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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)

**AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

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This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, 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.

References are made to (i) the announcement of Shanxi Changcheng Microlight Equipment Co. Ltd. (the “**Company**”) dated 31 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019 and (ii) the announcement of the Company dated 15 May 2020 in relation to the delay in publication of audited annual results for the year ended 31 December 2019 and despatch of 2019 annual report.

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders and potential investors of the Company that certain changes have been made to the unaudited annual results of the Group for the year ended 31 December 2019 and the major differences between the unaudited annual results and the audited annual results disclosed herein are set out in the section headed “Comparison of Audited and Unaudited Figures” in this announcement.

The Board of the Company announces the audited results of the Group for the year ended 31 December 2019, together with the comparative figures for the corresponding period in 2018, as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
REVENUE	5	39,609	26,386
Cost of sales		<u>(21,533)</u>	<u>(18,810)</u>
Gross profit		18,076	7,576
Other income, gains and losses	6	8,188	1,306
Selling and distribution costs		(977)	(925)
Administrative and other operating expenses		(24,324)	(31,754)
Share of gain/(loss) of an associate		93	(172)
Finance costs	7	<u>(9,189)</u>	<u>(5,272)</u>
LOSS BEFORE TAX		(8,133)	(29,241)
Income tax expense	8	<u>(1)</u>	<u>-</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	9	<u>(8,134)</u>	<u>(29,241)</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(8,120)	(29,237)
Non-controlling interests		<u>(14)</u>	<u>(4)</u>
		<u>(8,134)</u>	<u>(29,241)</u>
LOSS PER SHARE (RMB)			
- Basic and diluted	10	<u>(0.026)</u>	<u>(0.095)</u>

Consolidated Statement of Financial Position
As at 31 December 2019

	<i>Notes</i>	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		107,900	91,358
Right-of-use assets		10,241	10,534
Interests in associates		42	-
		<u>118,183</u>	<u>101,892</u>
CURRENT ASSETS			
Inventories		10,977	9,030
Trade receivables	<i>12</i>	28,952	12,646
Prepayments, deposits and other receivables		3,778	4,000
Cash and cash equivalents		144	20,749
		<u>43,851</u>	<u>46,425</u>
CURRENT LIABILITIES			
Trade payables	<i>13</i>	9,032	9,796
Accruals and other payables		69,277	62,826
Contract liabilities		5,170	5,904
Amounts due to shareholders		665	19,517
Bank and other borrowings		25,128	58,515
		<u>109,272</u>	<u>156,558</u>
NET CURRENT LIABILITIES		<u>(65,421)</u>	<u>(110,133)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>52,762</u>	<u>(8,241)</u>
NON-CURRENT LIABILITIES			
Deferred government grants		27,155	30,652
Amounts due to shareholders		18,608	-
Bank and other borrowings		53,049	-
		<u>98,812</u>	<u>30,652</u>
NET LIABILITIES		<u>(46,050)</u>	<u>(38,893)</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>14</i>	30,886	30,886
Reserves		(76,893)	(69,750)
		<u>(46,007)</u>	<u>(38,864)</u>
Non-controlling interests		<u>(43)</u>	<u>(29)</u>
TOTAL EQUITY		<u>(46,050)</u>	<u>(38,893)</u>

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus*	Statutory surplus reserve*	Other reserve*	Accumulated losses*			
	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 year	-	-	-	-	(29,237)	(29,237)	(4)	(29,241)
At 31 December 2018	<u>30,886</u>	<u>18,561</u>	<u>11,853</u>	<u>-</u>	<u>(100,164)</u>	<u>(38,864)</u>	<u>(29)</u>	<u>(38,893)</u>
At 1 January 2019	30,886	18,561	11,853	-	(100,164)	(38,864)	(29)	(38,893)
Transfer to statutory surplus reserve	-	-	7	-	(7)	-	-	-
Gain on modification of shareholder loans	-	-	-	977	-	977	-	977
Total comprehensive loss for the year	-	-	-	-	(8,120)	(8,120)	(14)	(8,134)
At 31 December 2019	<u>30,886</u>	<u>18,561</u>	<u>11,860</u>	<u>977</u>	<u>(108,291)</u>	<u>(46,007)</u>	<u>(43)</u>	<u>(46,050)</u>

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

NOTES TO THE 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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately RMB8,120,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities and net liabilities of approximately RMB65,421,000 and RMB46,050,000 respectively. In addition, the Group had outstanding bank and other borrowings amounting to approximately RMB25,128,000 which would be due for repayment within the next twelve months. 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.

