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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)

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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.

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.

*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 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 purposes only

FINANCIAL RESULTS

The results of Shanxi Changcheng Microlight Equipment Co. Ltd.* (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 have not yet been completed for the reasons described under “Review of Unaudited Annual Results” below. The board of directors of the Company (the “**Board**”) announced the Group’s unaudited results for the year ended 31 December 2021, together with the comparative figures for the corresponding period in 2020, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | <i>Notes</i> | 2021 <i>RMB’000</i> (Unaudited) | 2020 <i>RMB’000</i> (Audited) |
|---|--------------|---|---|
| Revenue | 4 | 18,417 | 8,061 |
| Cost of sales | | <u>(15,100)</u> | <u>(8,723)</u> |
| Gross profit/(loss) | | 3,317 | (662) |
| Other income, gains and losses | | 2,819 | 4,022 |
| Selling and distribution expenses | | (379) | (554) |
| Administrative and other operating expenses | | (13,533) | (21,585) |
| Finance costs | 7 | (8,730) | (9,096) |
| Share of loss of an associate | | <u>–</u> | <u>(42)</u> |
| Loss before tax | | (16,506) | (27,917) |
| Income tax expense | 8 | <u>–</u> | <u>–</u> |
| Loss and total comprehensive loss for the period | | <u>(16,506)</u> | <u>(27,917)</u> |
| Attributable to: | | | |
| – Owners of the Company | | (16,506) | (27,911) |
| – Non-controlling interests | | <u>–</u> | <u>(6)</u> |
| | | <u>(16,506)</u> | <u>(27,917)</u> |
| Loss per share (RMB) | | | |
| – Basic and diluted | 9 | <u>(0.053)</u> | <u>(0.090)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

| | <i>Notes</i> | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Audited) |
|--|--------------|---|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 118,264 | 124,325 |
| Right-of-use assets | | 9,646 | 9,948 |
| Interests in associates | | – | – |
| | | <u>127,910</u> | <u>134,273</u> |
| CURRENT ASSETS | | | |
| Inventories | | 15,400 | 12,696 |
| Trade and bills receivables | <i>12</i> | 14,757 | 21,427 |
| Prepayments, deposits and other receivables | | 5,404 | 4,140 |
| Cash and cash equivalents | | 399 | 1,216 |
| | | <u>35,960</u> | <u>39,479</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | <i>13</i> | 8,638 | 8,958 |
| Accruals and other payables | | 106,438 | 99,277 |
| Contract liabilities | | 5,522 | 5,480 |
| Amounts due to shareholders | | 22,341 | 19,595 |
| Bank and other borrowings | | 89,332 | 81,320 |
| | | <u>232,271</u> | <u>214,630</u> |
| NET CURRENT LIABILITIES | | <u>(196,311)</u> | <u>(175,151)</u> |
| Total assets less current liabilities | | <u>(68,401)</u> | <u>(40,878)</u> |

| | <i>Notes</i> | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Audited) |
|---|--------------|---|--|
| NON-CURRENT LIABILITIES | | | |
| Deferred government grants | | 22,072 | 24,322 |
| Bank and other borrowings | | – | 8,767 |
| | | <u>22,072</u> | <u>33,089</u> |
| NET LIABILITIES | | <u>(90,473)</u> | <u>(73,967)</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | <i>14</i> | 30,886 | 30,886 |
| Reserves | | <u>(121,310)</u> | <u>(104,804)</u> |
| | | (90,424) | (73,918) |
| Non-controlling interests | | <u>(49)</u> | <u>(49)</u> |
| Total equity | | <u>(90,473)</u> | <u>(73,967)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shanxi Changcheng Microlight Equipment Co. Ltd. was incorporated in the Peoples 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**”).

This unaudited consolidated financial statement is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. GOING CONCERN BASIS

As at 31 December 2021, the Group had net current liabilities and net liabilities of approximately RMB196,311,000 and RMB90,473,000 respectively. In addition, the Group had outstanding bank and other borrowings as at 31 December 2021 of approximately RMB89,332,000 which will be repayable in the next twelve months. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Groups 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 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 of the Company 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 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 financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied all the new and amendments to Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting year beginning on 1 January 2021. HKFRSs comprise HKFRSs, Hong Kong Accounting Standards and its interpretations. The application of these new and amendment to HKFRSs has not resulted in significant changes to the Group’s accounting policies and amounts reported in the Group’s financial statements for the current and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will have no material impact on the Group’s financial statements.

