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山西長城微光器材股份有限公司
SHANXI CHANGCHENG MICROLIGHT EQUIPMENT CO. LTD.*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8286)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This announcement, 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 announcement 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 announcement misleading.

** For identification purpose only*

FINANCIAL RESULTS

The board of directors (the “Board”) of Shanxi Changcheng Microlight Equipment Co. Ltd. (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016, as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	2	6,473	3,556	8,161	7,953
Cost of sales		<u>(5,648)</u>	<u>(3,646)</u>	<u>(6,098)</u>	<u>(6,622)</u>
Gross profit/(loss)		825	(90)	2,063	1,331
Other income, gains and losses		252	243	513	668
Selling and distribution costs		(318)	(455)	(368)	(707)
Administrative and other operating expenses		(4,677)	(2,875)	(10,322)	(5,415)
Finance costs		(750)	(2,106)	(1,442)	(2,367)
Share of loss of an associate		<u>(3)</u>	<u>(81)</u>	<u>(70)</u>	<u>(127)</u>
Loss before tax		(4,671)	(5,364)	(9,626)	(6,617)
Income tax	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss and other comprehensive loss for the period		<u>(4,671)</u>	<u>(5,364)</u>	<u>(9,626)</u>	<u>(6,617)</u>
Loss and total comprehensive loss for the period attributable to:					
Owners of the Company		(4,671)	(5,360)	(9,626)	(6,612)
Non-controlling interests		<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(5)</u>
		<u>(4,671)</u>	<u>(5,364)</u>	<u>(9,626)</u>	<u>(6,617)</u>
Loss per share (RMB)					
- Basic and diluted	5	<u>(0.015)</u>	<u>(0.017)</u>	<u>(0.031)</u>	<u>(0.021)</u>

Consolidated Statement of Financial Position
As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		75,380	77,522
Land use right		10,975	11,120
Interests in associates		176	246
		86,531	88,888
CURRENT ASSETS			
Inventories		17,734	17,224
Trade and notes receivables	7	11,571	11,946
Prepayments, deposits and other receivables		1,743	425
Amount due from a shareholder		593	593
Amount due from a former related company		4,283	4,283
Cash and cash equivalents		547	373
		36,471	34,844
CURRENT LIABILITIES			
Trade payables	8	11,405	12,283
Accruals and other payables		51,108	50,922
Amount due to a shareholder		18,055	16,490
Bank and other borrowings		22,420	13,920
		102,988	93,615
NET CURRENT LIABILITIES		(66,517)	(58,771)
TOTAL ASSETS LESS CURRENT LIABILITIES		20,014	30,117
NON-CURRENT LIABILITIES			
Deferred government grants		10,716	11,193
NET ASSETS		9,298	18,924
EQUITY			
Equity attributable to owners of the Company			
Share capital		30,886	30,886
Reserves		(21,604)	(11,978)
		9,282	18,908
Non-controlling interests		16	16
TOTAL EQUITY		9,298	18,924

Consolidated Statement of Changes In Equity
For the six months ended 30 June 2017

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Issued capital	Capital surplus	Statutory surplus reserves	Accumulated losses		
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2016	30,886	18,561	11,853	(8,796)	22	52,526
Total comprehensive loss for the period	-	-	-	(6,612)	(5)	(6,617)
At 30 June 2016	30,886	18,561	11,853	(15,408)	17	45,909
At 1 January 2017	30,886	18,561	11,853	(42,392)	16	18,924
Total comprehensive loss for the period	-	-	-	(9,626)	-	(9,626)
At 30 June 2017	30,886	18,561	11,853	(52,018)	16	9,298

Consolidated Statement of Cash Flows
For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows used in operating activities	(6,511)	(3)
Net cash flows used in investing activities	(315)	(45)
Net cash flows generated from financing activities	7,000	437
Increase in cash and cash equivalents	174	389
Cash and cash equivalents at 1 January	373	542
Cash and cash equivalents at 30 June	547	931

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. The 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 (“GEM Listing Rules”).

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

2. REVENUE

Revenue, which is also the Group’s turnover, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and other taxes related to sales where applicable.

