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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024
AND RESUMPTION OF TRADING**

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.

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*This announcement, for which the directors (the “**Directors**”) of Shanxi Changcheng Microlight Equipment Co. Ltd.* (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) 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; there are no other matters the omission of which would make any statement herein or this announcement misleading.*

* For identification purposes only

ANNUAL RESULTS

The board (the “**Board**”) of the Directors of the Company hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**”). The consolidated annual results have been reviewed by the audit committee (the “**Audit Committee**”) of the Company. This annual results announcement is prepared on the basis of the audited financial results of the Group for the year ended 31 December 2024 and contains the audited consolidated financial statements of the Group for the year ended 31 December 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	4	17,143	26,717
Cost of sales		<u>(10,715)</u>	<u>(14,333)</u>
Gross profit		6,428	12,384
Other income, gains and loss, net	5	9,883	8,401
Selling and distribution expenses		(477)	(701)
(Impairment loss)/reversal of impairment loss of:			
– trade receivables		(10,177)	2,240
– other receivables		(103)	35
Administrative and other operating expenses		(29,207)	(23,802)
Finance costs	6	<u>(9,967)</u>	<u>(8,932)</u>
LOSS BEFORE TAX		(33,620)	(10,375)
Income tax expense	7	<u>–</u>	<u>–</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	8	<u>(33,620)</u>	<u>(10,375)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(33,534)	(10,392)
Non-controlling interests		<u>(86)</u>	<u>17</u>
		<u>(33,620)</u>	<u>(10,375)</u>
Loss per share attributable to owners of the Company		RMB	RMB
– Basic and diluted	9	<u>(0.11)</u>	<u>(0.03)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

		31 December 2024	31 December 2023
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		129,884	123,336
Right-of-use assets		8,779	9,072
Investment in associates		—	—
		<u>138,663</u>	<u>132,408</u>
CURRENT ASSETS			
Inventories	11	9,279	13,488
Trade receivables	12	5,881	17,026
Prepayments, deposits and other receivables		8,759	8,471
Bank and cash balances		292	277
		<u>24,211</u>	<u>39,262</u>
CURRENT LIABILITIES			
Trade payables	13	8,832	8,707
Accruals and other payables		179,503	154,728
Contract liabilities		5,642	5,365
Amounts due to shareholders		10,309	9,826
Bank and other borrowings		11,944	11,764
Deferred government grants		2,200	2,200
		<u>218,430</u>	<u>192,590</u>
NET CURRENT LIABILITIES		<u>(194,219)</u>	<u>(153,328)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(55,556)</u>	<u>(20,920)</u>

	31 December 2024	31 December 2023
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Amounts due to shareholders	14,969	13,587
Bank and other borrowings	58,826	59,024
Deferred government grants	12,570	14,770
	<u>86,365</u>	<u>87,381</u>
NET LIABILITIES	<u>(141,921)</u>	<u>(108,301)</u>
CAPITAL AND RESERVES		
Share capital	30,886	30,886
Reserves	(172,610)	(139,076)
Deficit attributable to owners of the company	(141,724)	(108,190)
Non-controlling interests	(197)	(111)
TOTAL DEFICIT ON EQUITY	<u>(141,921)</u>	<u>(108,301)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Shanxi Changcheng Microlight Equipment Co. Ltd. (the “**Company**”) 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 Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with affect from 18 May 2004. The addresses of the registered office and principal place of business of the Company is No.7 Dianzi Street, Demonstration Zone, Shanxi, The PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in design, research, development, manufacture and sale of image transmission fiber optic products.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately RMB33,620,000 for the year ended 31 December 2024 and the Group had net current liabilities and net liabilities of approximately RMB194,219,000 and RMB141,921,000 respectively as at 31 December 2024. In addition, the Group had outstanding bank and other borrowings and amounts due to shareholders amounting to approximately RMB70,770,000 and RMB25,278,000 respectively, as at 31 December 2024, of which (i) the bank and other borrowings amounted to approximately RMB11,944,000 have been overdue for repayments and (ii) amount due to shareholders amounted to approximately RMB10,309,000 would be due for repayment within the next twelve months or repayment on demand, while its cash and cash equivalents amounted to approximately RMB292,000. 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 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, lenders and bankers; (ii) negotiating and implementing loan interest reduction plan with shareholders and lenders; (iii) negotiating extension repayment plans with creditor; (iv) seeking further financial support from substantial shareholders and lenders; and (v) seeking and communicating with customers on the sales of fiber optic products.

