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## **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 RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

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

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

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

*This announcement, for which the board (the “**Board**”) of directors (the “**Directors**”) of MEIGU Technology Holding Group Limited (the “**Company**”) collectively and individually accepts full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.*

## RESULTS

The Board is pleased to announce the unaudited results of the Company and its subsidiaries (the “**Group**”) for the nine months ended 30 September 2019, together with comparative unaudited figures for the same corresponding period in 2018 as follows:

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

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
<b>Revenue</b>	3	<b>17,149</b>	18,326	<b>55,429</b>	50,821
<b>Cost of sales</b>		<b>(10,831)</b>	(12,935)	<b>(34,096)</b>	(36,423)
<b>Gross profit</b>		<b>6,318</b>	5,391	<b>21,333</b>	14,398
Other revenue	4	<b>7</b>	129	<b>120</b>	420
Other net income	4	<b>456</b>	596	<b>602</b>	596
Selling and distribution costs		<b>(1,022)</b>	(1,142)	<b>(3,441)</b>	(4,182)
Administrative expenses		<b>(3,021)</b>	(3,127)	<b>(11,292)</b>	(9,114)
<b>Profit from operations</b>		<b>2,738</b>	1,847	<b>7,322</b>	2,118
Finance costs	5 (a)	<b>(204)</b>	(239)	<b>(652)</b>	(846)
<b>Profit before taxation</b>	5	<b>2,534</b>	1,608	<b>6,670</b>	1,272
Income tax	6	<b>(1,017)</b>	(551)	<b>(2,957)</b>	(1,041)
<b>Profit for the period</b>		<b>1,517</b>	1,057	<b>3,713</b>	231
<b>Other comprehensive income for the period</b>		<b>–</b>	–	<b>–</b>	–
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>1,517</b>	1,057	<b>3,713</b>	231
<b>Earnings per share</b>		<i>RMB cent</i>	<i>RMB cent</i>	<i>RMB cent</i>	<i>RMB cent</i>
Basic and diluted	8	<b>0.38</b>	0.26	<b>0.93</b>	0.05

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital Reserve <i>RMB'000</i>	Share- based payment reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 1 January 2018</b>							
<b>(Audited)</b>	3,600	20,900	9,557	733	3,907	8,700	47,397
Profit and total comprehensive income for the period	-	-	-	-	-	231	231
Equity-settled share-based payments	-	-	-	300	-	-	300
Transfer to statutory reserve	-	-	-	-	209	(209)	-
	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>1,033</u>	<u>4,116</u>	<u>8,722</u>	<u>47,928</u>
<b>At 30 September 2018</b>							
<b>(Unaudited)</b>	<u>3,600</u>	<u>20,900</u>	<u>9,557</u>	<u>1,033</u>	<u>4,116</u>	<u>8,722</u>	<u>47,928</u>
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital Reserve <i>RMB'000</i>	Share- based payment reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 1 January 2019</b>							
<b>(Audited)</b>	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)	-
	<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>
<b>At 30 September 2019</b>							
<b>(Unaudited)</b>	<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>

*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 since 13 January 2017. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108, Cayman Islands and its principal place of business is 66 Oujiang Road, Haimen Economic Development Zone, Nantong City, Jiangsu Province, the People's Republic of China (the "PRC").

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

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The Group's unaudited consolidated results for the nine months ended 30 September 2019 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("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 2019 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2018.

The consolidated results of the Group for the nine months ended 30 September 2019 are unaudited but have been reviewed by the audit committee of the Company.

### 3. REVENUE

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

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Sales of fiberglass reinforced plastic</b>				
– fiberglass reinforced plastic (“FRP”) grating	11,585	13,784	37,897	37,497
– United States Coast Guard (“USCG”) approved phenolic grating	509	781	1,761	2,405
– composite subway evacuation platform	–	–	–	1,911
– epoxy wedge strip	5,055	3,761	15,771	7,811
– FRP crossties	–	–	–	1,197
	<u>17,149</u>	<u>18,326</u>	<u>55,429</u>	<u>50,821</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 INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Other revenue</b>				
Interest income on bank deposits	7	4	52	17
Government subsidies	–	125	–	402
Sundry Income	–	–	68	1
	<u>7</u>	<u>129</u>	<u>120</u>	<u>420</u>
<b>Other net income</b>				
Net foreign exchange gain	456	596	602	596