3. OPERATING SEGMENT INFORMATION

The Group’s revenue and contribution to loss were mainly derived from its sale of fiber optic inverters, fiber optic straight plates, fiber optic face plates, fiber optic tapers and microchannel plates, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the directors of the Company, being the chief operating decision maker (“CODM”), for purposes of resource allocation and performance assessment. The measures of loss and of total assets and liabilities are consistent with the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position which are reported internally to the CODM. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

(a) Information about products

The following table sets forth the total sales to external customers by product and the percentage of total revenue by product:

	For the six months ended 30 June			
	2017 RMB'000	%	2016 RMB'000	%
Fiber optic inverters (note)	(139)	(2)	(1,457)	(18)
Fiber optic straight plates	2,006	25	3,707	46
Fiber optic face plates	253	3	150	2
Fiber optic tapers	343	4	302	4
Microchannel plates	4,827	59	4,682	59
Others	871	11	569	7
	<u>8,161</u>	<u>100</u>	<u>7,953</u>	<u>100</u>

Note: Sale return of fiber optic inverters during the six months ended 30 June 2017 was amounting to approximately RMB195,000 (for the six months ended 30 June 2016: RMB2,924,000). As the sales of fiber optic inverters were smaller than its sale return during the reporting period, therefore the net sales was reported as a negative figure.

(b) Geographical information

The Group principally operates in the PRC and the Group's non-current assets are all located in Shanxi, the PRC.

The following is an analysis of the Group's revenue from external customers by geographical location:

	For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
The PRC	3,300	3,540
Hong Kong/Other Asian countries	4,535	5,373
Europe/Russia (note)	<u>326</u>	<u>(960)</u>
	<u>8,161</u>	<u>7,953</u>

Note: Sale return from Europe/Russia customers during the six months ended 30 June 2016 was amounting to approximately RMB3,186,000. As the sales to Europe/Russia customers were smaller than its sale return during the reporting period, therefore the net sales was reported as a negative figure.

(c) Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	For the six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	3,796	4,612
Customer B	961	2,147
Customer C	916	-
Customer D	868	-

4. INCOME TAX

	For the six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current PRC Enterprise income tax		
- Charge for the period	-	-
Deferred tax	-	-
Total tax charge for the period	-	-

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 six months ended 30 June 2017 (for the six months ended 30 June 2016: RMBNil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

5. 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 six months ended 30 June 2017 of approximately RMB4,671,000 and RMB9,626,000 respectively (for the three months and six months ended 30 June 2016: RMB5,360,000 and RMB6,612,000 respectively) and 308,860,000 (2016: 308,860,000) shares in issue during the period. There were no diluted potential ordinary shares in issue during the six months ended 30 June 2016 and 2017.

6. DIVIDEND

The board of directors of the Company does not recommend the payment of a dividend for the six months ended 30 June 2016 and 2017.

7. TRADE AND NOTES RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	13,513	13,888
Less: impairment of trade receivable	(2,482)	(2,482)
Net trade receivables	11,031	11,406
Notes receivables	540	540
Net trade and notes receivables	11,571	11,946

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 90 days	6,366	6,852
91-180 days	997	2,900
181-365 days	2,617	1,654
Over 365 days	1,051	-
	11,031	11,406

8. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0-90 days	1,629	1,529
91-180 days	39	613
181-365 days	2,053	3,119
Over 365 days	7,684	7,022
	11,405	12,283

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company 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 commencement of business.

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 six months ended 30 June 2016 and 2017 are set out in notes (3) to the accounts:

Financial Review

Turnover of the Group for the six months ended 30 June 2017 was approximately RMB8,161,000 (for the six months ended 30 June 2016: RMB7,953,000), representing an increase of approximately 3% as compared to that of the previous financial period.

Cost of sales of the Group for the six months ended 30 June 2017 was approximately RMB6,098,000 (for the six months ended 30 June 2016: RMB6,622,000), representing a decrease of approximately 8% as compared to that of the previous financial period.

