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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018

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 that 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 announcement, for which the board (the "Board") of directors (the "Directors") of MEIGU Technology Holding Group Limited (the "Company") collectively and individually accept 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 announcement 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 announcement misleading.

FIRST QUARTERLY RESULTS

The Board announces the unaudited results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2018, together with comparative unaudited figures for the same corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three months ended 31 March	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**13,769**	11,708
Cost of sales		**(9,958)**	(7,496)
Gross profit		**3,811**	4,212
Other revenue	*5*	**283**	113
Other net income	*5*	**–**	87
Selling and distribution costs		**(2,073)**	(1,504)
Administrative expenses		**(3,137)**	(5,274)
Loss from operations		**(1,116)**	(2,366)
Finance costs	*6 (a)*	**(302)**	(261)
Loss before taxation	*6*	**(1,418)**	(2,627)
Income tax	*7*	**76**	(376)
Loss for the period attributable to owners of the Company		**(1,342)**	(3,003)
Other comprehensive income for the period		**–**	–
Total comprehensive loss for the period attributable to owners of the Company		**(1,342)**	(3,003)
Loss per share		***RMB cent***	*RMB cent*
Basic and diluted	*9*	**(0.34)**	(0.77)

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 2017 (Audited)	–	–	9,557	333	3,258	8,666	21,814
Loss and total comprehensive loss for the period	–	–	–	–	–	(3,003)	(3,003)
Issuance of shares upon listing	886	30,136	–	–	–	–	31,022
Capitalisation issue	2,714	(2,714)	–	–	–	–	–
Issuance cost	–	(5,281)	–	–	–	–	(5,281)
Equity-settled share-based payments	–	–	–	100	–	–	100
Transfer to statutory reserve	–	–	–	–	25	(25)	–
At 31 March 2017 (Unaudited)	3,600	22,141	9,557	433	3,283	5,638	44,652
At 1 January 2018 (Audited)	**3,600**	**20,900**	**9,557**	**733**	**3,907**	**8,700**	**47,397**
Loss and total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(1,342)**	**(1,342)**
Equity-settled share-based payments	**–**	**–**	**–**	**100**	**–**	**–**	**100**
At 31 March 2018 (Unaudited)	**3,600**	**20,900**	**9,557**	**833**	**3,907**	**7,358**	**46,155**

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 GEM of The Stock Exchange of Hong Kong Limited (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 PRESENTATION

Pursuant to a group reorganisation of the Company in connection with the listing of its shares on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 16 March 2016.

Details of the Reorganisation are set out in the paragraphs headed "Reorganisation" on pages 63 to 65 of the 2017 annual report of the Group. The Group is under the common control of the controlling shareholders of the Company prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The unaudited condensed consolidated results of the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

3. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited consolidated results for the three months ended 31 March 2018 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 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 2018 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2017.

The consolidated results of the Group for the three months ended 31 March 2018 are unaudited but have been reviewed by the audit committee of the Company.

4. 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of fiberglass reinforced plastic		
– fiberglass reinforced plastic ("FRP") grating	**9,099**	8,386
– United States Coast Guard ("USCG") approved phenolic grating	**902**	1,161
– FRP subway evacuation platform	**1,594**	–
– epoxy wedge strip	**977**	2,161
– FRP crosstie products	**1,197**	–
Total	**13,769**	11,708

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.

5. OTHER REVENUE AND OTHER NET INCOME

	For the three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other revenue		
Interest income on bank deposits	**4**	1
Government subsidies	**277**	40
Sundry Income	**2**	72
	283	113
Other net income		
Net foreign exchange gain	**–**	87

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

		For the three months ended 31 March	
		2018	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(a)	**Finance costs**		
	Interest on bank borrowings	**302**	261
(b)	**Staff costs (including director's emoluments)**		
	Salaries, wages and other benefits	**2,986**	2,128
	Contributions to defined contribution retirement plans	**244**	307
	Equity-settled share-based payments	**100**	100
		3,330	2,536
(c)	**Other items**		
	Amortisation prepaid lease payments	**9**	9
	Depreciation for property, plant and equipment	**477**	433
	Cost of inventories recognised as expense (Note 1)	**9,958**	7,496
	Research and development costs (Note 2)	**641**	339

Notes:

(1) Cost of inventories recognised as expense include RMB 1,432,000 (three months ended 31 March 2017: RMB 1,179,000) relating to staff costs, and RMB 300,000 (three months ended 31 March 2017: RMB 243,000) relating to depreciation for property, plant and equipment, the amounts of which are also included in the total amount disclosed separately above for each of these types of expenses.