4. REVENUE

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

| | 2021 <i>RMB '000</i> (Unaudited) | 2020 <i>RMB'000</i> (Audited) |
|---|--|-------------------------------------|
| Manufacturing and sales of Fiber Optic Products | 18,417 | 25,258 |
| Less: Sales returns | — | (17,197) |
| | <hr/> 18,417 | <hr/> 8,061 |
| Revenues, net of sale returns | 18,417 | 8,061 |

Disaggregation of revenue from contracts with customers

| | Manufacturing and sales of Fiber Optic Products <i>RMB'000</i> (Unaudited) | 2021 <i>RMB'000</i> (Unaudited) |
|-------------------------------------|--|---|
| Segments | | |
| Geographical markets | | |
| The PRC | 10,302 | 10,302 |
| Hong Kong and other Asian countries | 3,444 | 3,444 |
| Europe and Russia | 4,671 | 4,671 |
| | <hr/> 18,417 | <hr/> 18,417 |
| Major products | | |
| Fiber optic inverters | 12,383 | 12,383 |
| Fiber optic straight plates | 1,552 | 1,552 |
| Fiber optic face plates | 785 | 785 |
| Fiber optic tapers | 1,269 | 1,269 |
| Microchannel plates | 2,428 | 2,428 |
| | <hr/> 18,417 | <hr/> 18,417 |
| Timing of revenue recognition | | |
| At a point in time | 18,417 | 18,417 |
| Over time | — | — |
| | <hr/> 18,417 | <hr/> 18,417 |

| | Manufacturing and sales of Fiber Optic Products RMB'000 (Audited) | 2021 RMB'000 (Audited) |
|-------------------------------------|--|------------------------------|
| Segments | | |
| Geographical markets | | |
| The PRC | 11,751 | 11,751 |
| Hong Kong and other Asian countries | (5,115) | (5,115) |
| Russia | 866 | 866 |
| Europe | 559 | 559 |
| | <u>8,061</u> | <u>8,061</u> |
| Major products | | |
| Fiber optic inverters | 4,988 | 4,988 |
| Fiber optic straight plates | 2,867 | 2,867 |
| Fiber optic face plates | 104 | 104 |
| Fiber optic tapers | 251 | 251 |
| Microchannel plates | (647) | (647) |
| Others | 498 | 498 |
| | <u>8,061</u> | <u>8,061</u> |
| Timing of revenue recognition | | |
| At a point in time | 8,061 | 8,061 |
| Over time | – | – |
| | <u>8,061</u> | <u>8,061</u> |

5. OPERATING SEGMENT INFORMATION

The Groups revenue and profit/loss contributions 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 (“**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 of the Company, being the chief operating decision maker (“**CODM**”), for purposes of resource allocation and performance assessment. The measures of profit/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

(i) *Information about products*

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

| | 2021 | | 2020 | |
|-----------------------------|----------------|------------|----------------|------------|
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| | (Unaudited) | | (Audited) | |
| Fiber optic inverters | 12,383 | 68 | 4,988 | 62 |
| Fiber optic straight plates | 1,552 | 8 | 2,867 | 36 |
| Fiber optic face plates | 785 | 4 | 104 | 1 |
| Fiber optic tapers | 1,269 | 7 | 251 | 3 |
| Microchannel plates | 2,428 | 13 | (647) | -8 |
| Others | - | - | 498 | 6 |
| | <u>18,417</u> | <u>100</u> | <u>8,061</u> | <u>100</u> |

(ii) *Geographical information*

The Group principally operates in the PRC and the Groups non-current assets are all located in Shanxi, the PRC. The following is an analysis of the Groups revenue from external customers by geographical location:

| | 2021 | 2020 |
|-------------------------------------|-----------------|----------------|
| | <i>RMB '000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Audited) |
| The PRC | 10,302 | 11,751 |
| Hong Kong and other Asian countries | 3,444 | (5,115) |
| Europe and Russia | 4,671 | 1,425 |
| | <u>18,417</u> | <u>8,061</u> |

