



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)

(於中華人民共和國註冊成立之股份有限公司)

(Stock Code 股份代號 : 8286)

2019

First Quarterly Report

*For identification purpose only

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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 ended 31 March 2019, together with the comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Notes	For the three months ended 31 March	
		2019 RMB'000	2018 RMB'000
Revenue	4	10,272	3,929
Cost of sales		(5,878)	(2,693)
Gross profit		4,394	1,236
Other income, gains and losses		108	331
Selling and distribution costs		(163)	(129)
Administrative and other operating expenses		(3,873)	(3,893)
Finance costs	5	(1,966)	(1,008)
Share of loss of an associate		(25)	(104)
Loss before tax		(1,525)	(3,567)
Income tax expense	6	-	-
Loss and total comprehensive loss for the period		(1,525)	(3,567)
Loss and total comprehensive loss for the period attributable to:			
– Owners of the Company		(1,525)	(3,567)
– Non-controlling interests		-	-
		(1,525)	(3,567)
Loss per share (RMB)			
– Basic and diluted	7	(0.005)	(0.012)

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 2018.

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 Group's annual report for the year ended 31 December 2018.

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 2019. 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. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2019	2018
	RMB'000	<i>RMB'000</i>
Current PRC Enterprise income tax		
– Charge for the period	–	–
Deferred tax	–	–
	<hr/>	<hr/>
Total tax charge	<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 ended 31 March 2019 (for the three months ended 31 March 2018: RMB Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

6. FINANCE COSTS

	For the three months ended 31 March	
	2019	2018
	RMB'000	<i>RMB'000</i>
Interest on bank borrowing	383	334
Interest on other borrowings	1,457	590
Interest on amounts due to shareholders	126	84
	<hr/>	<hr/>
	<u>1,966</u>	<u>1,008</u>

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 ended 31 March 2019 of approximately RMB1,525,000 (for the three months ended 31 March 2018: RMB3,567,000) and 308,860,000 (2018: 308,860,000) shares in issue during the period. There were no diluted potential ordinary shares in issue during the three months ended 31 March 2018 and 2019.

8. DIVIDEND

The Board of the Company does not recommend the payment of a dividend for the three months ended 31 March 2019 (for the three months ended 31 March 2018: Nil).

9. MOVEMENT OF RESERVES

	Attributable to owners of the Company						
	Issued capital	Capital surplus	Statutory reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	30,886	18,561	11,853	(70,927)	(9,627)	(25)	(9,652)
Total comprehensive loss for the period	-	-	-	(3,567)	(3,567)	-	(3,567)
At 31 March 2018	30,886	18,561	11,853	(74,494)	(13,194)	(25)	(13,219)
At 1 January 2019	30,886	18,561	11,853	(100,164)	(38,864)	(29)	(38,893)
Total comprehensive loss for the period	-	-	-	(1,525)	(1,525)	-	(1,525)
At 31 March 2019	30,886	18,561	11,853	(101,689)	(40,389)	(29)	(40,418)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Since the listing of the Company on the GEM of the Stock Exchange in 2004, the Group has been engaged in design, research, development, manufacture, and sale of image transmission fibre optic products as its principal 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.

At present, the Group produces five main products, including fibre optic inverters, fibre optic straight plates, fibre optic face plates, fibre optic tapers and microchannel plates. Although fiber-optic imaging devices (fibre optic inverters, fibre optic face plates, fibre optic tapers and microchannel plates) have been increasingly used in medical imaging equipment, digital photography, physics, biochemistry and other civilian applications in recent years, they are currently mainly used in military low-light night vision devices and military low-light night vision video systems. Its customers are mainly located at China, Russia and other Asian countries.

Since the fourth quarter of 2018, the Group has gradually implemented measures to improve products production passing rate, enhance products gross profit margin and adjust production line structure. The results will be reflected in the year of 2019. The Group received a subsidy from the industrial transformation and upgrading fund in the amount of RMB20,000,000 (the "**ITU Fund**") from the government of Taiyuan City, Shanxi Province on 26 December 2018, which specifically supports the industrial transformation and upgrading and technological transformation project of the Group. The Group will utilise the ITU Fund to implement image transmission fiber optic production technology upgrade. The Group will strive to implement measures to enhance the efficiency of production lines, including adjustment of production structure, replacement of production equipment, enhancement of products production passing rate and products internal standard production technology.