(2) Including in the research and development costs are staff cost of RMB 274,000 (three months ended 31 March 2017: RMB 229,000) the amount of which is also included in the total amount separately disclosed for this type of expense.

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

	For the three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT") credit/(charge) on profits of the Group's PRC subsidiary	**27**	(104)
Deferred tax		
Origination and reversal of temporary differences in respect of withholding tax credit/(charge) on distributable profits of the Group's PRC subsidiary	**49**	(272)
	76	(376)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("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 reporting periods as the Group did not have assessable profits subject to Hong Kong Profits Tax during the reporting periods.

The PRC subsidiaries of the Group are subject to PRC EIT at 25% (three months ended 31 March 2017: 25%). Dividends declared to Prosperous Composite Material Co., Ltd, as a non-resident shareholder, in respect of profits earned by Nantong Meigu, is subject to PRC withholding tax at 10%.

8. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	For the three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	**(1,342)**	(3,003)

	For the three months ended 31 March	
	2018	2017
	(Unaudited)	(Unaudited)
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**400,000**	387,640

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been retrospectively adjusted for the capitalisation issue of 299,999,250 shares of the Company completed on 12 January 2017 and assuming the Reorganisation has been effective on 1 January 2016.

No diluted loss per share was presented as there was no potential ordinary shares outstanding during both periods.

10. MATERIAL RELATED PARTY TRANSACTIONS

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

	For the three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**287**	308
Post-employment benefits	**40**	40
Equity-settled share-based payments	**100**	100
	427	448

MANAGEMENT DISCUSSION AND ANALYSIS

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) FRP 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 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 component 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 CAGR of 8.0% for the next three years in the light of gradual maturity and better understanding of the FRP market in future.

Since August 2017, the Group has commenced the production of a new product, FRP crossties, which was successfully launched in the market during the financial year ended 31 December 2017. It is encouraging to see that FRP crossties generated approximately RMB1.2 million of additional sales to the Group which accounted for approximately 8.7% of the Group's total sales for the three months ended 31 March 2018. The gross margin generated from this product category was approximately 22.5% over the same period. FRP crossties is expected to maintain considerable growth in market demand and becomes a significant revenue driver to the Group in future.

Looking ahead, despite a slight slowdown of China's macro-economic conditions, the continuous rigid growth in capital investment in infrastructure and projects by countries along the "Belt and Road Initiative", in particular the investment in transport infrastructure in central and eastern Europe, would potentially contribute to a sustained growth in the FRP market in the PRC and other peripheral countries. However, the growth in future will be at a slower pace. The management expects that the market would maintain a healthy CAGR of 8.0% for the next three years (i.e. from 2018 to 2020). In future years, the Group will participate proactively in tender bidding for all potential projects with open arms so as to provide further impetus for the sales of FRP products. In addition, the Group will continue to expand customer base and enhance product recognition by improving production technologies and product quality and developing more new products so as to exercise more effective cost control and strengthen the competitiveness of the Group. Meanwhile, the Group will recruit more talents to fulfil its development needs to support and expand its business.

Financial Review

The Group posted a consolidated revenue of approximately RMB13.8 million for the three months ended 31 March 2018, representing a healthy increase of approximately RMB2.1 million or 17.6% as compared to the corresponding period in 2017. The increase in revenue was primarily driven by the increase in sales revenue generated from sales of FRP grating products, and FRP subway evacuation platform products and the launch of FRP crosstie products in 2017, which was partially offset by the decrease in sales of epoxy wedge strip products and USCG approved phenolic grating products. Moreover, sales of overseas markets increased significantly by approximately 60.4% to approximately RMB7.2 million for the three months ended 31 March 2018 from approximately RMB4.5 million for the same period in 2017. The overseas market contributed 52.0% of total sales for the three months ended 31 March 2018, which has increased by approximately 13.9% in comparison with that of approximately 38.1% for the three months ended 31 March 2017. However, due to the devaluation of the USD during the first quarter of 2018, the Group suffered exchange losses of approximately RMB589,000 for the three months ended 31 March 2018 compared to exchange gains of approximately RMB87,000 for the three months ended 31 March 2017.