## 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Finance costs</b>				
Interest on bank borrowings	204	239	652	846
<b>Staff costs (including directors' emoluments)</b>				
Salaries, wages and other benefits	2,602	2,897	7,805	8,979
Contributions to defined contribution retirement plans	259	281	811	797
Equity-settled share-based payments	100	100	300	300
	<u>2,961</u>	<u>3,278</u>	<u>8,916</u>	<u>10,076</u>
<b>Other items</b>				
Amortisation prepaid lease payments	9	9	28	28
Depreciation for property, plant and equipment	676	490	1,848	1,419
Cost of inventories recognised as expenses ( <i>note (i)</i> )	10,831	12,935	34,096	36,423
Research and development costs ( <i>note (ii)</i> )	1,490	1,586	5,676	2,678
	<u>1,490</u>	<u>1,586</u>	<u>5,676</u>	<u>2,678</u>

Notes:

- (1) Cost of inventories recognised as expenses include RMB5,343,000 (nine months ended 30 September 2018: RMB5,450,000) relating to staff costs, and RMB1,317,000 (nine months ended 30 September 2018: RMB885,000) 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 RMB871,000 (nine months ended 30 September 2018: RMB625,000) the amount of which is also included in the total amount separately disclosed for this type of expense.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
<b>Current tax</b>				
PRC Enterprise Income Tax (“EIT”) on profits of the Group’s subsidiary	782	355	2,295	758
<b>Deferred tax</b>				
Origination and reversal of temporary differences in respect of withholding tax on distributable profits of the Group’s PRC subsidiary	235	196	662	283
	<u>1,017</u>	<u>551</u>	<u>2,957</u>	<u>1,041</u>

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

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

**7. DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: 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	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of Company for the purpose of calculating basic earnings per share ( <i>RMB'000</i> )	<u>1,517</u>	<u>1,057</u>	<u>3,713</u>	<u>231</u>
Number of shares Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>'000</i> )	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

No diluted earnings per share was presented as there was no potential ordinary shares outstanding in 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	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)	2019 <i>RMB\$'000</i> (Unaudited)	2018 <i>RMB\$'000</i> (Unaudited)
Short-term employee benefits	310	296	956	878
Post-employment benefits	53	44	133	124
Equity-settled share-based payments	<u>100</u>	<u>100</u>	<u>300</u>	<u>300</u>
	<u>463</u>	<u>440</u>	<u>1,389</u>	<u>1,302</u>

## 10. COMPARATIVE FIGURES

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review and prospect

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

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

There has been evidence showing that macro-economic conditions in the PRC is slowing down. According to the National Bureau of Statistics of China, the gross domestic product of the PRC has increased by 6.0% year-on-year in the third quarter of 2019, which is slightly lower than the forecast growth rate of 6.1%. On the other hand, the Group's products to the United States of America ("US") are subject to the newly imposed import tariff of 15% effective from 1 September 2019. Since the US import tariff was effective from 1 September 2019 and most of the import tariff for the US exports of the Group are born by the US importers, it is expected that the new tariff will not have a significant financial impact on the Group for the year 2019. However, as the economic environment is becoming uncertain, the Group will need to participate proactively in tender bidding for all potential projects both in the PRC and the overseas markets. Moreover, 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.

For the nine months ended 30 September 2019, the sales performance of composite subway evacuation platform products and FRP crosstie products were not as satisfactory as FRP grating products and epoxy wedge strip products. The Group will therefore have to exert extra efforts in marketing campaign for composite subway evacuation platform products and FRP crosstie products by taking part actively in more trade fairs for exploring overseas markets. Moreover, the Group adheres 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 composite subway evacuation platform products and FRP crosstie products would turn around by the end of this year.

### Financial review

The Group recorded a consolidated revenue of approximately RMB55.4 million for the nine months ended 30 September 2019, representing an increase of approximately RMB4.6 million or 9.1% as compared to that for the corresponding period in 2018. The increase in revenue was primarily driven by the increase in sales revenue generated from epoxy wedge strip products, which was partially offset by the decrease in sales of USCG approved phenolic grating products, composite subway evacuation platform products and FRP crosstie products.

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

	For the nine months ended 30 September 2019		For the nine months ended 30 September 2018	
	Sales revenue <i>RMB'000</i>	Gross profit margin %	Sales revenue <i>RMB'000</i>	Gross profit margin %
FRP grating products	37,897	33.5	37,497	27.8
USCG approved phenolic grating products	1,761	46.2	2,405	45.4
Composite subway evacuation platform products	–	–	1,911	15.4
Epoxy wedge strip products	15,771	49.6	7,811	29.9
FRP crosstie products	–	–	1,197	22.5
	<u>55,429</u>	<u>38.5</u>	<u>50,821</u>	<u>28.3</u>

During the nine months ended 30 September 2019, sales of FRP grating products remained the largest contributor to the Group's revenue and it accounted for approximately 68.4% of the total revenue, which has decreased from 73.8% for the nine months ended 30 September 2018. FRP grating products were mainly sold to corporate customers in the PRC who generally are end-users of such products, as well as distributors in the US and the United Kingdom ("UK") who generally buy the products on per purchase order basis with no distribution arrangement. Revenue derived from sales of FRP grating products has slightly increased by 1.1% from approximately RMB37.5 million for the nine months ended 30 September 2018 to approximately RMB37.9 million for the nine months ended 30 September 2019. This was mainly due to the increase in sales in the overseas market. The gross profit margin increased by approximately 5.7 percentage points from 27.8% to 33.5%. It was mainly due to the decrease in costs of raw materials.

