

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)

2014
First Quarterly
Report



* 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.

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 2014, together with the comparative unaudited figures for the corresponding period in 2013, as follows:

Statement of Comprehensive Income

For the three months ended 31 March 2014

	Notes	For the three months ended 31 March	
		2014 RMB'000	2013 RMB'000
Revenue	2	8,205	11,709
Cost of sales		(6,727)	(8,259)
Gross profit		1,478	3,450
Other income and gain		284	406
Selling and distribution expenses		(210)	(230)
Administrative and other operating expenses		(3,610)	(4,940)
Finance costs		(191)	(234)
Loss before tax		(2,249)	(1,548)
Income tax	3	—	—
Loss for the period		(2,249)	(1,548)
Other comprehensive income for the period		—	—
Total comprehensive expense for the period		(2,249)	(1,548)
Loss per share attributable to owners of the Company:			
— Basic and diluted	4	RMB(0.007)	RMB(0.005)

NOTES TO THE ACCOUNTS

1. Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants. 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 ("GEM Listing Rules").

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	
	2014 RMB'000	2013 RMB'000
Current PRC Enterprise income tax	—	—

No Hong Kong profits tax has been provided as the Company had no estimated assessable profits arising in or derived from Hong Kong for the three months ended 31 March 2014 (For the three months ended 31 March 2013: 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, the PRC, and which is registered as a New and High Technical Enterprise, is entitled to a concessionary Enterprise Income Tax rate of 15% for 3 years. For the three months ended 31 March 2014, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (For the three months ended 31 March 2013: 15%).

4. Loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB2,249,000 for the three months ended 31 March 2014 (For the three months ended 31 March 2013: RMB1,548,000) and 308,860,000 shares in issue during the three months ended 31 March 2014 (2013: 308,860,000). There were no diluted potential ordinary shares in issue during the three months ended 31 March 2014 and 2013.

5. Dividend

The Board does not recommend the payment of a dividend for the three months ended 31 March 2014 (For the three months ended 31 March 2013: 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 2013	30,886	18,561	11,574	19,874	80,895
Total comprehensive expense for the period	—	—	—	(1,548)	(1,548)
At 31 March 2013	30,886	18,561	11,574	18,326	79,347
At 1 January 2014	30,886	18,561	11,853	17,365	78,665
Total comprehensive expense for the period	—	—	—	(2,249)	(2,249)
At 31 March 2014	30,886	18,561	11,853	15,116	76,416

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Image transmission fibre optics products manufactured by the Company are image transmission devices containing a rigidly bundle of optical fibres arranged in an ordered fashion so that images can be transmitted from one end of the optical fibre bundle and displayed on the other end of the bundle. A typical image transmission fibre optic product of the Company would consist of over 10 million optical fibres.

The Company currently has produced six products including fibre optic inverters; fibre optic straight plates; fibre optic face plates; fibre optic tapers; fibre optic taper billers; and microchannel plates.

Financial Review

The Company reported a turnover of approximately RMB8,205,000 for the three months ended 31 March 2014, representing a decrease of 30% from approximately RMB11,709,000 for the same period in 2013. The decrease in the sales was mainly due to some of customers' orders were delayed to deliver in the second quarter of the year.

During the three months ended 31 March 2014, the Company recorded cost of sales amounting to approximately RMB6,727,000, representing a decrease of 19% from approximately RMB8,259,000 for the same period in 2013.

Administrative and other operating expenses of the Company for the three months ended 31 March 2014 was approximately RMB3,610,000 representing a decrease of 27% from approximately RMB4,940,000 for the same period in 2013.

The Company's unaudited loss attributable to owners of the Company for the three months ended 31 March 2014 was approximately RMB2,249,000 (For the three months ended 31 March 2013: RMB1,548,000).

Financial Assistance to Related Parties

As at 31 March 2014, the amount due from a shareholder — Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000 (31 December 2013: RMB593,000).

As at 31 March 2014, the amount due from a former related company — Shanxi Jindi Yucheng Medical Equipments Company Limited (formerly known as Taiyuan Huamei Medical Equipments Company Limited) was approximately RMB4,283,000 (31 December 2013: RMB4,283,000).

OTHER INFORMATION

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

As at 31 March 2014, 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 Securities and Futures Ordinance (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 2014, 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 2014, 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%

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*
Taiyuan Tanghai Automatic Control Company Limited	Registered and beneficial owner of the domestic shares	24,900,000 domestic shares	12.52%	—	8.06%
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	Registered and 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.

2. 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.
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 2014, 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 2014, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 31 March 2014, 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 2014 or at any time during the period.

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 2014.

Audit Committee

In compliance with Rules 5.28 and 5.33 of the GEM Listing Rules, the Company has established an audit committee. The primary 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 2014.

Competing Interests

None of the directors, supervisors and the management shareholders of the Company nor any of their respective associates (as defined under the GEM Listing Rules) 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 2014.

By order of the Board

Shanxi Changcheng Microlight Equipment Co. Ltd.

Wang Wen Sheng

Chairman

Taiyuan City, Shanxi Province, the PRC, 13 May 2014

As at the date of this report, the Board comprises nine directors, of which three are executive directors, namely Mr. Wang Wen Sheng, Mr. Tian Qun Xu and Mr. Guo Xu Zhi; 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.