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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)

CLARIFICATION ANNOUNCEMENT IN RESPECT OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Reference is made to the annual report for the year ended 31 December 2016 (the “**Annual Report**”) of MEIGU Technology Holding Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

MODIFIED INFORMATION TO THE DISCLOSURE OF THE ANNUAL REPORT

Due to an inadvertent omission of part of the data contained in “Consolidated Statement of Cash Flows” on page 50 the Annual Report, the board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to modify as follow:

Original content:

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
(Loss)/profit before taxation		(3,811)	8,087
Adjustments for:			
– Depreciation of property, plant and equipment		1,821	1,802
– Amortisation of interest in leasehold land held for own use under an operating lease		38	38
– (Reversal of impairment loss)/impairment loss on trade and bills receivables		(436)	770
– Finance costs		1,127	2,447
– Interest income		(19)	(1,055)
– Equity-settled share-based payments		333	–
		<u>(947)</u>	<u>12,089</u>
Operating cash flows before changes in working capital			
Changes in working capital			
Decrease in inventories		712	2,274
Increase in trade and other receivables		(8,221)	(4,828)
Decrease in amounts due from related companies		–	13,269
Increase in pledged bank deposits (non-current)		–	(113)
Increase in pledged bank deposits (current)		(400)	–
Decrease in amounts due from related parties		–	8,494
Increase/(decrease) in trade and other payables		10,462	(1,591)
		<u>1,606</u>	<u>29,594</u>
Cash generated from operations		1,606	29,594
Income taxes paid		(3,612)	(2,348)
		<u>(2,006)</u>	<u>27,246</u>
Net cash (used in)/generated from operating activities			
Investing activities			
Payments for the purchase of property, plant and equipment		(484)	(716)
Interest received		19	1,055
		<u>(465)</u>	<u>339</u>
Net cash (used in)/generated from investing activities			
Financing activities			
Proceeds from new bank loans		20,000	20,000
Repayment of bank loans		(20,000)	(40,000)
Increase in amount due to a related company		2,714	–
Decrease in current pledged bank deposits		–	10,000
Interest paid		(1,127)	(2,447)
Distributions paid to a former non-controlling shareholder of a subsidiary	10(b)	(756)	(1,000)
Acquisition of non-controlling interest		(4,442)	–
Payments for initial public offering expenses		(4,776)	–
		<u>(8,387)</u>	<u>(13,447)</u>
Net cash used in financing activities			

Modify as follows:

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
(Loss)/profit before taxation		(3,811)	8,087
Adjustments for:			
– Depreciation of property, plant and equipment		1,821	1,802
– Amortisation of interest in leasehold land held for own use under an operating lease		38	38
– (Reversal of impairment loss)/impairment loss on trade and bills receivables		(436)	770
– Finance costs		1,127	2,447
– Interest income		(19)	(1,055)
– Equity-settled share-based payments		333	–
		<u>(947)</u>	<u>12,089</u>
Operating cash flows before changes in working capital			
Changes in working capital			
Decrease in inventories		712	2,274
Increase in trade and other receivables and property held for sale		(8,221)	(4,828)
Decrease in amounts due from related companies		–	13,269
Increase in pledged bank deposits (non-current)		–	(113)
Increase in pledged bank deposits (current)		(400)	–
Decrease in amounts due from related parties		–	8,494
Increase/(decrease) in trade and other payables		10,462	(1,591)
		<u>1,606</u>	<u>29,594</u>
Cash generated from operations		1,606	29,594
Income taxes paid		(3,612)	(2,348)
		<u>(2,006)</u>	<u>27,246</u>
Net cash (used in)/generated from operating activities			
Investing activities			
Payments for the purchase of property, plant and equipment		(484)	(716)
Interest received		19	1,055
		<u>(465)</u>	<u>339</u>
Net cash (used in)/generated from investing activities			
Financing activities			
Proceeds from new bank loans		20,000	20,000
Repayment of bank loans		(20,000)	(40,000)
Increase in amount due to a related company		2,714	–
Decrease in current pledged bank deposits		–	10,000
Interest paid		(1,127)	(2,447)
Distributions paid to a former non-controlling shareholder of a subsidiary	10(b)	(756)	(1,000)
Acquisition of non-controlling interest		(4,442)	–
Payments for initial public offering expenses		(4,776)	–
Proceeds from issue of shares of a subsidiary		12,584	–
Repurchase of shares for cancellation		(12,584)	–
		<u>(8,387)</u>	<u>(13,447)</u>
Net cash used in financing activities			

Save as disclosed in this announcement, the other contents of the Annual Report remain unchanged and do not induce any financial impact. The Board has confirmed that the above supplemental information does not have an impact on the other information disclosed in the Annual Report.

A modified page 50 of the Annual Report will be despatched to the shareholders of the Company on or before 10 April 2017.

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

Hong Kong, 5 April 2017

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange 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.

This announcement will remain on the Stock Exchange's website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at nantongrate.com