

SHANXI CHANGCHENG

Shanxi Changcheng Microlight Equipment Co. Ltd.*

山西長城微光器材股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code : 8286)

First Quarterly Report **2012**



* For identification only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given 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 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 directors of Shanxi Changcheng Microlight Equipment Co. Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, 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.

2 FINANCIAL RESULTS

The board of directors (the “Board”) of Shanxi Changcheng Microlight Equipment Co. Ltd. (the “Company”) announce the unaudited results of the Company for the three months ended 31 March 2012, together with the comparative unaudited figures for the corresponding period in 2011, as follows:

Statement of Comprehensive Income

For the three months ended 31 March 2012

	Notes	For the three months ended 31 March	
		2012 RMB'000	2011 RMB'000
Revenue	2	12,765	17,813
Cost of sales		(10,298)	(10,254)
Gross profit		2,467	7,559
Other income and gains		343	787
Selling and distribution expenses		(277)	(39)
General and administrative expenses		(4,519)	(4,876)
Operating (loss)/profit		(1,986)	3,431
Finance costs		(278)	(233)
(Loss)/profit before tax		(2,264)	3,198
Income tax	3	—	(480)
(Loss)/profit for the period		(2,264)	2,718
Other comprehensive income for the period		—	—
Total comprehensive (expense)/income for the period		(2,264)	2,718
(Loss)/earnings per share attributable to ordinary equity holders of the Company:			
— Basic and diluted	4	RMB(0.007)	RMB0.009

NOTES TO THE ACCOUNTS

1. Basis of preparation

The financial statements of the Company have been prepared in accordance with the new and revised Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these financial statements have been consistently applied to all the years presented unless otherwise stated.

These financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities, which have been measured at fair value.

These financial statements are presented in Renminbi (“RMB”) and all values are rounded to nearest thousand except when otherwise indicated.

2. Revenue

Revenue, which is also the Company’s turnover, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and other taxes related to sales where applicable.

3. Income tax

	For the three months ended 31 March	
	2012	2011
	RMB’000	RMB’000
Current PRC Enterprise income tax	—	480

No Hong Kong profits tax has been provided as the Company had no estimated assessable profits arising in Hong Kong for the three months ended 31 March 2012 (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Company operates.

According to the applicable Enterprise Income Tax Law of the PRC, the Company, which operates in the Taiyuan Economic and Technology Development Zone (太原經濟技術開發區), the PRC, and which is registered as a New and High Technical Enterprise (高新技術企業), is entitled to a concessionary Enterprise Income Tax rate of 15% over 3 years, beginning on 1 January 2009. For the three months ended 31 March 2012, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (2011: 15%).

4. (Loss)/earnings per share

The calculation of basic loss/earnings per share is based on the loss attributable to ordinary equity owners of the Company of approximately RMB2,264,000 for the three months ended 31 March 2012 (For the three months ended 31 March 2011: profit attributable to ordinary equity owners of the Company of approximately RMB2,718,000) and 308,860,000 (2011: 308,860,000) shares in issue during the three months ended 31 March 2012. There were no diluted potential ordinary shares in issue during the three months ended 31 March 2012 and 2011.

5. Dividend

The Board does not recommend the payment of a dividend for the three months ended 31 March 2012 (For the three months ended 31 March 2011: Nil).

6. Reserves

	Share capital RMB'000	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2011	30,886	18,561	11,574	57,321	118,342
Total comprehensive income for the period	—	—	—	2,718	2,718
At 31 March 2011	30,886	18,561	11,574	60,039	121,060
At 1 January 2012	30,886	18,561	11,574	46,280	107,301
Total comprehensive expense for the period	—	—	—	(2,264)	(2,264)
At 31 March 2012	30,886	18,561	11,574	44,016	105,037



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company continued to be principally engaged in the design, research, development, manufacture, and sale of image transmission fibre optic products.

Financial Review

The Company reported a turnover of approximately RMB12,765,000 for the three months ended 31 March 2012, representing a decrease of 28% from approximately RMB17,813,000 for the same period in 2011. The decrease in the sales was mainly due to the decrease in the demand from the Asian customers and partly due to the continuing appreciation of Renminbi as a majority of the Company's sales was denominated in US Dollars and Euro.

During the three months ended 31 March 2012, the Company recorded cost of sales amounting to approximately RMB10,298,000, representing an increase of 0.4% from approximately RMB10,254,000 for the same period in 2011. The increase in the cost of sales was mainly due to the increase in the cost of raw materials.

