



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)

2018

Third Quarterly Report

*For identification purpose only

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

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*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**”) announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017, as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and nine months ended 30 September 2018

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	4	6,801	5,042	18,587	13,203
Cost of sales		(4,967)	(3,867)	(13,766)	(9,965)
Gross profit		1,834	1,175	4,821	3,238
Other income, gains and losses		257	234	862	747
Selling and distribution costs		(241)	(294)	(614)	(662)
Administrative and other operating expenses		(5,083)	(5,287)	(12,636)	(15,609)
Finance costs	5	(1,469)	(797)	(3,470)	(2,239)
Share of loss of an associate		(23)	(41)	(155)	(111)
Loss before tax		(4,725)	(5,010)	(11,192)	(14,636)
Income tax	6	-	-	-	-
Loss and total comprehensive loss for the period		(4,725)	(5,010)	(11,192)	(14,636)
Loss and total comprehensive loss for the period attributable to:					
Owners of the Company		(4,725)	(5,010)	(11,191)	(14,636)
Non-controlling interests		-	-	(1)	-
		(4,725)	(5,010)	(11,192)	(14,636)
Loss per share (RMB)					
- Basic and diluted	7	(0.015)	(0.016)	(0.036)	(0.047)

NOTES TO THE ACCOUNTS

1. CORPORATE INFORMATION

Shanxi Changcheng Microlight Equipment Co. Ltd. was incorporated in the Mainland of the People's Republic of China (the "**PRC**") on 10 November 2000 as a joint stock limited company. The Company's H shares are listed on the GEM of the Stock Exchange.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**").

The principal accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the annual report of the Company for the year ended 31 December 2017.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual report and should be read in conjunction with the Company's annual report for the year ended 31 December 2017.

The unaudited condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

4. 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.

5. FINANCE COSTS

	For the three months ended 30 September 2018		For the nine months ended 30 September 2018	
	RMB'000	2017 <i>RMB'000</i>	RMB'000	2017 <i>RMB'000</i>
Interest on bank borrowing	303	341	997	1,022
Interest on other borrowings	1,081	319	2,219	815
Interest on amounts due to shareholders	85	137	254	402
	<u>1,469</u>	<u>797</u>	<u>3,470</u>	<u>2,239</u>

6. INCOME TAX

	For the three months ended 30 September 2018		For the nine months ended 30 September 2018	
	RMB'000	2017 <i>RMB'000</i>	RMB'000	2017 <i>RMB'000</i>
Current PRC Enterprise income tax				
- Charge for the period	-	-	-	-
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total tax charge	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 three months and nine months ended 30 September 2018 (for the three months and nine months ended 30 September 2017: RMB Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

7. 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 2018 of approximately RMB4,725,000 and RMB11,191,000 respectively (for the three months and nine months ended 30 September 2017: RMB5,010,000 and RMB14,636,000) and 308,860,000 (2017: 308,860,000) shares in issue during the period. There were no diluted potential ordinary shares in issue during the three months and nine months ended 30 September 2017 and 2018.

8. DIVIDEND

The Board of the Company does not recommend the payment of a dividend for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: Nil).

9. MOVEMENT OF RESERVES

	Attributable to owners of the Company						Total equity RMB'000
	Issued capital RMB'000	Capital surplus RMB'000	Statutory surplus reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2017	30,886	18,561	11,853	(42,392)	18,908	16	18,924
Total comprehensive loss for the period	-	-	-	(14,636)	(14,636)	-	(14,636)
At 30 September 2017	30,886	18,561	11,853	(57,028)	4,272	16	4,288
At 1 January 2018	30,886	18,561	11,853	(70,927)	(9,627)	(25)	(9,652)
Total comprehensive loss for the period	-	-	-	(11,191)	(11,191)	(1)	(11,192)
At 30 September 2018	30,886	18,561	11,853	(82,118)	(20,818)	(26)	(20,844)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group continued to be principally engaged in design, research, development, manufacture, and sale of image transmission optic products. A subsidiary of the Company continued to be engaged in wholesale of household water purifiers. The newly registered two subsidiaries in the year of 2016 have not been commencement of business.

