



# 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

## Third Quarterly Report

\*For identification purpose only

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 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 and nine months ended 30 September 2019

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<b>Revenue</b>	4	<b>11,113</b>	6,801	<b>35,865</b>	18,587
<b>Cost of sales</b>		<b>(6,019)</b>	(4,967)	<b>(20,752)</b>	(13,766)
<b>Gross profit</b>		<b>5,094</b>	1,834	<b>15,113</b>	4,821
Other income, gains and losses		<b>181</b>	257	<b>5,200</b>	862
Selling and distribution costs		<b>(360)</b>	(241)	<b>(729)</b>	(614)
Administrative and other operating expenses		<b>(4,892)</b>	(5,083)	<b>(13,133)</b>	(12,636)
Finance costs, net	5	<b>33</b>	(1,469)	<b>(5,749)</b>	(3,470)
Share of loss of an associate		<b>(9)</b>	(23)	<b>(49)</b>	(155)
<b>Profit/(Loss) before tax</b>		<b>47</b>	(4,725)	<b>653</b>	(11,192)
Income tax expense	6	-	-	<b>(1)</b>	-
<b>Profit/(Loss) and total comprehensive income/(loss) for the period</b>		<b>47</b>	(4,725)	<b>652</b>	(11,192)
<b>Attributable to:</b>					
- Owners of the Company		<b>47</b>	(4,725)	<b>652</b>	(11,191)
- Non-controlling interests		-	-	-	(1)
		<b>47</b>	(4,725)	<b>652</b>	(11,192)
<b>Earnings/(Loss) per share (RMB)</b>					
- Basic and diluted	7	<b>0.0002</b>	(0.015)	<b>0.002</b>	(0.036)

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Shanxi Changcheng Microlight Equipment Co. Ltd. was incorporated in 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 of Hong Kong Limited (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 these 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 except as stated below:

#### **Leases**

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	2%
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These 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 annual report of the Company for the year ended 31 December 2018.

These condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to be 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 and prior year except as stated below:

#### **HKFRS 16 "Leases"**

On adoption of HKFRS 16, the Group recognised right-of-use assets in relation to leases which had previously been classified as "land use right" under HKAS 17 "Leases".

HKFRS 16 has been applied retrospectively and resulted in changes in the amounts reported in the consolidated financial statements as follows:

	2018 RMB'000
<b>As at 31 December 2018:</b>	
Increase in right-of-use assets	10,534
Decrease in land use right	(10,534)
	<u>                    </u>

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**

	<b>For the nine months ended 30 September</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Interest on bank borrowing	<b>1,163</b>	997
Interest on other borrowings	<b>4,707</b>	2,219
Interest on amounts due to shareholders	<b>769</b>	254
	<hr/>	<hr/>
	<b>6,639</b>	3,470
Less: Interest waiver granted	<b>(890)</b>	-
	<hr/>	<hr/>
	<b>5,749</b>	3,470
	<hr/> <hr/>	<hr/> <hr/>

**6. INCOME TAX**

	<b>For the nine months ended 30 September</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Current PRC Enterprise income tax		
– Charge for the period	<b>1</b>	-
Deferred tax	<b>-</b>	-
	<hr/>	<hr/>
Total tax charge	<b>1</b>	-
	<hr/> <hr/>	<hr/> <hr/>

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 2019 (for the nine months ended 30 September 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.

## 7. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share:

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company for the three months and nine months ended 30 September 2019 of approximately RMB47,000 and RMB652,000 respectively (for the three months and nine months ended 30 September 2018: loss attributable to owners of the Company approximately RMB4,725,000 and RMB11,191,000 respectively) and 308,860,000 (2018: 308,860,000) shares in issue during the period.

Diluted earnings/(loss) per share:

There were no diluted potential ordinary shares in issue during the three months and nine months ended 30 September 2019 and 2018.