As customers' requirement on the product quality has been increasing and there were sales return from time to time in recent years, the Group assesses the value of inventories at the end each reporting period. The Group assessed the value of inventories as at 30 June 2017 and made impairment amounting to RMBNil (for the year ended 31 December 2016: RMB19,735,000). The impairment of approximately RMB19,735,000 includes those (i) finished goods with aging are over one year and they are considered slow-moving items; (ii) finished goods returned by customers due to failed quality and they are no longer to be used for reproduction; and (iii) work in progress with aging are over one year and they are produced for specific type of products with no alternative usage. In addition, the Group has implemented measures to improve its production process in order to enhancing the quality of its products and meeting customers' requirement on the product quality during the six months ended 30 June 2017.

Administrative and other operating expenses of the Group for the six months ended 30 June 2017 was approximately RMB10,322,000 (for the six months ended 30 June 2016: RMB5,415,000), representing an increase of approximately RMB4,907,000 as compared to that of the previous financial period. As the Group reduced production scale during the six months ended 30 June 2017, certain amount of labor costs (including pension scheme contributions and welfare expenses) are charged to the profit and loss as administrative expenses instead of the cost of inventory as manufacturing costs. Hence, the labor costs included in the administrative expenses during the six months ended 30 June 2017 increased by approximately RMB4,096,000 as compared to that of the previous financial period.

The Group reported finance costs amounting to approximately RMB1,442,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB2,367,000), representing a decrease of approximately RMB925,000 as compared to that of the previous financial period. The decrease in finance costs was mainly due to approximately RMB1,659,000 interest on the amount due to a shareholder related to previous years was charged in the previous financial period. The finance costs for the six months ended 30 June 2017 comprises interest on the amount due to a shareholder RMB264,976; interest on bank loan RMB681,210; interest on other loans RMB465,333; and interest on discounted bills RMB30,596.

The loss after tax for the six months ended 30 June 2017 of the Group was approximately RMB9,626,000 (for the six months ended 30 June 2016: RMB6,617,000).

Financial Support

As at 30 June 2017, the amount due to Taiyuan Changcheng Optics Electronics Industrial Corporation (“Taiyuan Changcheng”), a substantial shareholder of the Company, was amounting to RMB18,055,046 (including interest portion of approximately RMB2,355,046).

As at 30 June 2017, the Group had outstanding bank loan amounting to RMB13,920,000.

As at 30 June 2017, the Group had outstanding other loans amounting to RMB8,500,000.

Interest Charged by Taiyuan Changcheng and Amount Due to Taiyuan Changcheng and Connected Transactions

The Group obtained financial assistance from Taiyuan Changcheng since the late of 2011. As at 31 December 2011, 2012, 2013, 2014, 2015, 2016, and 30 June 2017, the amount due to Taiyuan Changcheng was RMB500,000, RMB12,400,000, RMB14,400,000, RMB14,400,000, RMB14,400,000, RMB16,490,070 (including interest portion RMB2,090,070), and RMB18,055,046 (including interest portion RMB2,355,046) respectively.

For the six months ended 30 June 2017, total interest charged by Taiyuan Changcheng was RMB264,976. The directors of the Company believe that the interest charged by Taiyuan Changcheng is based on normal commercial terms or better. The interest expense is exempted from connected transaction requirements.

Bank Loan and Other Loans

As at 30 June 2017, the Group had outstanding bank loan amounting to RMB13,920,000 which was expired in November 2016 and was not repaid. The bank loan is now repayable on demand. The bank loan is secured by the Group’s land located at No. 7, Dianzi Street, Taiyuan City, Shanxi Province, the PRC and certain plant and machinery at carrying amount of approximately RMB692,000.

As at 30 June 2017, the Group had outstanding other loans amounting to RMB8,500,000. Other loans amounting to RMB8,000,000 is repayable on 31 December 2017. Other loans amounting to RMB500,000 is repayable on demand and was repaid in July 2017. The other loans were mainly used in purchase of production raw materials and payment of labor costs.

Going Concern

As at 30 June 2017, the Group's current liabilities exceeded its current assets. In addition, as at 30 June 2017, the Group had a bank loan amounting to RMB13,920,000; other loans amounting to RMB8,500,000; and an amount due to a shareholder amounting to RMB18,055,046. 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 to issue domestic shares and/or other fund raising measures; and
- consider seeking further financial assistance from its shareholders, if appropriate.