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

	For the three months ended 31 March 2018		For the three months ended 31 March 2017	
	Sales revenue	**Gross profit margin**	Sales revenue	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
FRP grating products	**9,099**	**27.2**	8,386	33.4
USCG approved phenolic grating products	**902**	**44.3**	1,161	41.5
FRP subway evacuation platform products	**1,594**	**15.4**	–	–
epoxy wedge strip products	**977**	**32.0**	2,161	43.1
FRP crosstie products	**1,197**	**22.5**	–	–
	13,769	**27.7**	11,708	36.0

During the three months ended 31 March 2018, sales of FRP grating products remained the largest contributor to the Group's revenue and it accounted for approximately 66.1% of the total revenue of the Group. However, the percentage of contribution has slightly decreased from 71.6% for the three months ended 31 March 2017. 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. Revenue derived from sales of FRP grating products increased by approximately 8.5% from approximately RMB8.4 million for the three months ended 31 March 2017 to approximately RMB9.1 million for the three months ended 31 March 2018. This is mainly attributable to the increase in sales in the overseas markets. The gross profit margin decreased by approximately 6.2% from approximately 33.4% for the three months ended 31 March 2017 to approximately 27.2% for the three months ended 31 March 2018. This was primarily due to: (i) devaluation of USD against RMB during the three months ended 31 March 2018; and (ii) increase in cost of production due to salary increment and increase in costs of raw materials.

USCG approved phenolic grating products were generally sold to shipbuilders and offshore oilfields construction companies in the PRC. Revenue generated from sales of USCG approved phenolic grating products decreased by approximately 22.3% from approximately RMB1.2 million for the three months ended 31 March 2017 to approximately RMB902,000 for the three months ended 31 March 2018. The decrease in sales was attributable to the deferral of orders by a major customer to the second quarter of 2018. The gross profit margin increased slightly by approximately 2.8% from approximately 41.5% for the three months ended 31 March 2017 to approximately 44.3% for the three months ended 31 March 2018. This was mainly due to the increased level of complexity in the cutting technique which allowed for an increase in the average selling price of this product category with no noticeable increase in cost of production.

FRP subway evacuation platform products were sold to main contractors who principally engaged in railway construction works in the PRC. There was no revenue derived from sales of FRP subway evacuation platform products for the three months ended 31 March 2017. For the three months ended 31 March 2018, sales of FRP subway evacuation platform products amounted to approximately RMB1.6 million. The gross profit margin was 15.4% for the three months ended 31 March 2018 whereas the gross profit margins for this product category for the past two financial years were over 22%. Due to the orders received to supplement the previous finished orders in the first quarter of 2018, the production line, which was temporarily halted, was not running efficiently on resumption of production. This has caused a relatively lower gross profit margin in comparison with the gross profit margins maintained in the past two financial years.

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 decreased significantly by approximately RMB1.2 million or 54.8% from approximately RMB2.2 million for the three month ended 31 March 2017 to approximately RMB977,000 for the three months ended 31 March 2018. This was mainly due to the re-allocation of production capacity to other urgent product categories, which was attributable to the limited production capacity during the Chinese New Year period. The gross profit margin reduced by approximately 11.1% from approximately 43.1% for the three months ended 31 March 2017 to approximately 32.0% for the three months ended 31 March 2018. The reduction in gross profit margin can be explained by the differences in product specifications in relation to different shapes, weight and dimensions for the products sold in the two periods.

FRP crosstie products were developed in line with the PRC's policies in promoting "Belt and Road Initiatives". It is intended to apply as the replacement of wooden crossties for the railway sector. The target customers of such products are (i) PRC railway corporations; and (ii) corporations which participate in the construction of national railway bridges. The FRP crosstie products were rolled out for commercial production in August 2017. The Group recorded sales revenue of approximately RMB1.2 million for FRP crosstie products for the three months ended 31 March 2018, which has contributed approximately 8.7% of sales revenue to the total sales and a gross profit margin of approximately 22.5% in the same period.