In addition, the directors of the Company have been taking active steps to improve the liquidity position of the Group. These steps include (i) negotiating and implementing debts restructuring plan with shareholders, borrowers and banker; (ii) negotiating and implementing loan interest reduction plan with shareholders and borrowers and (iii) seeking financial support from shareholders and borrowers.

Provided that these measures can successfully improve the liquidity position of the Group, the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”) and Interpretations. 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 year and prior years except as stated below.

HKFRS 16 “Leases”

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases.”

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

	31 December 2018 <i>RMB’000</i>	1 January 2018 <i>RMB’000</i>
Increase in right-of-use assets	10,534	10,827
Decrease in land use right	(10,534)	(10,827)

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. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

5. REVENUE AND 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, fiber optic tapers billets and microchannel plates (collectively referred to as "**Fiber Optic Products**"), which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the directors, 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 during the year:

	2019		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Fiber optic inverters	18,351	46	9,251	35
Fiber optic straight plates	4,871	12	6,119	23
Fiber optic face plates	408	1	325	1
Fiber optic tapers	1,400	4	3,213	13
Microchannel plates	13,887	35	7,366	28
Others	692	2	112	0
	<u>39,609</u>	<u>100</u>	<u>26,386</u>	<u>100</u>

(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:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	22,193	15,127
Hong Kong	9,030	3,742
Russia	7,566	4,779
Europe	813	2,733
Taiwan	7	5
	<u>39,609</u>	<u>26,386</u>

(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:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	7,462	9,485
Customer B (Note)	N/A	4,779
Customer C (Note)	N/A	3,484
Customer D (Note)	N/A	3,043
Customer E (Note)	9,368	N/A
Customer F (Note)	6,335	N/A
Customer G (Note)	4,569	N/A

Note: The corresponding revenue did not contribute over 10% of the total sales of the Group for the relevant periods.

(d) **Disaggregation of revenue from contracts with customers**

	Manufacturing and sales of Fiber Optic Products	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Segment		
<i>Geographical markets</i>		
The PRC	22,193	15,127
Hong Kong	9,030	3,742
Russia	7,566	4,779
Europe	813	2,733
Taiwan	7	5
	39,609	26,386
<i>Major products</i>		
Fiber optic inverters	18,351	9,251
Fiber optic straight plates	4,871	6,119
Fiber optic face plates	408	325
Fiber optic tapers	1,400	3,213
Microchannel plates	13,887	7,366
Others	692	112
	39,609	26,386
<i>Timing of revenue recognition</i>		
At a point in time	39,609	26,386
Over time	-	-
	39,609	26,386

6. OTHER INCOME, GAINS AND LOSSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Amortisation of deferred government grants	4,487	1,140
Bank interest income	30	4
Gross rental income from transmitting station	23	93
Gain on loan modification	1,159	-
Fair value gain on a new loan	2,347	-
Foreign exchange gain/(loss)	5	(42)
Others	137	111
	<u>8,188</u>	<u>1,306</u>

7. FINANCE COSTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest on bank borrowing	1,424	1,326
Interest on other borrowings	8,154	3,389
Interest on amounts due to shareholders	797	557
	<u>10,375</u>	<u>5,272</u>
Less: Interest waiver granted	<u>(1,186)</u>	<u>-</u>
	<u>9,189</u>	<u>5,272</u>

8. INCOME TAX EXPENSE

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current PRC Enterprise income tax		
- Charge for the year	1	-
Deferred tax	-	-
	<u>1</u>	<u>-</u>
Total tax charge for the year	<u>1</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 year ended 31 December 2019 (2018: RMBNil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the Jurisdiction in which the Group operates.

9. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Auditors' remuneration	608	442
Cost of inventories sold	21,533	18,810
Staff costs (including directors' remuneration):		
Wages and salaries	17,256	15,308
Pension scheme contributions	5,765	5,852
	23,021	21,160
Depreciation of items of property, plant and equipment	6,034	4,807
Depreciation charge of right-of-use assets	293	293
Net foreign exchange (gain)/loss	(5)	42
Share of (gain)/loss of an associate	(93)	172
Research and development costs	1,298	402
Impairment of investments in associates	19	167
(Reversal of)/allowance for inventories	(4,197)	7,736
Loss allowance provision for trade receivables	1,235	901

10. LOSS PER SHARE

Basic loss per share:

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB8,120,000 (2018: RMB29,237,000) and 308,860,000 (2018: 308,860,000) shares in issue during the year.