(iii) *Information about major customers*

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

| | 2021 <i>RMB '000</i> (Unaudited) | 2020 <i>RMB'000</i> (Audited) |
|------------|--|-------------------------------------|
| Customer A | 3,885 | 4,320 |
| Customer B | 3,555 | 12,562 |
| Customer C | 2,968 | 3,222 |
| Customer D | 2,285 | 2,211 |

6. OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses mainly from government grants amounted to approximately RMB2,250,000.

7. FINANCE COSTS

| | 2021 <i>RMB '000</i> (Unaudited) | 2020 <i>RMB'000</i> (Audited) |
|---|--|-------------------------------------|
| Interest on bank borrowing | 780 | 876 |
| Interest on other borrowings | 7,444 | 8,584 |
| Interest on amounts due to shareholders | 506 | 797 |
| | 8,730 | 10,257 |
| Less: Interest waiver granted | | |
| – Other borrowings | – | (677) |
| – Amounts due to shareholders | – | (484) |
| | 8,730 | 9,096 |

8. INCOME TAX EXPENSE

| | 2021 <i>RMB'000</i> (Unaudited) | 2020 <i>RMB'000</i> (Audited) |
|------------------------------------|---------------------------------------|-------------------------------------|
| Current PRC Enterprise Income Tax: | | |
| – Charge for the year | – | – |
| Deferred tax | – | – |
| Total tax charge | – | – |

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 2021 (for the year 2020: RMB Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the Jurisdiction in which the Group operates.

9. (LOSS) PER SHARE

(Loss) per share: The calculation of (loss) per share is based on the loss attributable to owners of the Company of approximately RMB16,506,000 for the year ended 31 December 2021 (2020: RMB27,911,000) and 308,860,000 (2020: RMB308,860,000) shares in issue during the period.

Diluted (loss) per share: There were no diluted potential ordinary shares in issue during the years ended 31 December 2021 and 2020.

10. DIVIDEND

The directors do not recommend the payment of any dividend for each of the years ended 31 December 2021 and 2020.

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2021, the Group purchased property, plant and equipment of approximately RMB14,000.

12. TRADE AND BILLS RECEIVABLES

| | 2021 <i>RMB'000</i> (Unaudited) | 2020 <i>RMB'000</i> (Audited) |
|---|--|-------------------------------------|
| TRADE AND BILLS RECEIVABLES | 20,300 | 28,137 |
| Less: Impairment of trade and bills receivables | (5,543) | (6,710) |
| | 14,757 | 21,427 |

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:

| | 2021 <i>RMB'000</i> (Unaudited) | 2020 <i>RMB'000</i> (Audited) |
|-----------------|--|-------------------------------------|
| Within 90 days | 4,751 | 20,064 |
| 91 to 180 days | 3,252 | 1,265 |
| 181 to 365 days | 6,754 | 98 |
| Over 365 days | – | – |
| | 14,757 | 21,427 |

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:

| | 2021 <i>RMB'000</i> (Unaudited) | 2020 <i>RMB'000</i> (Audited) |
|-----------------|---------------------------------------|-------------------------------------|
| 0 to 90 days | 1,280 | 532 |
| 91 to 180 days | 640 | 887 |
| 181 to 365 days | 1,052 | 2,148 |
| Over 365 days | 5,666 | 5,391 |
| | <u>8,638</u> | <u>8,958</u> |

14. SHARE CAPITAL

| | 2021 <i>RMB'000</i> (Unaudited) | 2020 <i>RMB'000</i> (Audited) |
|--|---------------------------------------|-------------------------------------|
| Authorised, issued and fully paid: | | |
| 198,860,000 (2020: 198,860,000) domestic shares of RMB0.10 each shares of RMB0.10 each | 19,886 | 19,886 |
| 110,000,000 (2020: 110,000,000) H shares of RMB0.10 each 11,000 | 11,000 | 11,000 |
| | <u>30,886</u> | <u>30,886</u> |

Except for the currency in which dividends are paid and the restrictions as to whether the shareholders can be the PRC investors or foreign investors, domestic shares and H shares rank pari passu with each other.