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 Group would consist of over 10 million optical fibres.

The Group currently produces five major products, including fibre optic inverters, fibre optic straight plates, fibre optic face plates, fibre optic tapers and microchannel plates.

Details of the total sales to external customers by product and the percentage of total revenue by product for the nine months ended 30 September 2017 and 2018 are set out as below:

	For the nine months ended 30 September			
	2018		2017	
	RMB'000	%	RMB'000	%
Fiber optic inverters	6,808	37	831	6
Fiber optic straight plates	4,119	22	2,854	22
Fiber optic face plates	184	1	401	3
Fiber optic tapers	2,442	13	1,093	8
Microchannel plates	4,922	27	6,500	49
Others	112	0	1,524	12
	<u>18,587</u>	<u>100</u>	<u>13,203</u>	<u>100</u>

With the overall improvement of the Group's product quality during the nine months ended 30 September 2018, it has gradually gained recognition from the market customers. It is expected that the Group's revenue will continue to grow rapidly. At the same time, the high-definition and high-contrast series of products developed by the Group in the first half of the year are undergoing sample testing and certification, which will bring new revenue growth point to the Group.

Financial Review

Turnover of the Group for the nine months ended 30 September 2018 was approximately RMB18,587,000 (for the nine months ended 30 September 2017: RMB13,203,000), representing an increase of approximately 41% as compared to that of the previous financial period.

Cost of sales of the Group for the nine months ended 30 September 2018 was approximately RMB13,766,000 (for the nine months ended 30 September 2017: RMB9,965,000), representing an increase of approximately 38% as compared to that of the previous financial period.

Administrative and other operating expenses of the Group for the nine months ended 30 September 2018 was approximately RMB12,636,000 (for the nine months ended 30 September 2017: RMB15,609,000), representing a decrease of approximately RMB2,973,000 as compared to that of the previous financial period. The decrease in the administrative and other operating expenses was mainly attributable to the financial impact resulted in the implementation of cost-control policies by the Group.

The Group reported finance costs amounting to approximately RMB3,470,000 for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: RMB2,239,000), representing an increase of approximately RMB1,231,000 as compared to that of the previous financial period. The increase in the finance costs was mainly due to the increase in the other borrowings.

The loss after tax for the nine months ended 30 September 2018 of the Group was approximately RMB11,192,000 (for the nine months ended 30 September 2017: RMB14,636,000).

Going Concern

As at 30 September 2018, the Group's current liabilities exceeded its current assets by approximately RMB109,574,000. In addition, as at 30 September 2018, the Group had an outstanding bank borrowing amounting to approximately RMB13,306,000 which is due for repayment on demand, loans from connected persons, loan from a related company and other borrowings in the aggregate amount of approximately RMB42,219,000 which are due for repayment within the next twelve months, and loans from shareholders amounting to approximately RMB14,213,000 which is due for repayment on demand. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

To address the issue of going concern, the directors of the Company have taken/ will take the following steps:

- continue to negotiate with the Company's banker for renewal of the bank loan;
- strengthen the management of overdue trade receivable;
- implement measures to improve gross profit margin of the Group's products;
- reduce production scale in line with sale results;
- implement stringent cost control measures;
- consider issuing domestic shares and/or other fund-raising measures; and
- consider seeking further financial assistance from its shareholders, if appropriate.

The Group has been proactively seeking to raise funds and taking measures to strengthen its financial position. The Group will continue to negotiate with potential investors (including the existing shareholders) the possibilities of raising funds to the Group in order to address the going concern issue of the Group.

Financial Assistance from Taiyuan Changcheng, Beijing Gensir, Connected Persons, and a Related Company and Connected Transactions

The Group obtained financial assistance from Taiyuan Changcheng Optics Electronics Industrial Corporation ("**Taiyuan Changcheng**"), a substantial shareholder of the Company, since the late of 2011. As at 31 December 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 30 September 2018, the amount due to Taiyuan Changcheng was RMB500,000, RMB12,400,000, RMB14,400,000, RMB14,400,000, RMB14,400,000, RMB16,490,070, RMB13,327,000 and approximately RMB13,572,000 (including interest portion approximately RMB2,872,000) respectively.