Financial Assistance to Related Parties

As at 30 June 2017, the amount due from a shareholder – Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000 (as at 31 December 2016: RMB593,000) and the amount due from a former related company – Shanxi Jindi Yucheng Medical Equipments Company Limited (formerly known as Taiyuan Huamei Medical Equipments Company Limited) was approximately RMB4,283,000 (as at 31 December 2016: RMB4,283,000).

Liquidity and Financial Resources

As at 30 June 2017, the total assets of the Group decreased by approximately RMB730,000 to approximately RMB123,002,000 as compared to approximately RMB123,732,000 as at the end of the previous financial period, representing a decrease of approximately 1%.

As at 30 June 2017, the total liabilities of the Group increased by approximately RMB8,896,000 to approximately RMB113,704,000 as compared to approximately RMB104,808,000 as at the end of the previous financial period, representing an increase of approximately 8%.

As at 30 June 2017, the total equity of the Group decreased by approximately RMB9,626,000 to approximately RMB9,298,000 as compared to approximately RMB18,924,000 as at the end of the previous financial period, representing a decrease of approximately 51%.

Gearing Ratio

As at 30 June 2017, the gearing ratio (defined as net debt divided by total share capital plus net debt) of the Group was approximately 92% (as at 31 December 2016: 83%).

Significant Investment Held

As at 30 June 2017, the Group held interests in associates with the carrying value of approximately RMB176,000 (as at 31 December 2016: RMB246,000).

Acquisition and Disposal of Subsidiaries

The Group had no acquisition and disposal of subsidiaries during the six months ended 30 June 2017.

Pledge of Assets

As at 30 June 2017, the Group's land and plant and machinery with the carrying value of approximately RMB10,975,000 and RMB692,000 respectively (as at 31 December 2016: RMB11,120,000 and RMB846,000) were pledged to a bank as securities for the borrowing facilities of the Group.

Contingent Liabilities

As at 30 June 2017, the Group had no contingent liabilities.

Exposure of Fluctuation in Exchange Rates

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets, and liabilities are principally denominated in the functional currency of the Group.

Employee Information

As at 30 June 2017, the Group had approximately 513 full-time employees. The Group remunerates its employees based on their experience, performance and value, which they contribute to the Group.

OTHER INFORMATION

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

As at 30 June 2017, 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*
Zhang Shao Hui	Interest in a controlled corporation	82,200,000 domestic shares (Notes 1 and 2)	41.34%	-	26.61%
Yuan Guo Liang	Personal Interest and family Interest	3,895,000 H shares (Note 3)	-	3.54%	1.26%

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

Notes:

1. Part of these domestic shares (57,300,000 domestic shares) is registered in the name of Beijing Gensir Venture Capital Management Limited ("Beijing Gensir"). Beijing Gensir is owned as to 100% by Zhang Shao Hui. 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.
2. Part of these domestic shares (24,900,000 domestic shares) is registered in the name of Taiyuan Tanghai Automatic Control Company Limited ("Taiyuan Tanghai"). Taiyuan Tanghai is owned as to approximately 36.37% by Beijing Gensir. 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.
3. 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 June 2017, 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 June 2017, 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:					
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 1)	41.34%	-	26.61%
Taiyuan Changcheng Optics Electronics Industrial Corporation	Registered and beneficial owner of the domestic shares	80,160,000 domestic shares	40.31%	-	25.95%
Liaoning Shuguang Industrial Group Company Limited	Registered and beneficial owner of the domestic shares	34,000,000 domestic shares	17.10%	-	11.01%
Li Jin Dian	Interest in a controlled corporation	34,000,000 domestic shares (Note 2)	17.10%	-	11.01%
Liu Gui Ying	Family interest	34,000,000 domestic shares (Note 2)	17.10%	-	11.01%
Taiyuan Tanghai Automatic Control Company Limited	Registered and beneficial owner of the domestic shares	24,900,000 domestic shares	12.52%	-	8.06%
Liu Jiang	Interest in a controlled corporation	24,900,000 domestic shares (Note 3)	12.52%	-	8.06%
Qiu Gui Qin	Family interest	24,900,000 domestic shares (Note 3)	12.52%	-	8.06%
H Shares:					
Kwong Tat Finance Limited	Registered and beneficial owner of H shares	33,975,000 H shares (Note 4)	-	30.89%	11.00%
Cai Zheng	Interest in a controlled corporation	33,975,000 H shares (Note 4)	-	30.89%	11.00%