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

	For the three months ended 31 March 2018		For the three months ended 31 March 2017	
	Average selling price per unit	**Volume**	Average selling price per unit	Volume
	RMB'000		*RMB'000*	
FRP grating products	**258.1**	**35,258m^2**	266.8	31,432 m^2
USCG approved phenolic grating products	**582.6**	**1,548m^2**	530.7	2,188 m^2
FRP subway evacuation platform products	**349.6**	**2,794m^2**	–	–
epoxy wedge strip products	**43.4**	**36,730m**	41.4	52,237 m
FRP crosstie products	**17,777.8**	**67m^3**	–	–

The average selling price of the FRP grating products per m^2 decreased by approximately 3.3% from RMB266.8 per m^2 for the three months ended 31 March 2017 to RMB258.1 per m^2 for the three months ended 31 March 2018, with an increase in sales volume of approximately 12.2% in comparison between the two periods. The decrease in average selling price was mainly due to the devaluation of USD against RMB during the three months ended 31 March 2018 whereas the increase in sales volume in the same period was due to the increase in sales for overseas markets.

The average selling price of the USCG approved phenolic grating products per m^2 increased by approximately 9.8% from RMB530.7 per m^2 for the three months ended 31 March 2017 to RMB582.6 per m^2 for the three months ended 31 March 2018, with a decrease in sales volume of approximately 29.3% 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 caused an increase in the average selling price of this product category despite a decrease in sales volume.

The average selling price of the FRP subway evacuation platform products was RMB349.6 per m^2 for the three months ended 31 March 2018 and the sales volume in the same period was 2,794 m^2. There was no sales recorded for the corresponding three months in 2017.

The average selling price of the epoxy wedge strip products per m increased by approximately 4.8% from RMB41.4 per m for the three months ended 31 March 2017 to RMB43.4 per m for the three months ended 31 March 2018, with a decrease in sales volume of approximately 29.7% in comparison between the two periods. The increase in average selling price was mainly due to the substantial increase in sale of product items with different shapes, weight and dimensions which procured higher average selling price.

The average selling price of the FRP crosstie products was RMB17,777.8 per m^3 for the three months ended 31 March 2018, and the sales volume was 67m^3 in the same period. This product category was only launched in the market in August 2017.

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

	For the three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
PRC	**6,614**	7,246
U.S.	**3,634**	2,455
U.K.	**2,925**	1,532
Others	**596**	475
Total	**13,769**	11,708

Sales to the PRC market decreased by approximately 8.7% from approximately RMB7.2 million for the three months ended 31 March 2017 to approximately RMB6.6 million for the three months ended 31 March 2018. This is because of the allocation of production capacity to more urgent orders from overseas during the Chinese New Year period.

Sales to the U.S. market increased significantly by approximately 48.0% from approximately RMB2.5 million for the three months ended 31 March 2017 to approximately RMB3.6 million for the three months ended 31 March 2018, mainly because of the increase on sales order from the major customers in the U.S. market.

Sales to the U.K. market also increased substantially by approximately 90.9% from approximately RMB1.5 million for the three months ended 31 March 2017 to approximately RMB2.9 million for the three months ended 31 March 2018, mainly because of the increase in sales order from the major customers in the U.K. market.

Sales to the other locations increased by approximately 25.5% from approximately RMB475,000 for the three months ended 31 March 2017 to approximately RMB596,000 for the three months ended 31 March 2018, mainly because of new customers acquired in Lithuania and Korea.

Operating Costs and Expenses

The selling and distribution costs increased by approximately RMB0.6 million or 37.8% to approximately RMB2.1 million for the three months ended 31 March 2018 from approximately RMB1.5 million for the three months ended 31 March 2017. The increase was mainly attributable to the uplift of advertising expenses and transportation costs resulting from the surge of oversea sales in the first quarter of 2018.

The administrative expenses decreased significantly by approximately RMB2.1 million, or 40.5% decrease to approximately RMB3.1 million for the three months ended 31 March 2018 from approximately RMB5.3 million for the three months ended 31 March 2017. The decrease was mainly due to the listing expenses of approximately RMB 3.0 million incurred for the three months ended 31 March 2017, which was not recurring in the first quarter of 2018.

