 March 2021.

Sales to the U.S. market decreased by approximately 7.8% from approximately RMB2.0 million for the three months ended 31 March 2020 to approximately RMB1.9 million for the three months ended 31 March 2021, mainly because of the higher import tariff and the adverse impact of the COVID-19 outbreak on the U.S. economy and market condition which suppressed the demands for the Group's products in the U.S. market.

Sales to the U.K. market decreased by approximately 30.8% from approximately RMB2.4 million for the three months ended 31 March 2020 to approximately RMB1.6 million for the three months ended 31 March 2021, 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 increased by approximately 24.5% from approximately RMB0.9 million for the three months ended 31 March 2020 to approximately RMB1.2 million for the three months ended 31 March 2021, mainly because of new customers acquired in Denmark, Taiwan and Korea.

Operating costs and expenses

There was no noticeable change in the amount of distribution costs for the three months ended 31 March 2021 as compared to that of the three months ended 31 March 2020. The distribution costs mainly consist of wages and salaries, and customs declaration expenses.

Administrative expenses decreased by approximately RMB1.1 million, a 31.8% reduction to approximately RMB2.4 million for the three months ended 31 March 2021 from approximately RMB3.5 million for the three months ended 31 March 2020. The decrease was mainly attributable to the decrease in research and development expense.

Finance costs remained unchanged in comparison between the two periods. The finance costs was mainly attributable to the interest charges on bank borrowings.

Operating results

During the three months ended 31 March 2021, the Group turned around its operating results from a net profit of approximately RMB234,000 for the three months ended 31 March 2020 to a net loss of RMB468,000 for the three months ended 31 March 2021. This was largely due to the reduction in gross profit margin for the products sold by the Group during the three months ended 31 March 2021. This reduction in gross profit margin was mainly attributable to the increase in costs of raw materials amidst the rupture of the worldwide supply chain caused by the widespread COVID-19 pandemic.

Change in shareholding structure

On 3 January 2020, Singa Dragon International Ventures Limited (“**Singa**”) and Yunhong Group Co., Limited (“**Yunhong**”) entered into a share transfer agreement, pursuant to which the Singa agreed to sell, and Yunhong agreed to purchase 40,000,000 shares of the Company (representing 10.0% of the entire issued share capital of the Company as at the date of this report) for a total consideration of HK\$6,400,000 at HK\$0.16 per share. Completion of the aforesaid share transfer agreement took place on 23 December 2020. Detailed information in relation to the said share transfer agreement was set out in the Company’s announcements dated 3 January and 28 December 2020.

On 31 March 2021, LF INTERNATIONAL PTE. LTD. (“**LF**”) and Singa entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) pursuant to which, Singa agreed to sell, and LF agreed to purchase 123,600,000 shares of the Company (representing 30.9% of the entire issued share capital of the Company as at the date of this report) for a total consideration of HK\$24,720,000 at HK\$0.20 per share. Completion of the Sale and Purchase Agreement took place on 15 April 2021. Detailed information in relation to the Sale and Purchase Agreement was set out in the Company’s announcement dated 15 April 2021.

Given Mr. Li Yubao (“**Mr. Li**”) is the ultimate controlling shareholder of both Yunhong and LF, Mr. Li, Yunhong and LF are presumed to be parties acting in concert under Class (8) of the definition of “Acting in concert” under The Codes on Takeovers and Mergers and Share Buy-backs (the “**Takeovers Code**”). Accordingly, immediately after completion of the Sale and Purchase Agreement, LF and parties acting in concert with it are collectively interested in 163,600,000 shares of the Company (representing 40.9% of the entire issued share capital of the Company as at the date of this report).

Pursuant to Rule 26.1 of the Takeovers Code, LF is required to make a mandatory conditional cash offer (the “**Offer**”) for all the issued shares of the Company (other than those already owned by LF and parties acting in concert with it), being 236,400,000 shares of the Company (representing 59.1% of the entire issued share capital of the Company as at the date of this report). Detailed information in relation to the Offer was set out in the Company’s announcement dated 15 April 2021.