Details of the total sales to external customers by product and the percentage of total revenue by product for the three months ended 31 March 2018 and 2019 are set out as below:

	For the three months ended 31 March			
	2019		2018	
	RMB'000	%	<i>RMB'000</i>	%
Fiber optic inverters	2,523	25	883	23
Fiber optic straight plates	2,077	20	1,149	29
Fiber optic face plates	83	1	85	2
Fiber optic tapers	482	5	1,067	27
Microchannel plates	5,107	49	745	19
	<u>10,272</u>	<u>100</u>	<u>3,929</u>	<u>100</u>

Financial Review

Turnover of the Group for the three months ended 31 March 2019 was approximately RMB10,272,000 (for the three months ended 31 March 2018: RMB3,929,000), representing an increase of approximately 161% as compared to that of the previous financial period.

The Board has been adopting various measures to improve the business capabilities of the Group, including (i) implementing image transmission fiber optic production technology upgrade; (ii) implementing measures to improve products passing rate and gross profit margin; and (iii) adjusting structure of production lines to achieve efficiency level. As a result, the Group's revenue has gradually increased since the fourth quarter of 2018 and it was more remarkable in the first quarter of 2019.

Cost of sales of the Group for the three months ended 31 March 2019 was approximately RMB5,878,000 (for the three months ended 31 March 2018: RMB2,693,000), representing an increase of approximately 118% as compared to that of the previous financial period.

The gross profit margin of the Group for the first quarter of 2019 was 42.8% (for the first quarter of 2018: 31.5%). The improvement in the gross profit margin was mainly attributable by (i) the increase in the sales and the market prices of microchannel plates with higher gross profit margin and (ii) the implementation of measures to improve its production process.

Administrative and other operating expenses of the Group for the three months ended 31 March 2019 was approximately RMB3,873,000 (for the three months ended 31 March 2018: RMB3,893,000), representing a decrease of approximately RMB20,000 as compared to that of the previous financial period.

The Group reported finance costs amounting to approximately RMB1,966,000 for the three months ended 31 March 2019 (for the three months ended 31 March 2018: RMB1,008,000), representing an increase of approximately RMB958,000 as compared to that of the previous financial period. The increase in the finance costs was mainly due to the increase in other borrowings.

The Group reported profit before finance costs for the three months ended 31 March 2019 was approximately RMB441,000 (loss before finance costs for the three months ended 31 March 2018: RMB2,559,000).

The loss after tax for the three months ended 31 March 2019 of the Group was approximately RMB1,525,000 (for the three months ended 31 March 2018: RMB3,567,000).

The Board believes that the Group's financial performance will continue to improve as a result of the management team is fully committed to improving the Group's operations, production, research and development and market development capabilities.

Going Concern

The Group incurred a loss attributable to owners of the Company of approximately RMB1,525,000 for the three months ended 31 March 2019 and as at 31 March 2019 the Group had net current liabilities and net liabilities of approximately RMB70,310,000 and RMB40,418,000 respectively. In addition, the Group had outstanding bank and other borrowings amounting to approximately RMB71,258,000 in which approximately RMB41,215,000 will be due for repayment in 2021-2022 and the remaining approximately RMB30,043,000 will be due for repayment within the next twelve months and amounts due to shareholders amounting to approximately RMB20,066,000 in which approximately RMB11,322,000 will be due for repayment in 2021-2022 and the remaining approximately RMB8,744,000 will be 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:

Measures to improve the financial position as below:

- Propose and implement shares offering plan;
- Negotiate and implement debts restructuring plan with shareholders, borrowers and financial institutions;
- Negotiate and implement loan interest reduction plan with shareholders and borrowers;
- Seek financial support from shareholders and borrowers; and
- Strengthen the management of overdue trade receivables.

Measures to improve the business capabilities as below:

- Implement image transmission fiber optic production technology upgrade;
- Implement measures to improve products passing rate and gross profit margin;
- Adjust production line structure to achieve efficiency level; and
- Implement stringent cost control measures.

During the first quarter of 2019, the Company entered into a revised loan agreement with Taiyuan Changcheng Optics and Electronics Industrial Company Limited ("**Taiyuan Changcheng**"), a substantial shareholder of the Company, pursuant to which Taiyuan Changcheng has agreed to revise the term of existing loan to the Company in the principal amount of RMB11,200,000 to three years from 1 January 2019 to 1 January 2022 and delay the payment of interest for the years ending 31 December 2019 and 2020 to 2021. As a result, the principal and interest in the amount of approximately RMB11,322,000 were reallocated from current liabilities to non-current liabilities.

During the first quarter of 2019, the Company entered into revised loan agreements with a related company and the other borrower, pursuant to which a related company and the other borrower have agreed to revise the term of existing loans to the Company to three years from 1 January 2019 to 1 January 2022 and delay the payment of interest for the years ending 31 December 2019 and 2020 to 2021. As a result, the principal and interest in the amount of approximately RMB41,215,000 were reallocated from current liabilities to non-current liabilities.