## 8. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for each of the nine months ended 30 September 2019 and 2018.

## 9. MOVEMENT OF RESERVES

	Attributable to owners of the Company							
	Issued capital	Capital surplus	Statutory surplus reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	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	-	-	-	-	(11,191)	(11,191)	(1)	(11,192)
At 30 September 2018	<u>30,886</u>	<u>18,561</u>	<u>11,853</u>	-	<u>(82,118)</u>	<u>(20,818)</u>	<u>(26)</u>	<u>(20,844)</u>
<b>At 1 January 2019</b>	<b>30,886</b>	<b>18,561</b>	<b>11,853</b>	-	<b>(100,164)</b>	<b>(38,864)</b>	<b>(29)</b>	<b>(38,893)</b>
<b>Gain on shareholder's loan modification</b>	-	-	-	977	-	977	-	977
<b>Total comprehensive income for the period</b>	-	-	-	-	652	652	-	652
<b>At 30 September 2019</b>	<u><b>30,886</b></u>	<u><b>18,561</b></u>	<u><b>11,853</b></u>	<u><b>977</b></u>	<u><b>(99,512)</b></u>	<u><b>(37,235)</b></u>	<u><b>(29)</b></u>	<u><b>(37,264)</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Business of the Group*

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

At present, the Group produces five main products, including fiber optic inverters, fiber optic straight plates, fiber optic face plates, fiber optic tapers and microchannel plates. Although fiber-optic imaging devices (fiber optic inverters, fiber optic face plates, fiber 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.

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 2019 and 2018 are set out as below:

	<b>For the nine months ended 30 September</b>			
	<b>2019</b>		2018	
	<b>RMB'000</b>	<b>%</b>	RMB'000	<b>%</b>
Fiber optic inverters	<b>15,284</b>	<b>42</b>	6,808	37
Fiber optic straight plates	<b>4,559</b>	<b>13</b>	4,119	22
Fiber optic face plates	<b>380</b>	<b>1</b>	184	1
Fiber optic tapers	<b>1,763</b>	<b>5</b>	2,442	13
Microchannel plates	<b>13,492</b>	<b>38</b>	4,922	27
Others	<b>387</b>	<b>1</b>	112	0
	<b><u>35,865</u></b>	<b><u>100</u></b>	<u>18,587</u>	<u>100</u>



### *Change in Management Team and Board Composition*

The Group underwent the change in certain management team members since the fourth quarter of 2018. In addition, as disclosed in the announcement of the Company dated 26 March 2019, Mr. Zhao Zhi was appointed as the Chairman of the Board and an executive director of the Company and Mr. Jiao Baoguo was appointed as an executive director of the Company. The new management team are fully committed to improving the Group's operation, production, management, research and development and market development capabilities.

Under the leading of the new management team, the Group has conducted a comprehensive and in-depth review and analysis of its business, operation and production, including internal standards of raw materials, internal standards of products, internal standards of production equipment, technical deficits in the production process, products passing rate and production labor management since the fourth quarter of 2018 and considers that it is necessary to implement production improvement measures and technology upgrade.

### *Image Transmission Fiber Optic Production Improvement Measures and Technology Upgrade*

Since the fourth quarter of 2018, the Group have implemented various measures (the "**Operational Measures**") to improve the business capabilities of the Group including of (i) improving image transmission fiber optic production process; (ii) implementing measures to enhance products passing rate and gross profit margin; (iii) strengthening internal management to improve operational efficiency; and (iv) implementing stringent cost control measures. As a result of the implementation of the Operational Measures, both of the products passing rate and gross profit margin have improved and the production volume has also significantly increased accordingly.

In view of the image transmission fiber optic production technology upgrade, 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.

## **Financial Position**

As at 30 September 2019, the Group had net current liabilities and net liabilities of approximately RMB58,209,000 and RMB37,264,000 respectively. To improve the financial position of the Group, the directors of the Company have implemented, including but not limited to, the following measures (the "**Financial Measures**"):

- (i) Negotiate and implement debts restructuring plan with shareholders, borrowers and financial institutions;
- (ii) Negotiate and implement loan interest reduction plan with shareholders and borrowers; and
- (iii) Seek financial support from shareholders and borrowers.

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. 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. The modification to the terms of the above loans are collectively referred to as (the "**Loan Modification**").

During the second quarter of 2019, the Company entered into an agreement (i) with Taiyuan Changcheng pursuant to which Taiyuan Changcheng has agreed to waive the interest for the year of 2019 for the loan in the amount of RMB11,200,000 and (ii) the other borrower pursuant to which the other borrower has agreed to waive the interest for the year of 2019 for the loan in the amount of RMB5,820,000.