The directors of the Company are of the opinion that, taking into account the above plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from 31 December 2024. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2024 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to implement the aforementioned plans and measures, Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financing and operating cash flows through: (i) the successful negotiation and implementation debts restructuring plan with shareholders; (ii) the successful negotiation and implementation loan interest reduction plan with shareholders and lenders; (iii) the successful negotiation of extension repayment plans with creditor; (iv) successfully seeking further financial support from substantial shareholders and lenders; and (v) successfully seeking and communicating with customers on the sales of fiber optic products to support the Group's operation.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2024.

3. MATERIAL ACCOUNTING POLICIES

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

3.2 Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.3 Adoption of new or amended HKFRSs and changes in other accounting policies

(i) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

- Amendments to HKAS 1, Presentation of financial statements – Classification of liabilities as current or non-current and amendments to HKAS 1, Presentation of financial statements – Non-current liabilities with covenants
- Amendments to HKFRS 16, Leases – Lease liability in a sale and leaseback
- Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements
- Hong Kong Interpretation 5 (Revised), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The adoption of new or amended HKFRSs has no material impact on the Group's results, financial position and accounting policies.

(ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

**Effective for
accounting periods
beginning on or after**

Amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability	1 January 2025
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRSs – Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027
Amendments to HK-Int 5, Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE AND OPERATING SEGMENT INFORMATION

The Group's revenue and results from business were mainly derived from its sale of fiber optic inverters, fiber optic straight plates, fiber optic face plates, fiber optic tapers 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 segment results, segment assets and segment 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:

	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Fiber optic inverters	7,014	41	17,464	65
Fiber optic straight plates	198	1	363	1
Fiber optic face plates	942	5	939	4
Fiber optic tapers	1,375	8	1,521	6
Microchannel plates	7,614	45	6,430	24
	<u>17,143</u>	<u>100</u>	<u>26,717</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:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	15,402	11,949
Russia	365	11,884
Europe	1,293	1,781
Hong Kong	83	1,103
	<u>17,143</u>	<u>26,717</u>

(c) Revenue from major customers

Revenue from major customers, each of whom set out below:

	2024 RMB'000	2023 RMB'000
Customer A	N/A*	11,738
Customer B	11,204	7,526
Customer C	2,632	3,350

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in the year.

(d) Disaggregation of revenue from contracts with customers

Revenue from sales of fiber optic products is recognised at a point in time when the control of the goods are transferred to customers.

The Group manufactures and sells of fiber optic products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. OTHER INCOME, GAINS AND LOSS, NET

	2024 RMB'000	2023 RMB'000
Deferred government grants released to profit or loss	2,200	3,567
Waiver of other borrowing interest	7,475	—
Bank interest income	1	1
Gross rental income from transmitting station	—	23
Gain on disposal of property, plant and equipment	—	4,624
Foreign exchange gain/(loss)	15	(10)
Others	192	196
	<u>9,883</u>	<u>8,401</u>

6. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on a bank borrowing	436	574
Interest on other borrowings	7,841	6,864
Interest on amounts due to shareholders	1,690	1,494
	<u>9,967</u>	<u>8,932</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and the PRC Enterprise Income Tax has been made in the consolidated financial statements as the Group had no assessable profits arising in or derived from Hong Kong and PRC for both of the years presented.

According to the applicable Enterprise Income Tax Law of the PRC, the Company, which operates in the Taiyuan Economic and Technology Development Zone (太原經濟技術開發區) of the PRC, and which is registered as a New and High Technical Enterprise (高新技術企業), is entitled to a concessionary Enterprise Income Tax rate of 15% over 3 years, beginning on 29 November 2018. The certificate was renewed on 7 December 2021, so the Company is entitled to another concessionary Enterprise Income Tax rate of 15% over 3 years, until 6 December 2024. For the year ended 31 December 2024, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (2023: 15%). The certificate has expired and has not been renewed by the Company.