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

Notes:

1. Part of these domestic shares (57,300,000 domestic shares) is registered in the name of Beijing Gensir Venture Capital Management Limited (“Beijing Gensir”). Beijing Gensir is owned as to 100% by Zhang Shao Hui. The rest of these domestic shares (24,900,000 domestic shares) are registered in the name of Taiyuan Tanghai Automatic Control Company Limited (“Taiyuan Tanghai”). Taiyuan Tanghai is owned as to approximately 36.37% by 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.
2. These 34,000,000 domestic shares are registered in the name of Liaoning Shuguang Industrial Group Company Limited (“Liaoning Shuguang”). Liaoning Shuguang is owned as to approximately 48.11% by Li Jin Dian. As Li Jin Dian is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Liaoning Shuguang, for the purpose of the SFO, Li Jin Dian is deemed to be interested in the entire 34,000,000 domestic shares held by Liaoning Shuguang. Liu Gui Ying, as the spouse of Li Jin Dian, is taken to be interested in the shares held by Li Jin Dian by virtue of Part XV of the SFO.
3. These 24,900,000 domestic shares are registered in the name of Taiyuan Tanghai. Taiyuan Tanghai is owned as to approximately 47.29% by Liu Jiang. As Liu Jiang is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Taiyuan Tanghai, for the purpose 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.
4. These 33,975,000 H shares are registered in the name of Kwong Tat Finance Limited. For the purpose of the SFO, Cai Zheng is deemed to be interested in the 33,975,000 H shares held by Kwong Tat Finance Limited.

Save as disclosed above, the directors of the Company are not aware of other person who, as at 30 June 2017, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Scheme

The Group do not have share option scheme.

Directors’ and Supervisors’ Rights to Acquire H Shares

During the six months ended 30 June 2017, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 June 2017, 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 June 2017 or at any time during the six months ended 30 June 2017.

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 might compete with the business of the Group during the six months ended 30 June 2017.

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 six months ended 30 June 2017.

Audit Committee

In compliance with Rules 5.28 and 5.33 of the GEM Listing Rules, the Company has established an audit committee. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Ni Guo Qiang, Mr. Li Li Cai, and Ms. Zhang Zhi Hong. Ms. Zhang Zhi Hong has been appointed as the chairman of the audit committee. The audit committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2017.

Corporate Governance Practice

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules. In the opinion of the board of directors of the Company, the Company has complied with the code provisions except for (i) nine directors of the Company have not been re-elected upon the end of three-year period since their last appointment (code provisions A4.2) due to the shareholders of the Company did not reach an agreement in relating to the re-election of directors; and (ii) the Company did not arrange for insurance cover in respect of legal action against the directors of the Company (code provisions A1.8) due to insufficient budget provided.

In addition, four supervisors of the Company have not been re-elected upon the end of three-year period since their last appointment.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30 June 2017. Having made specific enquiry of all directors of the Company, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors of the Company.

EVENT AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 28 July 2017 relating to the notice of extraordinary general meeting (“EGM”). The EGM will be held on 15 September 2017 for the purpose of considering, and if thought fit, passing election and re-election of directors.

By order of the Board
Shanxi Changcheng Microlight Equipment Co. Ltd.
Wang Wen Sheng
Chairman

Taiyuan City, Shanxi Province, the PRC, 14 August 2017

As at the date of this announcement, the Board comprises nine directors, of which three are executive directors, namely Mr. Wang Wen Sheng, Mr. Guo Xu Zhi and Mr. Tian Qun Xu; two non-executive directors, namely Mr. Zhang Shao Hui and Mr. Yuan Guo Liang; and four independent non-executive directors, namely Mr. Ni Guo Qiang, Mr. Li Li Cai, Mr. Duan Zhong and Ms. Zhang Zhi Hong.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days from its date of publication and on the website of the Company at <http://www.sxccoe.com>.