Diluted loss per share:

There were no diluted potential ordinary shares in issue during the years ended 31 December 2019 and 2018.

11. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for each of the years ended 31 December 2019 and 2018.

12. TRADE RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables	33,541	16,000
Less: impairment of trade receivables	(4,589)	(3,354)
	<u>28,952</u>	<u>12,646</u>

An aging 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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
0 to 90 days	6,043	8,780
91 to 180 days	16,118	2,273
181 to 365 days	6,503	1,593
Over 365 days	288	-
	<u>28,952</u>	<u>12,646</u>

13. TRADE PAYABLES

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
0 to 90 days	1,241	2,317
91 to 180 days	2,070	230
181 to 365 days	777	455
Over 365 days	4,944	6,794
	<u>9,032</u>	<u>9,796</u>

14. SHARE CAPITAL

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Authorised, issued and fully paid:		
198,860,000 (2018: 198,860,000) domestic shares of RMB0.10 each	19,886	19,886
110,000,000 (2018: 110,000,000) H shares of RMB0.10 each	11,000	11,000
	<u>30,886</u>	<u>30,886</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business of the Group

Since the listing of the Company on GEM of the Stock Exchange in 2004, the Group has been engaging in the 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 the other Asian countries.

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, the products passing rate and gross profit margin have both 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 and Going Concern Issue

As at 31 December 2019, the Group had net current liabilities and net liabilities of approximately RMB65,421,000 and RMB46,050,000 respectively. 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 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 banker;
- (ii) Negotiate and implement loan interest reduction plan with shareholders and borrowers; and
- (iii) Seek financial support from shareholders and borrowers.

Details of the implemented Financial Measures are as follows:

During the first quarter of 2019, the Company entered into a revised loan agreement with Taiyuan Changcheng Optics 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 RMB18,185,000 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 former related company and the other borrower, pursuant to which a former 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 with (i) 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 RMB5,824,000.

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 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 with the Company in relation to the Shareholders’ Loan A.

On 30 July 2019, the Lenders have entered into another loan agreement 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.

The key terms of the Shareholders’ Loan A and the Shareholders’ Loan B are summarized and disclosed in the Company’s announcement dated 31 July 2019. According to the update from the Lenders, the drawdown date of the Shareholders’ Loan A and Shareholders’ Loan B will be postponed to a time to be fixed with the Company.

In December 2019, the Group renewed the outstanding bank borrowing in the amount of RMB13,000,000 and extended the loan term to three years, commencing on 30 December 2019.

Financial Review

Turnover of the Group for the year ended 31 December 2019 was approximately RMB39,609,000 (2018: RMB26,386,000), representing an increase of approximately 50.11% as compared to that of the corresponding financial period. In particular, the sales of fiber optic inverters and microchannel plates have increased by approximately RMB9,100,000 and RMB6,521,000 respectively. As a result of the increase in the products passing rate, the production volume increased significantly during the year ended 31 December 2019, leading to a substantial increase in the turnover.

Cost of sales of the Group for the year ended 31 December 2019 was approximately RMB21,533,000 (2018: RMB18,810,000), representing an increase approximately 14.48% as compared to that of the corresponding financial period.

The gross profit margin of the Group for the year ended 31 December 2019 was 45.64% (2018: 28.71%). The increase in the gross profit margin was mainly attributable to (i) the effect of the structurally diluted fixed cost as a result of 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 implementation of the Operational Measure.

The Group reported other income, gains and losses in the amount of approximately RMB8,188,000 for the year ended 31 December 2019 (2018: RMB1,306,000), representing an increase of approximately RMB6,882,000 as compared to that of the corresponding financial period. The details of other income, gains and losses are set out in note (6) to the consolidated financial statements.

The Group reported administrative and other operating expenses for the year ended 31 December 2019 of approximately RMB24,324,000 (2018: RMB31,754,000), representing a decrease of approximately RMB7,430,000 as compared to that of the corresponding financial period. The decrease in the administrative and other operating expenses was mainly due to loss allowance for inventories in the amount of approximately RMBNil and RMB7,736,000 was recognised and included in the other operating expenses in the financial year of 2019 and 2018 respectively.