On 11 July 2019, Taiyuan Changcheng and Beijing Gensir Venture Capital Management Limited ("**Beijing Gensir**", which together with Taiyuan Changcheng, the "**Lenders**"), both being the substantial shareholders of the Company, have entered into a loan agreement (the "**Loan Agreement A**") with the Company, pursuant to which the Lenders agreed to grant a term loan in the principal amount of RMB60,000,000 ("**Shareholders' Loan A**") to the Company for the purposes of funding of the technological transformation and upgrade plan and replenishing the Company's general working capital. On 29 July 2019, the Lenders had further entered into a supplemental loan agreement (the "**Supplemental Agreement**") with the Company in relation to the Shareholders' Loan A. Pursuant to the Loan Agreement A (as supplemented by the Supplemental Agreement), the key terms of the Shareholders' Loan A are summarised as below:

Lenders	Beijing Gensir and Taiyuan Changcheng
Borrower	The Company
Principal loan amount	RMB60,000,000
Term of the loan	Commencing from 1 October 2019 to 31 December 2024. Upon maturity, if the Company is in net current liabilities position as at 31 December 2024, the Shareholders' Loan A will be automatically renewed for a further term of 5 years.
Interest	Nil
Use of proceeds	Funding of technological transformation and upgrade plan and replenishing the Company's general working capital
Security of the loan	Nil
Conversion right	Upon maturity of the loan, subject to the obtaining of (i) the approval of the Shareholders at the domestic shares class meeting and H shares class meeting of the Company; and (ii) the approval from the Stock Exchange, the outstanding amount of the Shareholders' Loan A would be converted to convertible bonds subject to the terms and conditions of the Loan Agreement A (as supplemented by the Supplemental Agreement).

In addition, on 30 July 2019, the Lenders have entered into another loan agreement (the "**Loan Agreement B**") with the Company, pursuant to which the Lenders agreed to grant a term loan in the principal amount of RMB20,000,000 ("**Shareholders' Loan B**") to the Company for the purposes of funding of the technological transformation and upgrade plan and replenishing the Company's general working capital. Pursuant to the Loan Agreement B, the key terms of the Shareholders' Loan B are summarised as below:

Lenders	Beijing Gensir and Taiyuan Changcheng
Borrower	The Company
Principal loan amount	RMB20,000,000
Term of the loan	Commencing from 1 February 2020 to 31 December 2025. Upon maturity, if the Company is in net current liabilities position as at 31 December 2025, the Shareholders' Loan B will be automatically renewed for a further term of 5 years.
Interest	Nil
Use of proceeds	Funding of technological transformation and upgrade plan and replenishing the Company's general working capital
Security of the loan	Nil
Conversion right	Upon maturity of the loan, subject to the obtaining of (i) the approval of the Shareholders at the domestic shares class meeting and H shares class meeting of the Company; and (ii) the approval from the Stock Exchange, the outstanding amount of the Shareholders' Loan B would be converted to convertible bonds subject to the terms and conditions of the Loan Agreement B.

## **Going Concern Issue**

### *Removal of the Basis for Disclaimer of Opinion in Relation to Material Uncertainty Related to Going Concern in the Independent Auditors' Report*

According to the auditors of the Company (the "**Auditors**"), if (i) the Group can record net current asset position as at 31 December 2019; (ii) the Group can record net profit for the year ending 31 December 2019; and (iii) the Group can provide a cash flow forecast which have no negative cash balance at the end of each month during the cashflow forecast period from 1 January 2019 to 31 December 2020, they can remove the basis of disclaimer of opinion in relation to material uncertainty related to going concern in the independent auditor's report of the Group for the year ending 31 December 2019.

The Auditors further confirmed that in the event that the Company draws down the entire amount of the Shareholders' Loan A, it is expected that (i) above can be fulfilled, and with reference to the profit and cashflow forecast memorandum submitted by the Company to the Stock Exchange on 31 July 2019 which indicated that (ii) and (iii) above can be fulfilled, the basis of the disclaimer of opinion in relation to material uncertainty related to going concern in the independent auditors' report of the Group for the year ending 31 December 2019 can be removed accordingly.

## **Financial Review**

Turnover of the Group for the nine months ended 30 September 2019 was approximately RMB35,865,000 (for the nine months ended 30 September 2018: RMB18,587,000), representing an increase of approximately 93% as compared to that of the corresponding financial period. In particular, the sales of fiber optic inverters and microchannel plates have increased by approximately RMB8,476,000 and RMB8,570,000 respectively. As a result of the increase in the products passing rate, the production volume increased significantly during the nine months ended 30 September 2019, leading to a substantial increase in the turnover.

Cost of sales of the Group for the nine months ended 30 September 2019 was approximately RMB20,752,000 (for the nine months ended 30 September 2018: RMB13,766,000), representing an increase of approximately 51% as compared to that of the corresponding financial period.