8. LOSS FOR THE YEAR

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

	2024 RMB'000	2023 RMB'000
Auditors' remuneration:		
– Audit services	550	550
– Non audit services	–	–
	<u>550</u>	<u>550</u>
Cost of inventories sold	10,715	14,333
Depreciation of property, plant and equipment	4,876	4,790
Depreciation of right-of-use assets	293	293
Research and development costs	971	2,683
Impairment loss/(reversal of impairment loss) of investments in associates	73	(281)
Impairment loss/(reversal of impairment loss) of:		
– trade receivables	10,177	(2,240)
– other receivables	103	(35)
	<u>10,280</u>	<u>(2,275)</u>
Staff costs including directors' remuneration:		
Wages and salaries	11,244	11,537
Pension scheme contributions	4,320	4,510
	<u>15,564</u>	<u>16,047</u>

9. 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 for the year ended 31 December 2024 of approximately RMB33,534,000 (2023: RMB10,392,000) and 308,860,000 (2023: 308,860,000) ordinary shares in issue during the year.

Diluted loss per share

No diluted loss per share is presented as there were no diluted potential ordinary shares in issue during the years ended 31 December 2024 and 2023.

10. DIVIDENDS

The directors do not recommend the payment of any dividend for each of the years ended 31 December 2024 and 2023.

11. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	401	413
Work in progress	3,006	3,884
Finished goods	5,872	9,191
	9,279	13,488

12. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	27,247	28,215
Provision for loss allowance	(21,366)	(11,189)
Trade receivables, net	5,881	17,026

Trade receivables are past due when a counterparty has failed to make a payment when contractually due. Credit terms granted to customers vary from contract to contract. The credit period granted to customers is 0 to 90 days (2023: 0 to 90 days) from payment application date.

The aging analysis of the trade receivables based on the invoice date and net of loss allowance, is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0 – 90 days	5,561	5,025
91 – 180 days	320	4,428
181 – 365 days	–	7,543
Over 1 year	–	30
	5,881	17,026

13. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0 to 90 days	245	616
91 to 180 days	360	106
181 to 365 days	403	1,840
Over 1 year	7,824	6,165
	8,832	8,707

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The auditor of the Company issues a Disclaimer of Opinion on the financial statements of the Group for the year ended 31 December 2024. The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2024.

DISCLAIMER OF OPINION

“We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter 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. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

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 of approximately RMB33,620,000 for the year ended 31 December 2024 and as of 31 December 2024, the Group had net current liabilities and net liabilities of approximately RMB194,219,000 and RMB141,921,000 respectively as at 31 December 2024. In addition, the Group had outstanding bank and other borrowings and amounts due to shareholders amounting to approximately RMB70,770,000 and RMB25,278,000 respectively, as of 31 December 2024, of which (i) the bank and other borrowings amounted to approximately RMB11,944,000 have been overdue for repayments and (ii) the amount due to shareholders amounted to approximately RMB10,309,000 respectively would be due for repayment within the next twelve months or on demand, while its cash and cash equivalents amounted to approximately RMB292,000. 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 and non-current liabilities as current assets and current liabilities, respectively.

Up to the date of this report, the Group has entered into several new sales contracts with several independent third party customers for the sales of fiber optic products. Due to limitations in obtaining sufficient appropriate audit evidence, we were unable to verify the availability of adequate funding sources for the Group to meet the production requirements of its products and ensure timely delivery to third-party customers.

Furthermore, up to the date of this report, the Group had notified and requested settlement arrangements with lenders with respect to its principal amount of approximately RMB11,944,000. Additionally, the Group is currently in the process of negotiating loan interest reduction plans with shareholders and other lenders, negotiating extension repayment plans with creditors and seeking further financial supports from substantial shareholders and other lenders. As of the date of this report, we have not been provided with the contract and details regarding the above-mentioned settlement arrangements, reduction plans, extension repayment plans and certain financial supports.