Finance costs increased by approximately RMB41,000 to approximately RMB302,000 for the three months ended 31 March 2018 from approximately RMB261,000 for the three months ended 31 March 2017, which was mainly due to the general increase in bank interest rates during the three months ended 31 March 2018.

Operating Results

There was a significant improvement in the net loss of approximately RMB3.0 million for the three months ended 31 March 2017 to approximately RMB1.3 million for the three months ended 31 March 2018, which was a reduction of approximately 55.3%. The improvement was mainly attributable to the listing expenses of approximately RMB3.0 million incurred for the three months ended 31 March 2017, which was not recurring in the first quarter of 2018.

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 2018, 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 od the laws of Hong Kong)("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) pursuant to section 352 of the SFO to be entered in the register referred to therein pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

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	300,000,000	75%

Notes:

1. Mr. Jiang beneficially owns 100% of the entire issued share capital of Singa Dragon International Ventures Limited ("Singa"). Therefore, Mr. Jiang is deemed, or taken to be, interested in all the Shares held by Singa for the purposes of the SFO.

2. Pursuant to the concert party deed (the "Concert Party Deed") entered into among Mr. Shen Weixing ("Mr. Shen"), Mr. Jiang, Munsing Developments Limited ("Munsing") and Singa dated 16 December 2016, Mr. Shen and Mr. Jiang are parties acting in concert (having the meaning ascribed to it under the Codes on Takeovers and Mergers and Share Repurchases) since 1 January 2014, and that Mr. Shen, Mr. Jiang, Munsing and Singa are parties acting in concert in the course of the Reorganisation and until the date of any written termination by them. As such, Mr. Jiang, together with Mr. Shen, Munsing and Singa together controlled 75% of the entire share capital of the Company as at 31 March 2018.

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

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

DIRECTOR'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this announcement, at no time during the three months ended 31 March 2018 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 three months ended 31 March 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2018, So far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in shares or underlying shares of the Company 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 shares held/ interested in	Percentage of interest in the Company
Mr. Shen *(Notes 1 and 2)*	interest held jointly with other persons; interest in a controlled corporation	300,000,000	75%
Munsing *(Notes 1 and 2)*	interest held jointly with other persons; beneficial owner	300,000,000	75%
Singa *(Note 2)*	interest held jointly with other persons; beneficial owner	300,000,000	75%
Ms. Gong Hui *(Note 3)*	interest of spouse	300,000,000	75%
Ms. Chen Lijuan *(Note 4)*	interest of spouse	300,000,000	75%

Notes:

1. Mr. Shen beneficially owns 100% of the entire issued share capital of Munsing. Therefore, Mr. Shen is deemed, or taken to be, interested in all the Shares held by Munsing for the purposes of the SFO.

2. Pursuant to the Concert Party Deed, Mr. Shen and Mr. Jiang are parties acting in concert (having the meaning ascribed to it under the Codes on Takeovers and Mergers and Share Buy-backs) since 1 January 2014, and that Mr. Shen, Munsing, Singa and Mr. Jiang are parties acting in concert until the date of any written termination by them, As such, Mr. Shen, Munsing, Singa and Mr. Jiang together control 75% of the entire share capital of the Company.

3. Ms. Gong Hui is the spouse of Mr. Shen and is deemed or taken to be interested in all the Shares in which Mr. Shen has, or is deemed to have, an interest for the purpose of the SFO.

4. Ms. Chen Lijuan is the spouse of Mr. Jiang and is deemed or taken to be interested in all the Shares in which Mr. Jiang has, or is deemed to have, an interest for the purpose of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the three months ended 31 March 2018, 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 10 of this result announcement. 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 2018, 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 three months ended 31 March 2018 and up to the date of this announcement.

INTEREST OF COMPLIANCE ADVISER

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

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' dealing in securities of the Company. The Directors have complied with such code of conduct and the required standard of dealings in the three months ended 31 March 2018.

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 2018.

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 Code contained in Appendix 15 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 2018 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 2018

As at the date of this announcement, 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 announcement 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