The gross profit margin of the Group for the nine months ended 30 September 2019 was 42.14% (for the nine months ended 30 September 2018: 25.94%). The increase in the gross profit margin was mainly attributable to (i) the effect of the structurally diluted fixed cost due to the increase in production volume; (ii) the increase in products passing rate leads to the decrease in production unit costs; and (iii) the effect of the implementation of Operational Measures. The Board believes that due to the implementation of Operational Measures, the gross profit margin has gradually recovered to a historical or better level.

The Group reported other income, gains and losses amounting to approximately RMB5,200,000 for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: RMB862,000), representing an increase of approximately RMB4,338,000 as compared to that of the corresponding financial period. The other income, gains and losses mainly represent gain on Loan Modification of approximately RMB1,159,000 and fair value gain on a new loan of approximately RMB1,771,000 and amortisation of deferred government grant of approximately RMB1,708,000 for the nine months ended 30 September 2019.

The Group reported administrative and other operating expenses for the nine months ended 30 September 2019 was approximately RMB13,133,000 (for the nine months ended 30 September 2018: RMB12,636,000), representing a light increase of approximately RMB497,000 as compared to that of the corresponding financial period.

The Group reported finance costs amounting to approximately RMB5,749,000 for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: RMB3,470,000), representing an increase of approximately RMB2,279,000 as compared to that of the corresponding financial period. Details of finance costs are set out in note (5) to the condensed consolidated financial statements. The increase in the finance costs were mainly attributable to the effect of interest incurred relating to the Loan Modification in the amount of approximately RMB3,168,000 and increase in other borrowing.

The profit after tax for the nine months ended 30 September 2019 of the Group was approximately RMB652,000 (for the nine months ended 30 September 2018: the loss after tax was RMB11,192,000).

### **Connected Transactions and Financial Assistance from Taiyuan Changcheng, Beijing Gensir and Connected Persons**

The Group obtained financial assistance from Taiyuan Changcheng, a substantial shareholder of the Company. As at 30 September 2019, the amount due to Taiyuan Changcheng was approximately RMB18,706,000. 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, a substantial shareholder of the Company. As at 30 September 2019, the amount due to Beijing Gensir was approximately RMB660,000.

The Group obtained financial assistance from two connected persons (the **"Connected Persons"**). As at 30 September 2019, the amount due to Connected Persons was approximately RMB629,000.

For the nine months ended 30 September 2019, total interest charged by Taiyuan Changcheng, Beijing Gensir and Connected Persons was approximately RMB389,000, RMB14,000 and RMB20,000 respectively. The directors of the Company consider that the interest charged by Taiyuan Changcheng, Beijing Gensir and Connected Persons 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 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 30 September 2019, the Group had outstanding other borrowings amounting to approximately RMB64,590,000 (including both of non-current portion approximately RMB53,208,000 and current portion approximately RMB11,382,000). As at 30 September 2019, 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 2019, the amount due from a shareholder – Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000. As at 30 September 2019, the amount of approximately RMB593,000 was fully impaired.

As at 30 September 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 30 September 2019, the amount of approximately RMB47,000 was fully impaired.

### **Pledge of Assets**

As at 30 September 2019, the Group's land use right and plant and machinery with carrying value of approximately RMB10,314,000 and RMB31,000 respectively (as at 31 December 2018: RMB10,534,000 and RMB284,000) were pledged to a bank as securities for the borrowing facilities of the Group.

As at 30 September 2019, the Group's plant and machinery and motor vehicles with carrying value of approximately RMB589,000 and RMBNil respectively (as at 31 December 2018: RMB1,003,000 and RMBNil) 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 30 September 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*

<b>Name</b>	<b>Nature and capacity in the shareholding of the Company</b>	<b>Number and type of domestic shares/H shares</b>	<b>Approximate percentage of holding of the domestic shares of the Company*</b>	<b>Approximate percentage of holding of the H shares of the Company*</b>	<b>Approximate percentage of holding of the total share capital of the Company*</b>
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 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 30 September 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*
<b>Domestic Shares:</b>					
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%
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 (Note 4)	12.52%	-	8.06%
Qiu Gui Qin	Family interest	24,900,000 domestic shares (Note 4)	12.52%	-	8.06%

\* 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.

Save as disclosed above, the directors of the Company are not aware of other person who, as at 30 September 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 nine months ended 30 September 2019.

### **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 2019, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 September 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 30 September 2019 or at any time during the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2019.

By order of the Board

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

**Zhao Zhi**

*Chairman*

Taiyuan City, Shanxi Province, the PRC, 14 November 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.*