USCG approved phenolic grating products were generally sold to shipbuilders and offshore oilfields construction companies in the PRC. Revenue generated from sales of USCG approved phenolic grating products has decreased by 26.8% from approximately RMB2.4 million for the nine months ended 30 September 2018 to approximately RMB1.8 million for the nine months ended 30 September 2019. 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 increased by approximately 0.8 percentage point from 45.4% for the nine months ended 30 September 2018 to 46.2% for the nine months ended 30 September 2019. This 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 with no noticeable increase in cost of production.

Composite subway evacuation platform products were sold to main contractors who are principally engaged in railway construction works in the PRC. Due to the prolonged suspension in placing order from railway construction customers, there was no revenue derived from sales of composite subway evacuation platform products for the nine months ended 30 September 2019.

Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue derived from sales of epoxy wedge strip products increased by approximately RMB8.0 million or 101.9% from approximately RMB7.8 million for the nine months ended 30 September 2018 to approximately RMB15.8 million for the nine months ended 30 September 2019. This was mainly due to the acquisition of a new customer and the resumption of confidence from the existing customers on the wind turbine manufacturing industry in placing more orders regardless of the imposition of controlling measures by the government. The gross profit margin increased by approximately 19.7 percentage points from approximately 29.9% for the nine months ended 30 September 2018 to approximately 49.6% for the nine months ended 30 September 2019. The increase in gross profit margin can be explained by the increase in selling price.

FRP crosstie products were developed in line with the PRC's policies in promoting "Belt and Road Initiatives". It is intended to apply as the replacement of wooden crosstie for the railway sector. The target customers of such products are (i) PRC railway corporation; and (ii) corporations which participate in the construction of national railway bridges. Due to the prolonged suspension in placing order from railway construction customers, there was no revenue derived from sales of FRP crosstie products for the nine months ended 30 September 2019.

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

	<b>For the nine months ended 30 September 2019</b>		For the nine months ended 30 September 2018	
	<b>Average selling price per unit RMB</b>	<b>Volume</b>	Average selling price per unit RMB	Volume
FRP grating products	<b>274.7</b>	<b>137,945 m<sup>2</sup></b>	274.7	136,506 m <sup>2</sup>
USCG approved phenolic grating products	<b>636.2</b>	<b>2,768 m<sup>2</sup></b>	626.1	3,840 m <sup>2</sup>
Composite subway evacuation platform products	–	–	349.6	5,468 m <sup>2</sup>
Epoxy wedge strip products	<b>64.4</b>	<b>244,968 m</b>	45.1	173,321 m
FRP crosstie products	–	–	17,777.8	68 m <sup>3</sup>

There was no change in the average selling price of FRP grating products between the nine months ended 30 September 2019 and the corresponding period in 2018, with only a slight increase in sales volume of approximately 1.1% in comparison between the two periods.

The average selling price of the USCG approved phenolic grating products per m<sup>2</sup> increased by approximately 1.6% from RMB626.1 per m<sup>2</sup> for the nine months ended 30 September 2018 to RMB636.2 per m<sup>2</sup> for the nine months ended 30 September 2019, with a reduction in sales volume of approximately 27.9% 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 epoxy wedge strip products per m increased by approximately 42.8% from RMB45.1 per m for the nine months ended 30 September 2018 to RMB64.4 per m for the nine months ended 30 September 2019, with an increase in sales volume of approximately 41.3% 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 sale revenue by geographical area are as follows:

	<b>For the nine months ended 30 September</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
PRC	<b>26,865</b>	24,202
US	<b>13,292</b>	14,022
UK	<b>9,935</b>	9,429
Others	<b>5,337</b>	3,168
	<hr/>	<hr/>
Total	<b><u>55,429</u></b>	<u>50,821</u>

Sales to the PRC market increased by approximately 11.0% from approximately RMB24.2 million for the nine months ended 30 September 2018 to approximately RMB26.9 million for the nine months ended 30 September 2019, 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 2019.

Sales to the US market decreased by approximately 5.2% from approximately RMB14.0 million for the nine months ended 30 September 2018 to approximately RMB13.3 million for the nine months ended 30 September 2019, mainly because of the decrease in demand for FRP grating products by the customers in the US market.