The Group reported finance costs in the amount of approximately RMB9,189,000 for the year ended 31 December 2019 (2018: RMB5,272,000), representing an increase of approximately RMB3,917,000 as compared to that of the corresponding financial period. The increase in the finance costs were mainly attributable to (i) the increase in other borrowings and (ii) the adjustment of relevant interest rate of one of the other borrowers as a result of the Loan Modification. The details of finance costs are set out in note (7) to the consolidated financial statements.

The loss after tax for the year ended 31 December 2019 of the Group was approximately RMB8,134,000 (2018: RMB29,241,000).

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 31 December 2019, the amount due to Taiyuan Changcheng was approximately RMB18,608,000. The financial assistance of approximately RMB1,293,000 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 31 December 2019, the amount due to Beijing Gensir was approximately RMB665,000.

The Group obtained financial assistance from two connected persons (the “**Connected Persons**”). As at 31 December 2019, the amount due to Connected Persons was approximately RMB634,000.

For the year ended 31 December 2019, total interest charged by Taiyuan Changcheng, Beijing Gensir and Connected Persons was approximately RMB291,000, RMB19,000 and RMB26,000 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 31 December 2019, the Group had an outstanding bank borrowing in the amount of RMB13,000,000 (2018: RMB13,245,000) which had been renewed in December 2019. The term of the bank borrowing is three years commencing on 30 December 2019.

As at 31 December 2019, the Group had outstanding other borrowings in the amount of approximately RMB65,177,000 (2018: RMB45,270,000), including non-current portion of approximately RMB53,049,000 (2018: RMBNil) and current portion of approximately RMB12,128,000 (2018: RMB45,270,000).

As at 31 December 2019, a shareholder provided guarantee to the other borrowers in relating to the other borrowings to the Group in the amount of RMB3,127,000 (2018: RMB6,000,000).

Financial Assistance to Related Parties

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

As at 31 December 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 December 2019, the amount of approximately RMB47,000 was fully impaired.

Liquidity and Financial Resources

As at 31 December 2019, the total assets of the Group increased by approximately RMB13,717,000 to approximately RMB162,034,000 as compared to approximately RMB148,317,000 as at the end of the previous financial period, representing an increase of approximately 9.25%.

As at 31 December 2019, the total liabilities of the Group increased by approximately RMB20,874,000 to approximately RMB208,084,000 as compared to approximately RMB187,210,000 as at the end of the previous financial period, representing an increase of approximately 11.15%.

As at 31 December 2019, the total equity of the Group decreased by approximately RMB7,157,000 to approximately negative RMB46,050,000 as compared to approximately negative RMB38,893,000 as at the end of the previous financial period.

Gearing Ratio

As at 31 December 2019, the gearing ratio (defined as net debt divided by total share capital plus net debt) of the Group was approximately 135% (2018: 143%).

Significant Investment Held

As at 31 December 2019, the Group held interests in associates with the carrying value of approximately RMB42,000 (2018: RMBNil).

Acquisition and Disposal of Subsidiaries

The Group had no acquisition and disposal of subsidiaries during the year ended 31 December 2019.

Pledge of Assets

As at 31 December 2019, certain plant and machinery and medium term leasehold buildings at carrying amount of approximately RMB134,000 and RMB47,137,000 (2018: RMB284,000 and RMBNil) respectively were pledged to secure a bank borrowing to the Group.

As at 31 December 2019, the Group's right-of-use asset located at No. 7 Dianzi Street, Demonstration Zone, Shanxi, the PRC was pledged to secure a bank borrowing to the Group.

As at 31 December 2019, certain plant and machinery and motor vehicles at carrying amount of approximately RMB723,000 and RMBNil (2018: RMB1,003,000 and RMBNil) respectively were pledged to secure the amount due to a shareholder.

Contingent Liabilities

As at 31 December 2019, 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 31 December 2019, the Group had approximately 489 full-time employees. The Group remunerates its employees based on their experience, performance and value, which they contribute to the Group.

Additional Information Relating to the Disclaimer of Opinion

The auditors of the Company issued disclaimer of opinion in the independent auditors' report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2019. In view of removing the disclaimer of opinion, the Board will formulate and consider the following action plan:

- (i) Discuss with shareholders to provide the Shareholders' Loan A in the amount of RMB60,000,000 and the Shareholders' Loan B in the amount of RMB20,000,000 as soon as practicable;
- (ii) Continue to strengthen and implement the Financial Measures and the Operational Measures;
- (iii) Review the possibility of the other fund-raising plan; and
- (iv) Confirm the settlement schedule of overdue trade receivable with the trade receivable debtors.