General and administrative expenses of the Company for the three months ended 31 March 2012 was approximately RMB4,519,000 representing a decrease of 7% from approximately RMB4,876,000 for the same period in 2011.

The Company's unaudited loss attributable to owners of the Company for the three months ended 31 March 2012 was approximately RMB2,264,000 (unaudited profits attributable to owners of the Company for the three months ended 31 March 2011: RMB2,718,000).

To conclude, the management of the Company considered that (1) continuing appreciation of Renminbi; (2) increase in the cost of certain raw materials and the cost of production; (3) increase in the amount of depreciation; and (4) increase in the finance costs were the main factors to lead to the loss of the Company for the three months ended 31 March 2012.

6 OTHER INFORMATION

Directors' and Supervisors' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 31 March 2012, the interests and short positions of the directors or supervisors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company

Name	Nature and capacity in the shareholding of the Company	Number and type of domestic shares/H shares	Approximate percentage of holding of the domestic shares of the Company*	Approximate percentage of holding of the H shares of the Company*	Approximate percentage of holding of the total share capital of the Company*
Zhang Shao Hui	Interest in a controlled corporation	82,200,000 domestic shares (Note 1)	41.34%	—	26.61%
Yuan Guo Liang	Personal Interest and Family Interest	3,895,000 H shares (Note 2)	—	3.54%	1.26%

* Shareholding percentages have been rounded to the nearest two decimal places.

Notes:

1. Part of these domestic shares (57,300,000 domestic shares) is registered in the name of Beijing Gensir Venture Capital Management Limited ("Beijing Gensir"). Beijing Gensir is owned as to 100% by Zhang Shao Hui. The rest of these domestic shares (24,900,000 domestic shares) are registered in the name of Taiyuan Tanghai Automatic Control Company Limited ("Taiyuan Tanghai") in which Zhang Shao Hui has an indirect interest through his shareholdings in Beijing Gensir.
2. 3,645,000 H shares are registered in the name of Yuan Guo Liang and 250,000 H shares are registered in name of his spouse.

Save as disclosed above, as at 31 March 2012, none of the directors or supervisors of the Company nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules.

Substantial Shareholders

As at 31 March 2012, so far as the directors of the Company are aware, persons other than directors or supervisors of the Company who have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name	Nature and capacity in the shareholding of the Company	Number and type of domestic shares/H shares	Approximate percentage of holding of the domestic shares of the Company*	Approximate percentage of holding of the H shares of the Company*	Approximate percentage of holding of the total share capital of the Company*
Domestic Shares:					
Beijing Gensir Venture Capital Management Limited	Registered and beneficial owner of the domestic shares and interest in a controlled corporation	82,200,000 domestic shares (Notes 1 & 2)	41.34%	—	26.61%
Zhang Shao Hui	Interest in a controlled corporation	82,200,000 domestic shares (Note 2)	41.34%	—	26.61%
Taiyuan Changcheng Optics Electronics Industrial Corporation	Registered and beneficial owner of the domestic shares	80,160,000 domestic shares	40.31%	—	25.95%
Liaoning Shuguang Industrial Group Company Limited	Registered and beneficial owner of the domestic shares	34,000,000 domestic shares	17.10%	—	11.01%
Li Jin Dian	Interest in a controlled corporation	34,000,000 domestic shares (Note 3)	17.10%	—	11.01%
Liu Gui Ying	Family interest	34,000,000 domestic shares (Note 3)	17.10%	—	11.01%
Taiyuan Tanghai Automatic Control Company Limited	Registered and beneficial owner of the domestic shares	24,900,000 domestic shares	12.52%	—	8.06%

Name	Nature and capacity in the shareholding of the Company	Number and type of domestic shares/H shares	Approximate percentage of holding of the domestic shares of the Company*	Approximate percentage of holding of the H shares of the Company*	Approximate percentage of holding of the total share capital of the Company*
Liu Jiang	Interest in a controlled corporation	24,900,000 domestic shares (Note 4)	12.52%	—	8.06%
Qiu Gui Qin	Family interest	24,900,000 domestic shares (Note 4)	12.52%	—	8.06%
H Shares:					
Kwong Tat Finance Limited	Beneficial owner of H shares	33,975,000 H shares (Note 5)	—	30.89%	11.00%
Cai Zheng	Interest in a controlled corporation	33,975,000 H shares (Note 5)	—	30.89%	11.00%

* Shareholding percentages have been rounded to the nearest two decimal places.