Sales to the UK market increased by approximately 5.4% from approximately RMB9.4 million for the nine months ended 30 September 2018 to approximately RMB9.9 million for the nine months ended 30 September 2019, mainly because of the increase in sales orders from the major customers and acquisition of new customers in the UK market.

Sales to the other locations increased by approximately 68.5% from approximately RMB3.2 million for the nine months ended 30 September 2018 to approximately RMB5.3 million for the nine months ended 30 September 2019, mainly because of new customers acquired in Belgium, France and Canada.

### **Operating costs and expenses**

The selling and distribution costs decreased by approximately RMB741,000 or 17.7% to approximately RMB3.4 million for the nine months ended 30 September 2019 from approximately RMB4.2 million for the nine months ended 30 September 2018. The decrease was mainly attributable to the reduction in (i) wages and salaries; and (ii) advertising expenses.

The administrative expenses increased by approximately RMB2.2 million or 23.9% to approximately RMB11.3 million for the nine months ended 30 September 2019 from approximately RMB9.1 million for the nine months ended 30 September 2018. The increase was mainly attributable to the increase in research and development expenses.

Finance costs decreased by approximately RMB194,000, or 22.9% to approximately RMB652,000 for the nine months ended 30 September 2019 from approximately RMB846,000 for the nine months ended 30 September 2018. The decrease was mainly due to the partial repayment of bank loan.

### **Operating results**

Net profit for the period increased substantially to approximately RMB3.7 million for the nine months ended 30 September 2019 from approximately RMB231,000 for the nine months ended 30 September 2018. In line with the results of the Group as disclosed in the interim report for the six months ended 30 September 2019, the substantial increase in net profit for the nine months ended 30 September 2019 was mainly attributable to (i) the increase in total revenue of the Group for the nine months ended 30 September 2019; and (ii) the significant improvement in the gross profit margin of the products sold by the Group during the nine months ended 30 September 2019 compared to that of the corresponding nine months in 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 30 September 2019, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the “**Shares**”), underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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 (“ <b>Mr. Jiang</b> ”) (Notes 1 and 2)	Interest held jointly with other persons; interest in a controlled corporation	163,600,000	40.9%

*Notes:*

1. Mr. Jiang beneficially owns 100% of the entire issued share capital of Singa Dragon International Ventures Limited (“**Singa**”). Therefore, Mr. Jiang is deemed, or taken to be, interested in all the Shares held by Singa for the purposes of the SFO.
2. Pursuant to the concert party deed (the “**Concert Party Deed**”) entered into among Mr. Shen Weixing (“**Mr. Shen**”), Mr. Jiang, Munsing Developments Limited (“**Munsing**”) and Singa dated 16 December 2016, Mr. Shen and Mr. Jiang are parties acting in concert (having the meaning ascribed to it under The Codes on Takeovers and Mergers and Share Buy-backs) since 1 January 2014, and that Mr. Shen, Mr. Jiang, Munsing and Singa are parties acting in concert until the date of any written termination by them. As such, Mr. Jiang, together with Mr. Shen, Munsing and Singa together controlled 40.9% of the entire share capital of the Company as at 30 September 2019.

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

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

Save as disclosed above, as at 30 September 2019, none of the Directors and chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions 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 result announcement, at no time during the nine months ended 30 September 2019 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 nine months ended 30 September 2019.

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

As at 30 September 2019, so far as is known to the Directors, the interests and short positions of the persons or corporations (other than a Director or chief executive of the Company) in the Shares or underlying Shares which have been disclosed to the Company and the Stock Exchange 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 any class of shares carrying rights to vote in all circumstances at general meetings of the Company are as follows:

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

*Notes:*

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

Save as disclosed above, as at 30 September 2019, the Directors are not aware of any other persons (other than the Directors and chief executive of the Company) had any interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 nine months ended 30 September 2019, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

Details of the material related party transactions are set out in note 9 of this 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 nine months ended 30 September 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPETING INTERESTS**

The Directors confirm that none of the controlling shareholders, namely Mr. Shen, Mr. Jiang, 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 2019 and up to the date of this result announcement.

## **INTEREST OF COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group 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.

## **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 2019.

## **CORPORATE GOVERNANCE CODE**

The Directors consider that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules in the nine months ended 30 September 2019.

## **AUDIT COMMITTEE**

The Company established an audit committee on 16 December 2016 with written terms of reference based on the code provisions of the 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 2019 have been reviewed by the audit committee.

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

Hong Kong, 11 November 2019

*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](http://www.hkgem.com) on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company at [www.nantongrate.com](http://www.nantongrate.com).*