Comparison of Audited and Unaudited Figures

A comparison of the audited and unaudited figures of consolidated statement of profit or loss are as follows:

	2019 RMB'000 (Audited)	2019 RMB'000 (Unaudited)	2019 RMB'000 Increase/ (Decrease)
REVENUE	39,609	39,329	280
Cost of sales	<u>(21,533)</u>	<u>(18,824)</u>	2,709
Gross profit	18,076	20,505	(2,429)
Other income, gains and losses	8,188	7,655	533
Selling and distribution costs	(977)	(971)	6
Administrative and other operating expenses	(24,324)	(22,052)	2,272
Share of gain of an associate	93	-	93
Finance costs	<u>(9,189)</u>	<u>(6,339)</u>	2,850
LOSS BEFORE TAX	(8,133)	(1,202)	6,931
Income tax expense	<u>(1)</u>	<u>(1)</u>	0
LOSS FOR THE YEAR	<u><u>(8,134)</u></u>	<u><u>(1,203)</u></u>	6,931

Notes:

- (i) The increase in cost of sales was mainly attributable to the recognition of additional loss allowance for inventories in relation to goods returned in the amount of approximately RMB2,765,000.
- (ii) The increase in other income, gains and losses was mainly attributable to the recognition of additional amortization of government grants in the amount of approximately RMB532,000.
- (iii) The increase in administrative expenses was mainly attributable to the recognition of additional depreciation in the amount of approximately RMB905,000 and additional impairment of receivables in the amount of approximately RMB1,467,000.
- (iv) The increase in finance cost was mainly attributable to the recognition of additional interest charged to borrowings in the amount of approximately RMB2,850,000.
- (v) The loss for the year increased by approximately RMB6,931,000 from approximately RMB1,203,000 to approximately RMB8,134,000.

A comparison of the audited and unaudited figures of consolidated statement of financial position are as follows:

	2019 RMB'000 (Audited)	2019 RMB'000 (Unaudited)	2019 RMB'000 Increase/ (Decrease)
NON-CURRENT ASSETS			
Property, plant and equipment	107,900	114,778	(6,878)
Right-of-use assets	10,241	10,236	5
Interests in associates	42	-	42
	<u>118,183</u>	<u>125,014</u>	(6,831)
CURRENT ASSETS			
Inventories	10,977	12,971	(1,994)
Trade receivables	28,952	30,426	(1,474)
Prepayments, deposits and other receivables	3,778	4,576	(798)
Cash and cash equivalents	144	144	0
	<u>43,851</u>	<u>48,117</u>	(4,266)
CURRENT LIABILITIES			
Trade payables	9,032	9,357	(325)
Accruals and other payables	69,277	72,583	(3,306)
Contract liabilities	5,170	2,517	2,653
Amounts due to shareholders	665	665	0
Bank and other borrowings	25,128	3,710	21,418
	<u>109,272</u>	<u>88,832</u>	20,440
NET CURRENT LIABILITIES	<u>(65,421)</u>	<u>(40,715)</u>	24,706
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>52,762</u>	<u>84,299</u>	(31,537)
NON-CURRENT LIABILITIES			
Deferred government grants	27,155	27,687	(532)
Amounts due to shareholders	18,608	18,706	(98)
Bank and other borrowings	53,049	77,025	(23,976)
	<u>98,812</u>	<u>123,418</u>	(24,606)
NET LIABILITIES	<u>(46,050)</u>	<u>(39,119)</u>	6,931
EQUITY			
Equity attributable to owners of the Company			
Share capital	30,886	30,886	0
Reserves	(76,893)	(69,980)	(6,913)
	(46,007)	(39,094)	(6,913)
Non-controlling interests	<u>(43)</u>	<u>(25)</u>	(18)
TOTAL EQUITY	<u>(46,050)</u>	<u>(39,119)</u>	(6,931)

Notes:

- (i) The decrease in property, plant and equipment were mainly attributable to the recognition of additional depreciation in the amount of approximately RMB905,000 and the reallocation of interest being capitalised and included in the property, plant and equipment in the amount of approximately RMB4,479,000.
- (ii) The decrease in inventories was mainly attributable to the recognition of additional loss allowance for inventories in the amount of approximately RMB1,771,000.
- (iii) The decrease in trade receivables was mainly attributable to the recognition of additional impairment of receivables in the amount of approximately RMB1,467,000.
- (iv) The decrease in accruals and other payables was mainly attributable to the reallocation of items to contract liabilities in the amount of approximately RMB2,660,000.
- (v) The increase in contract liabilities was mainly attributable to the reallocation of items from other payables in the amount of approximately RMB2,660,000.
- (vi) The increase in current portion of bank and other borrowings in the amount of approximately RMB21,418,000 and the decrease in non-current portion of bank and other borrowings in the amount of approximately RMB23,976,000 were mainly attributable to (i) reclassification of bank and other borrowings items from non-current to current portion and (ii) the recognition of additional finance cost in the amount of approximately RMB2,850,000.
- (vii) The decrease in deferred government grants was mainly attributable to the recognition of additional amortization of government grants in the amount of approximately RMB532,000.
- (viii) The reserves decreased by approximately RMB6,913,000 from approximately negative RMB69,980,000 to approximately negative RMB76,893,000.

OTHER INFORMATION

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

As at 31 December 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

<u>Name</u>	<u>Nature and capacity in the shareholding of the Company</u>	<u>Number and type of domestic shares/H shares</u>	<u>Approximate percentage of holding of the domestic shares of the Company*</u>	<u>Approximate percentage of holding of the H shares of the Company*</u>	<u>Approximate percentage of holding of the total share capital of the Company*</u>
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 31 December 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 December 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%
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 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%
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 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 31 December 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 year ended 31 December 2019.

Share Option Scheme

The Group do not have share option scheme.

Directors' and Supervisors' Rights to Acquire H Shares

During the year ended 31 December 2019, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 31 December 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 year.

Contracts of Significance

Save as disclosed, 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 a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the year ended 31 December 2019 or at any time during the year ended 31 December 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 year ended 31 December 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 system 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 Guoliang respectively. Mr. Xu Yongfeng has been appointed as the chairman of the audit committee. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2019.

Corporate Governance Practices

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules. In the opinion of the Board of the Company, the Company has complied with the code provisions except for (i) no arrangement of insurance cover in respect of legal action against the directors of the Company (code provisions A1.8) due to insufficient budget provided and (ii) two non-executive directors and three independent non-executive directors of the Company did not attend the annual general meeting of the Company dated 21 June 2019 (code provisions A6.7) due to other engagements.

Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 (the “**Required Standard of Dealings**”) of the GEM Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiries of all directors of the Company, the Company was not aware of any non-compliance with the Required Standard of Dealings regarding securities transactions by directors for the year ended 31 December 2019.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the independent auditors' report of the Company:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

1. Inventories

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the inventories of approximately RMB10,977,000 as at 31 December 2019. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements.

2. Trade receivables

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the trade receivables of approximately RMB18,662,000 as at 31 December 2019. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements.

Any adjustments to the above figures might have a significant consequential effect on the consolidated financial performance for the year, the consolidated financial position as at 31 December 2019 and the related disclosures in the consolidated financial statements.

3. Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately RMB8,120,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities and net liabilities of approximately RMB65,421,000 and RMB46,050,000 respectively. In addition, the Group had outstanding bank and other borrowings amounting to approximately RMB25,128,000 which would be due for repayment within the next twelve months. 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.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the Directors as described in note 2 to the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

In the absence of sufficient evidence, we were unable to ascertain whether the assumptions made by the Directors in the preparation of the consolidated financial statements on a going concern basis were appropriate.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the auditors, Zhonghui Anda CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 December 2019. The work performed by Zhonghui Anda CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Zhonghui Anda CPA Limited on the preliminary announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the GEM website at www.hkgem.com and the Company's website at www.sxccoe.com. The annual report of the Company for the year ended 31 December 2019 will be available on both websites on 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

- (i) Pursuant to the extraordinary general meeting of the Company held on 15 January 2020, the amendments to the articles of association of the Company was approved by the shareholders of the Company.
- (ii) As disclosed in the announcements of the Company dated 20 January 2020 and 17 February 2020, Zhao Zhi tendered his resignation as the chairman of the Board of the Company on 15 January 2020 and Wu Bo was appointed as the chairman of the Board of the Company on 16 February 2020.

By order of the Board
Shanxi Changcheng Microlight Equipment Co. Ltd.
Wu Bo
Chairman

Taiyuan City, Shanxi Province, the PRC, 30 June 2020

As at the date of this announcement, 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.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at www.sxccoe.com.

** For identification purpose only*