15. CAPITAL COMMITMENTS

The Groups capital commitments at the end of the reporting period are as follows:

| | 2021 <i>RMB'000</i> (Unaudited) | 2020 <i>RMB'000</i> (Audited) |
|---------------------------------------|---------------------------------------|-------------------------------------|
| Contracted contribution to associates | 49 | 49 |
| | <u>49</u> | <u>49</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business of the Group

Since the listing of the Group 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.

Details of total sales (by products) to external customers and percentage of total revenue (by products) for the years ended 31 December 2021 and 2020 are set out in note (5) to the consolidated financial statements.

Change in Management Team and Board Composition

The Group underwent the change in management team members since the first quarter of 2021. As disclosed in the announcement of the Company dated 21 June 2021, Ms. Fong Yip Ha Angela was appointed as the company secretary and authorised representative.

Upon the appointment of the new management team, we continue to promote the improvement and upgrade of image transmission fiber optic production process and technology, actively explore civilian customers and expand market share and sales channels. Due to the outbreak of the novel coronavirus pandemic (the “Pandemic”) since 2020, which has had a great impact on the Company’s production, sales and operations, the new management team is committed to reducing the impact of the pandemic and getting the Company back on track as soon as possible.

Financial Position and Going Concern Issue

As at 31 December 2021, the Group had net current liabilities and net liabilities of approximately RMB196,311,000 and RMB90,473,000 respectively. In addition, the Group had outstanding bank and other borrowings amounting to approximately RMB89,332,000 as at 31 December 2021, which will be repayable in the next twelve months. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Groups 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 order to improve the financial position of the Group, the directors of the Company planned and adopted, including but not limited to, the following measures (the “**Financial Measures**”):

- (i) At the capital level: Introducing new strategic investors into the private placement of new shares/bonds, and negotiating and implementing capital operation proposals with shareholders and potential investment institutions;
- (ii) At the operational level: Revitalizing the long-term assets and planning to lease out the properties temporarily not used in the Company’s business operations, so as to increase the property income; developing new products for extending the downstream of the industrial chain and strengthening the existing sales forces and introducing more capable strategic sales agencies; and taking the advantage of the technological advantages accumulated by the Company in the field of military products to expand into the field of civilian products and increase new customers and income sources;
- (iii) In respect of liabilities: negotiating and implementing loan interest reduction/exemption schemes with shareholders and borrowers and seeking financial support from shareholders and borrowers.

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 concluded 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 2020, the Group renewed the outstanding bank borrowing in the amount of RMB10,900,000 and extended the loan term to three years, commencing on 30 December 2019.

Impact of Novel Coronavirus Pandemic

The Group's head office and all production plants and facilities are located in Taiyuan, Shanxi Province. Since the Pandemic began in the early of 2020, various hygiene prevention and control measures ("**Hygiene Prevention and Control Measures**") and resumption of work and production control measures ("**Resumption of Work Control Measures**") have been implemented throughout China. Due to ongoing impact of the Pandemic during the first three quarters of 2020 and the continuous implementation of the Hygiene Prevention and Control Measures and Resumption of Work Control Measures, the Group's sales and financial performance in the financial year of 2020 experienced a significant drop. With the control of the Pandemic to a certain extent and the relaxation of government control, the entire industry in which the Group operates has resumed production and work, contributing to a year-on-year increase in sales. However, considering the prolonged and recurring trend of the Pandemic, the Group and management will continue to pay attention to the changes and long-term impact of the Pandemic, and will gradually adjust operating strategies to ensure that the Company is able to resume on a virtuous track of sustainable development.

Financial Review

For the year ended 31 December 2021, the turnover of the Group was approximately RMB18,417,000. As included in turnover was the refunds, the turnover of the last financial period was approximately RMB8,061,000.

For the year ended 31 December 2021, the Group's cost of sales amounted to approximately RMB15,100,000. As included in cost of sales was the return of part of goods sold, the cost of sales of the last financial period was approximately RMB8,723,000.

For the year ended 31 December 2021, the gross profit of the Group was RMB3,317,000 (2020: gross loss of RMB662,000).