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

The Group obtained financial assistance from Taiyuan Changcheng, a substantial shareholder of the Company. As at 31 March 2019, the amount due to Taiyuan Changcheng was amounting to approximately RMB19,415,000 (including both of non-current portion approximately RMB11,322,000 and current portion approximately RMB8,093,000). The financial assistance of RMB1,300,000 provided by Taiyuan Changcheng to the Company are secured by certain plant and machinery and motor vehicles of the Company.

The Group obtained financial assistance from Beijing Gensir Venture Capital Management Limited ("**Beijing Gensir**"), a substantial shareholder of the Company. As at 31 March 2019, the amount due to Beijing Gensir was amounting to approximately RMB651,000.

The Group obtained financial assistance from two connected persons (the "**Connected Persons**"). As at 31 March 2019, the amount due to Connected Persons was amounting to approximately RMB666,000.

The Group obtained financial assistance from a related company (the "**Related Company**"). As at 31 March 2019, the amount due to a related company was amounting to approximately RMB43,256,000 (including both of non-current portion approximately RMB35,200,000 and current portion approximately RMB8,056,000).

For the three months ended 31 March 2019, total interest charged by Taiyuan Changcheng, Beijing Gensir, Connected Persons and Related Company was approximately RMB122,000, RMB5,000, RMB7,000 and RMB1,011,000 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 31 March 2019, the Group had an outstanding bank borrowing amounting to approximately RMB13,238,000 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 land located at No. 7, Dianzi Street, Taiyuan City, Shanxi Province, the PRC and certain plant and machinery of the Company.

As at 31 March 2019, the Group had outstanding other borrowings amounting to approximately RMB58,020,000 (including both of non-current portion approximately RMB41,215,000 and current portion approximately RMB16,805,000). As at 31 March 2019, Beijing Gensir is the guarantor of the other borrowings in the amount of RMB6,000,000.

Financial Assistance to Related Parties

As at 31 March 2019, the amount due from a shareholder – Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000. As at 31 March 2019, the amount of approximately RMB593,000 was fully impaired. As at 31 March 2019, 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. As at 31 March 2019, the amount of approximately RMB47,000 was fully impaired.

Pledge of Assets

As at 31 March 2019, the Group's land use right and plant and machinery with carrying value of approximately RMB10,461,000 and RMB221,000 respectively were pledged to a bank as securities for the borrowing facilities of the Group.

As at 31 March 2019, the Group's plant and machinery and motor vehicles with carrying value of approximately RMB900,000 and RMBNil respectively were pledged to Taiyuan Changcheng 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 31 March 2019, 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 <i>(Note 1)</i>	-	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 31 March 2019, 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 2019, 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 (Notes 1)	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 (Note 2)	41.34%	-	26.61%

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 Changcheng Optics Electronics Industrial Company Limited	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 <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 31 March 2019, 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 three months ended 31 March 2019.

Share Option Scheme

The Group do not have share option scheme.

Directors' and Supervisors' Rights to Acquire H Shares

During the three months ended 31 March 2019, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 31 March 2019, 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 31 March 2019 or at any time during the three months ended 31 March 2019.

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 three months ended 31 March 2019.

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 system, risk management and internal control systems of the Group. The audit committee comprises two independent non-executive directors and one non-executive director, namely Mr. Xu Yongfeng, Mr. Rong Fei and Mr. Yuan Guo Liang respectively. Mr. Xu Yongfeng has been appointed as the chairman of the audit committee. The audit committee has reviewed the unaudited results of the Group for the three months ended 31 March 2019.

Events After the Reporting Period

The Company has submitted a resumption proposal to the Stock Exchange on 29 April 2019. In relation to the resumption proposal, the Company has also entered into certain agreements in relation to its fund raising plan in order to fulfill the resumption conditions. Further details of the fund raising plan of the Company will be disclosed in separate announcement(s) to be released by the Company.

By order of the Board

Shanxi Changcheng Microlight Equipment Co. Ltd.

Zhao Zhi

Chairman

Taiyuan City, Shanxi Province, the PRC, 15 May 2019

As at the date of this report, the board of directors comprises nine directors, of which four are executive directors, namely Mr. Zhao Zhi, Mr. Song Zhenglai, Mr. Jiao Baoguo and Ms. Wang Lingling; two non-executive directors, namely Mr. Yuan Guo Liang and Mr. Wu Bo; and three independent non-executive directors, namely Mr. Xu Yongfeng, Mr. Wang Weizhong and Mr. Rong Fei.