Notes:

- Part of these domestic shares (24,900,000 domestic shares) is registered in the name of Taiyuan Tanghai Automatic Control Company Limited ("Taiyuan Tanghai"). Taiyuan Tanghai is owned as to approximately 36.37% by Beijing Gensir Venture Capital Management Limited ("Beijing Gensir"). As Beijing Gensir is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Taiyuan Tanghai, for the propose of the SFO, Beijing Gensir is deemed to be interested in the entire 24,900,000 domestic shares held by Taiyuan Tanghai.
- Part of these domestic shares (57,300,000 domestic shares) is registered in the name of Beijing Gensir. Beijing Gensir is owned as to 100% by Zhang Shao Hui. The rest of these shares are registered in the name of Taiyuan Tanghai in which Zhang Shao Hui has an indirect interest through his shareholdings in Beijing Gensir. As Zhang Shao Hui is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Beijing Gensir, for the purpose of the SFO, Zhang Shao Hui is deemed to be interested in the entire 57,300,000 domestic shares held by Beijing Gensir and 24,900,000 domestic shares held by Taiyuan Tanghai.

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- Shanxi Changcheng Microlight Equipment Co., Ltd.
3. These 34,000,000 domestic shares are registered in the name of Liaoning Shuguang Industrial Group Company Limited ("Liaoning Shuguang"). Liaoning Shuguang is owned as to approximately 48.11% by Li Jin Dian. As Li Jin Dian is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Liaoning Shuguang, for the purpose of the SFO, Li Jin Dian is deemed to be interested in the entire 34,000,000 domestic shares held by Liaoning Shuguang. Liu Gui Ying, as the spouse of Li Jin Dian, is taken to be interested in the shares held by Li Jin Dian by virtue of Part XV of the SFO.
 4. These 24,900,000 domestic shares are registered in the name of Taiyuan Tanghai. Taiyuan Tanghai is owned as to approximately 47.29% by Liu Jiang. As Liu Jiang is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Taiyuan Tanghai, for the propose of the SFO, Liu Jiang is deemed to be interested in the entire 24,900,000 domestic shares held by Taiyuan Tanghai. Qiu Gui Qin, as the spouse of Liu Jiang, is taken to be interested in the shares held by Liu Jiang by virtue of Part XV of the SFO.
 5. These 33,975,000 H shares are registered in the name of Kwong Tat Finance Limited. For the purpose of the SFO, Cai Zheng is deemed to be interested in the 33,975,000 H shares held by Kwong Tat Finance Limited.

Save as disclosed above, the directors of the Company are not aware of other person who, as at 31 March 2012, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Scheme

The Company does not have share option scheme.

Directors' and Supervisors' Rights to Acquire H Shares

During the three months ended 31 March 2012, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 31 March 2012, none of the directors or supervisors of the Company nor their spouses or children under the age of 18 had any right to acquire H shares in the Company or had exercised any such right during the period.

Directors' and Supervisors' Interest in Contracts

Save as disclosed, no contracts of significance in relation to the Company's business to which the Company was a party and in which a director and supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the three months ended 31 March 2012 or at any time during the period.

10 Competing Interests

None of the directors, supervisors and the management shareholders of the Company nor any of their respective associates have engaged in any business that competes or may compete with the business of the Company or has any other conflict of interests with the Company during the three months ended 31 March 2012.

Purchase, Sale or Redemption of Shares

The Company has not purchased, sold or redeemed any of its listed securities during the three months ended 31 March 2012.

Audit Committee

In compliance with Rules 5.28 and 5.33 of the GEM Listing Rules, the Company has established an audit committee. The principal duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Company. The audit committee comprises three independent non-executive directors, namely Mr. Ni Guo Qiang, Mr. Li Li Cai and Ms. Zhang Zhi Hong. Ms. Zhang Zhi Hong has been appointed as the chairman of the audit committee.

The audit committee has reviewed the unaudited financial statements of the Company for the three months ended 31 March 2012.

By order of the Board

Shanxi Changcheng Microlight Equipment Co. Ltd.

Song Lian Bin

Chairman

Taiyuan City, Shanxi Province, the PRC, 14 May 2012

As at the date of this report, the Board comprises nine directors, of which three are executive directors, namely Mr. Song Lian Bin, Mr. Wang Wen Sheng, and Mr. Tian Qun Xu; two non-executive directors, namely Mr. Zhang Shao Hui and Mr. Yuan Guo Liang; and four independent non-executive directors, namely Mr. Ni Guo Qiang, Mr. Li Li Cai, Mr. Duan Zhong and Ms. Zhang Zhi Hong.