For the year ended 31 December 2021, the Group recorded other income, gains and losses amounting to approximately RMB2,819,000 (2020: RMB4,022,000), representing a decrease of approximately RMB1,203,000 as compared to that of the corresponding financial period. For the year ended 31 December 2021, other income, gains and losses were mainly derived from amortization of deferred government grants of approximately RMB2,250,000.

For the year ended 31 December 2021, the Group's administrative and other operating expenses amounted to approximately RMB13,533,000 (2020: RMB21,585,000), representing a decrease of approximately RMB8,052,000 as compared to the previous financial period, which was mainly due to the decrease in depreciation expenses and the decrease in impairment of inventories.

For the year ended 31 December 2021, the Group recorded finance costs of approximately RMB8,730,000 (2020: RMB9,096,000), representing a decrease of approximately RMB366,000 as compared to that of the corresponding financial period. The details of finance costs are set out in note (7) to the consolidated financial statements.

For the year ended 31 December 2021, the loss after tax of the Group was approximately RMB16,506,000 (2020: loss after tax of approximately RMB27,917,000).

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 2021, the amount due to Taiyuan Changcheng was approximately RMB21,639,000. The financial assistance of approximately 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 31 December 2021, the amount due to Beijing Gensir was approximately RMB702,000.

The Group obtained financial assistance from two connected persons (the "Connected Persons"). As at 31 December 2021, the amount due to Connected Persons was approximately RMB683,000.

For the year ended 31 December 2021, total interest charged by Taiyuan Changcheng, Beijing Gensir and Connected Persons was approximately RMB487,000, RMB19,000 and RMB25,000 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 2021, the Group had an outstanding bank borrowing in the amount of RMB10,650,000 (2020: RMB10,900,000) 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 2021, the Group had other borrowings of approximately RMB78,682,000 which were outstanding.

Liquidity and Financial Resources

As at 31 December 2021, the total assets of the Group increased by approximately RMB9,882,000 to approximately RMB163,870,000 as compared to approximately RMB173,752,000 as at the end of the previous financial period, representing an increase of approximately 6%.

As at 31 December 2021, the total liabilities of the Group increased by approximately RMB6,624,000 to approximately RMB254,343,000 as compared to approximately RMB247,719,000 as at the end of the previous financial period, representing an increase of approximately 3%.

As at 31 December 2021, the total equity of the Group decreased by approximately RMB16,506,000 to approximately negative RMB90,473,000 as compared to approximately negative RMB73,967,000 as at the end of the previous financial period.

Gearing Ratio

As at 31 December 2021, the Group's gearing ratio (defined as net debt divided by total share capital plus net debt) was approximately 155% (2020: 143%).

Significant Investment Held

As at 31 December 2021, the Group held interests in associates with the carrying value of approximately RMB Nil (2020: RMB Nil).

Acquisition and Disposal of Subsidiaries

The Group had no acquisition and disposal of subsidiaries during the year ended 31 December 2021.

Pledge of Assets

As at 31 December 2021, certain plant and machinery and mid-term leased buildings at carrying amount of approximately RMB Nil and RMB44,293,000 (2020: RMB17,000 and RMB45,726,000) respectively were pledged to secure a bank borrowing to the Group.

As at 31 December 2021, 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 2021, certain plant and machinery and motor vehicles at carrying amount of approximately RMB365,000 and RMBNil (2020: RMB484,000 and RMBNil) respectively were pledged to secure the amount due to a shareholder.

Contingent Liabilities

As at 31 December 2021, 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 2021, the Group had approximately 405 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 Debenture of the Company

As at 31 December 2021, the directors or supervisors of the Company who had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company

| Name | Nature and capacity in the shareholding of the Company | Number and type of domestic shares/H shares | Approximate percentage of holding of the domestic shares of the Company* | Approximate percentage of holding of the H shares of the Company* | Approximate percentage of holding of the total share capital of the Company* |
|---------------|--|---|--|---|--|
| Yuan Guoliang | Personal Interest and Family Interest | 3,895,000 H shares (Note 1) | – | 3.54% | 1.26% |

* The shareholding percentage has been adjusted to the nearest two decimal points

Notes:

1. According to the interests filing disclosure, 3,645,000 H shares are registered in the name of Yuan Guoliang and 250,000 H shares are registered in the name of his spouse.