During the year ended 31 December 2017, Tiayuan Changcheng provided further financial assistance of RMB1,300,000, which are secured by certain plant and machinery and motor vehicles of the Company, to the Group. As at 30 September 2018, the carrying amounts of the pledged plant and machinery and motor vehicles was approximately RMB1,020,000 and RMBNil respectively.

The Group obtained financial assistance from Beijing Gensir Venture Capital Management Limited ("**Beijing Gensir**"), a substantial shareholder of the Company, during the year ended 31 December 2017 and the nine months ended 30 September 2018. As at 30 September 2018, the amount due to Beijing Gensir was RMB641,000 (including interest portion approximately RMB13,000).

The Group obtained financial assistance from two connected persons ("**Connected Persons**") during the year ended 31 December 2017 and the nine months ended 30 September 2018. As at 30 September 2018, the amount due to Connected Persons was amounting to approximately RMB801,000 (including interest portion approximately RMB33,000).

The Group obtained financial assistance from a related company ("**Related Company**") during the year ended 31 December 2017 and the nine months ended 30 September 2018. As at 30 September 2018, the amount due to Related Company was amounting to approximately RMB25,074,000 (including interest portion approximately RMB489,000).

For the nine months ended 30 September 2018, total interest charged by Taiyuan Changcheng, Beijing Gensir, Connected Persons and Related Company was approximately RMB245,000, RMB9,000, RMB25,000 and RMB489,000 respectively. The directors of the Company consider that the interest charged by Taiyuan Changcheng, Beijing Gensir, Connected Persons and Related Company are based on normal commercial terms or better. The financial assistances and interest expenses are exempted from connected transaction requirements.

Bank and Other Borrowings

As at 30 September 2018, the Group had an outstanding bank borrowing amounting to approximately RMB13,306,000 (31 December 2017: RMB13,479,000) which was expired in November 2016 and was not repaid. The bank borrowing is now repayable on demand. The bank borrowing is secured by the Group's land located at No. 7, Dianzi Street, Taiyuan City, Shanxi Province, the PRC and the plant and machinery with the carrying amount of approximately RMB306,000.

As at 30 September 2018, the Group had outstanding loans from Connected Persons, loan from Related Company and other borrowings in the aggregate amount of approximately RMB42,219,000 (including interest portion approximately RMB2,542,000). As at 30 September 2018, Beijing Gensir is the guarantor of the other borrowings in the amount of RMB3,000,000.

Financial Assistance to Related Parties

As at 30 September 2018, the amount due from a shareholder – Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000 (31 December 2017: RMB593,000). As at 30 September 2018 and 31 December 2017, the amount of approximately RMB593,000 was fully impaired. As at 30 September 2018, 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 RMB47,000 (31 December 2017: RMB47,000). As at 30 September 2018 and 31 December 2017, the amount of approximately RMB47,000 was fully impaired.

Pledge of Assets

As at 30 September 2018, the Group's land and plant and machinery with the carrying amount of approximately RMB10,607,000 and RMB306,000 respectively (as at 31 December 2017: RMB10,827,000 and RMB537,000) were pledged to a bank as securities for the borrowing facilities of the Group.

As at 30 September 2018, the Group's plant and machinery and motor vehicles with the carrying amount of approximately RMB1,020,000 and RMBNil respectively (as at 31 December 2017: RMB1,417,000 and RMBNil) were pledged to a shareholder as securities for the borrowing facilities of the Group.

OTHER INFORMATION

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

As at 30 September 2018, the directors or supervisors of the Company who had interests or short positions 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*
Yuan Guo Liang	Personal Interest and family Interest	3,895,000 H shares (Note 1)	-	3.54%	1.26%

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

Note:

