

# 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**  
Third 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 condensed consolidated results of the Company and its subsidiary (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2014, together with the comparative unaudited figures for the corresponding period in 2013, as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2014

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Revenue</b>	2	<b>15,391</b>	18,875	<b>36,711</b>	47,392
Cost of sales		<b>(11,402)</b>	(13,836)	<b>(28,558)</b>	(34,474)
<b>Gross profit</b>		<b>3,989</b>	5,039	<b>8,153</b>	12,918
Other income and gain		<b>275</b>	269	<b>976</b>	1,270
Selling and distribution expenses		<b>(516)</b>	(359)	<b>(1,017)</b>	(827)
Administrative and other operating expenses		<b>(5,546)</b>	(5,547)	<b>(12,494)</b>	(15,797)
Finance costs		<b>(319)</b>	(197)	<b>(794)</b>	(688)
<b>Loss before tax</b>		<b>(2,117)</b>	(795)	<b>(5,176)</b>	(3,124)
Income tax	3	—	—	—	—
<b>Loss for the period</b>		<b>(2,117)</b>	(795)	<b>(5,176)</b>	(3,124)
Other comprehensive income for the period		—	—	—	—
<b>Total comprehensive expense for the period</b>		<b>(2,117)</b>	(795)	<b>(5,176)</b>	(3,124)
<b>Total comprehensive expense attributable to:</b>					
Owners of the Company		<b>(2,103)</b>	(795)	<b>(5,162)</b>	(3,124)
Non-controlling interest		<b>(14)</b>	—	<b>(14)</b>	—
		<b>(2,117)</b>	(795)	<b>(5,176)</b>	(3,124)
<b>Loss per share attributable to owners of the Company:</b>					
— Basic and diluted	4	<b>RMB(0.007)</b>	RMB(0.003)	<b>RMB(0.017)</b>	RMB(0.010)

## NOTES TO THE ACCOUNTS

### 1. Basis of preparation

The financial statements of the Group 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 Group'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 30 September		For the nine months ended 30 September	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Current PRC Enterprise Income Tax	—	—	—	—

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for the nine months ended 30 September 2014 and 2013. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group 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 nine months ended 30 September 2014, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (2013: 15%)

#### 4. Loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and nine months ended 30 September 2014 of approximately RMB2,103,000 and RMB5,162,000 respectively (For the three months and nine months ended 30 September 2013: RMB795,000 and RMB3,124,000) and 308,860,000 (2013: 308,860,000) shares in issue during the period. There were no diluted potential ordinary shares in issue during the nine months ended 30 September 2014 and 2013.

#### 5. Dividend

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2014 (For the nine months ended 30 September 2013: Nil).

#### 6. Reserves

	Attributable to owners of the Company					Non-controlling interest	Total equity
	Share capital	Capital surplus	Statutory surplus reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	30,886	18,561	11,574	19,874	80,895	—	80,895
Total comprehensive expense for the period	—	—	—	(3,124)	(3,124)	—	(3,124)
<b>At 30 September 2013</b>	<b>30,886</b>	<b>18,561</b>	<b>11,574</b>	<b>16,750</b>	<b>77,771</b>	<b>—</b>	<b>77,771</b>
At 1 January 2014	30,886	18,561	11,853	17,365	78,665	—	78,665
Arising from incorporation of a subsidiary	—	—	—	—	—	90	90
Total comprehensive expense for the period	—	—	—	(5,162)	(5,162)	(14)	(5,176)
<b>At 30 September 2014</b>	<b>30,886</b>	<b>18,561</b>	<b>11,853</b>	<b>12,203</b>	<b>73,503</b>	<b>76</b>	<b>73,579</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group 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 Group 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 Group currently has produced five products including fibre optic inverters; fibre optic straight plates; fibre optic face plates; fibre optic tapers; and microchannel plates.

During the nine months ended 30 September 2014 and 2013, the total sales to external customers by product and the percentage of total revenue by product are listed as below:

	For the nine months ended 30 September			
	2014		2013	
	RMB'000	%	RMB'000	%
Fiber optic inverters	20,775	56	32,901	69
Fiber optic straight plates	6,885	19	5,924	13
Fiber optic face plates	636	2	639	1
Fiber optic tapers	3,213	9	5,123	11
Microchannel plates	5,056	14	2,712	6
Others	146	—	93	—
	<b>36,711</b>	<b>100</b>	47,392	100

### Financial Review

Turnover of the Group for the nine months ended 30 September 2014 was approximately RMB36,711,000, representing a decrease of approximately 23% from approximately RMB47,392,000 for the same period in 2013.

Cost of sales of the Group for the nine months ended 30 September 2014 was approximately RMB28,558,000, representing a decrease of approximately 17% from approximately RMB34,474,000 for the same period in 2013.

The gross profit margin for the nine months ended 30 September 2014 was approximately 22.2% (For the nine months ended 30 September 2013: 27.3%).

Administrative and other operating expenses of the Group for the nine months ended 30 September 2014 was approximately RMB12,494,000, representing a decrease of approximately 21% from approximately RMB15,797,000 for the same period in 2013. During the nine months ended 30 September 2014, impairment of inventories amounting to RMB1,838,000 was recognised in the consolidated statement of comprehensive income and included in the administrative and other operating expenses. The decrease in the administrative and other operating expenses was mainly due to decrease in the depreciation charges and research and development cost.

The Group's unaudited loss attributable to owners of the Company for the nine months ended 30 September 2014 was approximately RMB5,162,000 (For the nine months ended 30 September 2013: RMB3,124,000).

As the Group incurred operating loss for the financial years from 2011 to 2013, the Group had obtained financial support from its banker and its shareholder. As at 30 September 2014, the Group had outstanding bank loan amounting to RMB15,000,000. The RMB15,000,000 bank loan will be due for repayment in May 2015. As at 30 September 2014, outstanding amount due to Taiyuan Changcheng Optics Electronics Industrial Corporation, a shareholder of the Company, amounting to RMB14,400,000.

## **Financial Assistance to Related Parties**

As at 30 September 2014, the amount due from a shareholder — Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000 (31 December 2013: RMB593,000).

As at 30 September 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 30 September 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:

- 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.
- 3,645,000 H shares are registered in the name of Yuan Guo Liang and 250,000 H shares are registered in the name of his spouse.



Save as disclosed above, as at 30 September 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 Rule 5.46 of the GEM Listing Rules.

## Substantial Shareholders

As at 30 September 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*
<b>Domestic Shares:</b>					
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%

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*
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%
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%
<b>H Shares:</b>					
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:

1. 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 30 September 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 nine months ended 30 September 2014, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 September 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 of the Company or had exercised any such right during the year.

## Directors' and Supervisors' Interest in Contracts

Save as disclosed, no contracts of significance in relation to the Group's business to which the Company or its subsidiary 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 nine months ended 30 September 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 nine months ended 30 September 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 chairwoman of the audit committee. The audit committee has reviewed the unaudited financial statements of the Group for the nine months ended 30 September 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 Group or has any other conflict of interests with the Group during the nine months ended 30 September 2014.

## Interests of the Compliance Adviser

As notified by the Company's compliance adviser, Messis Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 26 September 2012 for a period of two years commencing on 1 October 2012, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 30 September 2014 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

By order of the Board

**Shanxi Changcheng Microlight Equipment Co. Ltd.**

**Wang Wen Sheng**

*Chairman*

Taiyuan City, Shanxi Province, the PRC, 7 November 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.*