Save as disclosed above, as at 31 December 2021, 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 2021, so far as the directors of the Company are aware, persons other than the 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 a controlled corporation | 82,200,000 domestic shares (Note 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% |
| Beijing Yuankang Technology Co., Ltd. | Registered and beneficial owner of the domestic shares | 34,000,000 domestic shares | 17.10% | – | 11.01% |

| Name | Nature and capacity in the shareholding of the Company | Number and type of domestic shares/H shares | Approximate percentage of holding of the domestic shares of the Company* | Approximate percentage of holding of the H shares of the Company* | Approximate percentage of holding of the total share capital of the Company* |
|---|--|---|--|---|--|
| Jia Yaotian | Interest in a controlled corporation | 34,000,000 domestic shares (Note 19) | 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 Beijing Yuankang Technology Co., Ltd. 北京原康科技有限公司 (“**Beijing Yuankang**”), a company whose issued shares were reportedly registered as to approximately 51% in the name of Jia Yaotian. As Jia Yaotian is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Beijing Yuankang, for the purpose of the SFO, Jia Yaotian is deemed to be interested in the entire 34,000,000 domestic shares held by Beijing Yuankang.
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 2020, 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 and 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 2021.

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 2021, none of the directors or supervisors of the Company was granted options available to subscribe for H shares of the Company. As at 31 December 2021, 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 contract of significance in relation to the Group's business 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 the end of the year or at any time during the year ended 31 December 2021.

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 2020.

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 was 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 2021.

Corporate Governance Practices

The Board of the Company recognises the importance of corporate governance practice of a listed company and is committed to adopting the standards of corporate governance.

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. In the opinion of the board of directors of the Company, the Company has not arranged insurance coverage for the directors of the Company in respect of their legal actions (Code Provision C.1.8) except for the budget shortfalls provided, the Company has complied with the Code Provision.

Securities Transactions by Directors

The Company has adopted a Model Code for securities transactions by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the Rules Governing the Listing of Securities on the GEM Listing Rules throughout the period ended 31 December 2021. Having made specific inquiry of all directors of the Company, the Company was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by the directors.

Review of the Unaudited Annual Results

Since there was a close contact of a confirmed case of COVID-19 found in the Company, the Company, in response to the requirements of the government and relevant departments for epidemic prevention and control, had implemented lockdown and control measures with a period of two weeks commencing from 9 March 2022, during which any entry and exit were not allowed until the risk of the spread of the epidemic was lifted, and all production and business activities of the Company were temporarily suspended. As a result, the auditing process for the annual results for the year ended 31 December 2021 has not been completed. The Company is therefore unable to publish the audited annual results announcement and annual report for the year ended 31 December 2021 by 31 March 2022 or before in accordance with Rules 18.49 and 18.03 of the GEM Listing Rules.

Due to the lockdown and control implemented resulting from a close contact of a confirmed case of COVID-19 found in the Company, auditors have been unable to conduct any field audits at the head office of the Company located in Taiyuan, Shanxi Province, the PRC. The management of the Company therefore cannot rule out the possibility that certain accounting items contained in this announcement, including the recognition of interest expenses in finance costs, the recognition of amortization of deferred government grants in other gains, impairment of fixed assets, impairment of inventories, impairment of trade receivables, and some other reclassification may be adjusted after taking the advice of professional advisers during the course of the audit process.

Further announcement(s) and delay in despatch of the Annual Report for the year

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the Year as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein.

Further announcement(s) will be published in relation to the update on the timetable of the announcement for the Annual Results and the Annual Report as soon as practicable to keep the shareholder and potential investors of the Company informed.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Taiyuan City, Shanxi Province, the PRC, 28 March 2022

As at the date of this announcement, the Board 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. Wu Bo and Mr. Yuan Guoliang; and three independent non-executive directors, namely Mr. Xu Yongfeng, Mr. Wang Weizhong and Mr. Rong Fei.

This announcement will remain on the “Latest Listed Company Information” 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”.