1. According to the interests filing disclosure, 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 2018, 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 30 September 2018, so far as the directors of the Company are aware, persons other than directors or supervisors of the Company who 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, 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:					
Zhang Shao Hui	Interest in controlled corporations	82,200,000 domestic shares <i>(Notes 1)</i>	41.34%	-	26.61%
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 <i>(Note 2)</i>	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 <i>(Note 3)</i>	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*
Liu Gui Ying	Family interest	34,000,000 domestic shares <i>(Note 3)</i>	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 <i>(Note 4)</i>	12.52%	–	8.06%
Qiu Gui Qin	Family interest	24,900,000 domestic shares <i>(Note 4)</i>	12.52%	–	8.06%
H Shares:					
Kwong Tat Finance Limited	Registered and beneficial owner of H shares	33,975,000 H shares <i>(Note 5)</i>	–	30.89%	11.00%
Cai Zheng	Interest in a controlled corporation	33,975,000 H shares <i>(Note 5)</i>	–	30.89%	11.00%

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

Notes:

1. According to the interests filing disclosure, part of these domestic shares (57,300,000 domestic shares) is registered in the name of Beijing Gensir Venture Capital Management Limited ("**Beijing Gensir**"), a company whose issued shares were reportedly registered as to 100% in the name of Zhang Shao Hui. 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.

According to the interests filing disclosure, 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**"), a company whose issued shares were reportedly registered as to approximately 36.37% in the name of 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 purpose of the SFO, Zhang Shao Hui is deemed to be interested in the entire 24,900,000 domestic shares held by Taiyuan Tanghai.

2. According to the interests filing disclosure, part of these domestic shares (57,300,000 domestic shares) is registered in the name of Beijing Gensir, a company whose issued shares were reportedly registered as to 100% in the name of Zhang Shao Hui. The rest of these domestic shares (24,900,000 domestic shares) are registered in the name of Taiyuan Tanghai, a company whose issued shares were reportedly registered as to approximately 36.37% in the name of 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 purpose of the SFO, Beijing Gensir 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. According to the interests filing disclosure, these 34,000,000 domestic shares are registered in the name of Liaoning Shuguang Industrial Group Company Limited ("**Liaoning Shuguang**"), a company whose issued shares were reportedly registered as to approximately 48.11% in the name of 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. According to the interests filing disclosure, these 24,900,000 domestic shares are registered in the name of Taiyuan Tanghai, a company whose issued shares were reportedly registered as to approximately 47.29% in the name of 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. According to the interests filing disclosure, these 33,975,000 H shares are registered in the name of Kwong Tat Finance Limited ("**Kwong Tat**"), a company whose issued shares were reportedly registered as to 100% in the name of Cai Zheng. For the purpose of the SFO, Cai Zheng is deemed to be interested in the 33,975,000 H shares held by Kwong Tat.

Save as disclosed above, the directors of the Company are not aware of other person who, as at 30 September 2018, 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.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the nine months ended 30 September 2018.

Share Option Scheme

The Group do not have share option scheme.

Directors' and Supervisors' Rights to Acquire H Shares

During the nine months ended 30 September 2018, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 September 2018, 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 period.

Contracts of Significance

The directors of the Company believe that no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party, and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at 30 September 2018 or at any time during the nine months ended 30 September 2018.

Competing Interests

The directors of the Company believe that none of the directors, supervisors and management shareholders of the Company nor any of their respective associates had an interest in a business which competes or may compete with the business of the Group during the nine months ended 30 September 2018.

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 include (i) considering the appointment of, external auditors and any questions of resignation or dismissal; (ii) reviewing financial information; and (iii) overseeing of the financial reporting system, risk management and internal control systems. The audit committee comprises two independent non-executive directors and one non-executive director, namely Ms. Long Yan, Ms. Ning Lingying and Mr. Yuan Guo Liang. Ms. Long Yan was appointed as the chairman of the audit committee. The audit committee has reviewed the unaudited results of the Group for the nine months ended 30 September 2018.

By order of the Board

Shanxi Changcheng Microlight Equipment Co. Ltd.

Guo Xiu Zhi

Chairman

Taiyuan City, Shanxi Province, the PRC, 14 November 2018

As at the date of this report, the board of directors comprises nine directors, of which four are executive directors, namely Mr. Guo Xu Zhi, Mr. Song Zhenglai, Mr. Shen Jian and Ms. Wang Lingling; two non-executive directors, namely Mr. Yuan Guo Liang and Mr. Wu Bo; and three independent non-executive directors, namely Ms. Long Yan, Ms. Ning Lingying, and Ms. Qie Hui Fang.