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 2021, 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) 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

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	123,600,000 (Note 3)	30.9%

Notes:

- Mr. Jiang beneficially owns 100% of the entire issued share capital of Singa which in turn beneficially owned 123,600,000 Shares (representing 30.9% of the total number of issued Shares). Therefore, Mr. Jiang was deemed, or taken to be, interested in all Shares held by Singa for the purposes of the SFO.
- 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 were parties acting in concert (having the meaning ascribed to it under the Takeovers Code) since 1 January 2014, and that Mr. Shen, Mr. Jiang, Munsing and Singa were parties acting in concert until the date of any written termination by them. As such, Mr. Jiang, together with Mr. Shen, Munsing and Singa held 30.9% of the total number of issued Shares as at 31 March 2021.

3. On 31 March 2021, LF and Singa entered into the Sale and Purchase Agreement pursuant to which, Singa agreed to sell, and LF agreed to purchase the 123,600,000 Shares held by Singa for a total consideration of HK\$24,720,000 at HK\$0.20 per Share. Completion of the transaction took place on 15 April 2021.

(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	30.9%

Save as disclosed above, as at 31 March 2021, 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 notified to the Company and the Stock Exchange pursuant to Division 7 and 8 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, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2021, 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 shares held/interested in	Percentage of interest in the Company
Mr. Shen (<i>Notes 1 and 2</i>)	Interest held jointly with other persons	123,600,000	30.9%
Muning (<i>Notes 1 and 2</i>)	Interest held jointly with other persons	123,600,000	30.9%
Singa (<i>Notes 2 and 6</i>)	Interest held jointly with other persons; beneficial owner	123,600,000	30.9%
Ms. Gong Hui (<i>Note 3</i>)	Interest of spouse	123,600,000	30.9%
Ms. Chen Lijuan (<i>Note 4</i>)	Interest of spouse	123,600,000	30.9%
Mr. Huang Xuechao	Beneficial owner	103,620,000	25.9%
Yunhong (<i>Note 5</i>)	Beneficial owner	40,000,000	10.0%
Mr. Wu Dong ("Mr. Wu") (<i>Note 5</i>)	Interest in controlled corporation	40,000,000	10.0%
Mr. Li (<i>Notes 5 and 6</i>)	Interest in controlled corporation	40,000,000	10.0%

Notes:

1. Mr. Shen beneficially owns 100% of the entire issued share capital of Munsing. Therefore, Mr. Shen was 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 were 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 were parties acting in concert until the date of any written termination by them. As such, Mr. Shen, Munsing, Singa and Mr. Jiang together held 30.9% of the total number of issued Shares as at 31 March 2021.
3. Ms. Gong Hui is the spouse of Mr. Shen and was deemed or taken to be interested in all the Shares in which Mr. Shen had, or was deemed to have, an interest for the purpose of the SFO.
4. Ms. Chen Lijuan is the spouse of Mr. Jiang and was deemed or taken to be interested in all the Shares in which Mr. Jiang had, or was deemed to have, an interest for the purpose of the SFO.
5. Mr. Wu holds approximately 93.67% equity interest in Yunhong, which in turn beneficially owns 40,000,000 Shares (representing 10% of the total number of issued Shares). Therefore, Mr. Wu is deemed, or taken to be, interested in all the Shares held by Yunhong for the purposes of the SFO. Among this 93.67% equity interest in Yunhong, 92% is held by Mr. Wu on behalf of Mr. Li pursuant to the nominee shareholding arrangements between Mr. Wu and Mr. Li. Hence, Mr. Li is regarded as the ultimate controlling shareholder of Yunhong and therefore Mr. Li is deemed, or taken to be, interested in all the Shares held by Yunhong for the purpose of the SFO.
6. On 31 March 2021, LF and Singa entered into the Sale and Purchase Agreement pursuant to which, Singa agreed to sell, and LF agreed to purchase the 123,600,000 Shares held by Singa for a total consideration of HK\$24,720,000 at HK\$0.20 per Share. Completion of the Sale and Purchase Agreement took place on 15 April 2021. Mr. Li, being the ultimate controlling shareholder of both Yunhong and LF, is deemed, or taken to be, interested in an aggregate of 163,600,000 Shares for the purpose of the SFO as at the date of this report.

Save as disclosed above, as at 31 March 2021, 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 which would fall to be 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the three months ended 31 March 2021, 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 2021, 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) was 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 2021.

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 complied with such code of conduct and the required standard of dealings in the three months ended 31 March 2021.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company 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 2021.

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 three months ended 31 March 2021 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 2021

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