In the absence of sufficient appropriate audit evidence of the above, we were unable to ascertain whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.”

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business of the Group

Since the listing of the Company and its subsidiaries (together 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 European countries.

Image Transmission Fiber Optic Production Improvement Measures and Technology Upgrade

The Group continues to implement various measures (the “**Operational Measures**”) to improve the business capabilities of the Group.

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’s refinancing exercises failed to be conducted smoothly, which caused the failure of the Group to proceed technological upgrading and transformation as scheduled. During the year, the Group will restart its refinancing initiatives and the technical upgrading and transformation projects as and when appropriate.

Financial Position and Going Concern Issue

As at 31 December 2024, the Group had net current liabilities and net liabilities of approximately RMB194,219,000 and RMB141,921,000 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) at 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; and

(iii) in respect of liabilities:

(i) negotiating and implementing debts restructuring plan with shareholders, lenders and bankers; (ii) negotiating and implementing loan interest reduction plan with shareholders and lenders; (iii) negotiating extension repayment plan with creditors; and (iv) seeking further financial support from substantial shareholders and lenders.

Details of the implemented Financial Measures are as follows:

In the fourth quarter of 2022, 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 extend the term of existing loan to the Company in the principal amount of RMB14,600,000 to 31 December 2026, commencing from 1 January 2022 to 31 December 2026, and delay the payment of interest for the years ended 31 December 2022, 2023, 2024 and 2025 to 2026. In the fourth quarter of 2022, the Company entered into revised loan agreements with two other lenders, pursuant to which two other lenders have agreed to extend the term of existing loans to the Company to 31 December 2026, and delay the payment of interest for the years ended 31 December 2023, 2024 and 2025 to 2026.

One other lender offers waiver of interest payable from the date of first loan to 31 March 2023, and delays the payment of interest for the period from 1 April 2023 to 31 December 2023, and the years ended 31 December 2024 and 2025 to 2026. The above amendments to the terms of the loans are collectively referred to as (the “**Loan Amendments**”).

In 31 December 2024, the Group’s outstanding bank borrowing is in the amount of RMB6,000,000.

Financial Review

For the year ended 31 December 2024, the revenue of the Group was approximately RMB17,143,000 (2023: RMB26,717,000), representing a decrease of approximately 36% as compared to the corresponding financial period in 2023.

Due to conflicts in neighboring countries causing global instability, logistical adjustments were necessitated for cross-border freight operations. Following mutual agreements with clients, the fulfillment of pending orders was deferred, thereby contributing to a decline in 2024 revenue.

For the year ended 31 December 2024, the cost of sale of the Group was approximately RMB10,715,000 (2023: RMB14,333,000), representing a decrease of approximately 25% as compared to that of the last financial year. The decrease was mainly due to the decrease in sales revenue and corresponding decrease in cost of sales.

For the year ended 31 December 2024, The gross profit margin of the Group was 37.5% (2023: 46.35%). Due to the impact of the international situation, the export of the Group's products was hindered, and the sales of the Group's products in the market decreased in 2024 as compared with the previous year, the gross profit margin decreased in 2024.

For the year ended 31 December 2024, the Group recorded other income, gains and losses amounting to approximately RMB9,883,000 (2023: RMB8,401,000), representing a significant increase of approximately RMB1,482,000 as compared to the last financial year. The details of other income, gains and losses are set out in note (5).

For the year ended 31 December 2024, the Group recorded administrative and other operating expenses of approximately RMB29,207,000 (2023: RMB23,802,000), representing an increase of approximately RMB5,405,000 as compared to the corresponding financial period in 2023.

For the year ended 31 December 2024, the Group recorded finance costs of approximately RMB9,967,000 (2023: RMB8,932,000), representing an increase of approximately RMB1,035,000 as compared to the corresponding financial period in 2023. The details of finance costs are set out in note (6).

For the year ended 31 December 2024, the loss after tax of the Group was approximately RMB33,620,000 (2023: RMB10,375,000).

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 2024, the amount due to Taiyuan Changcheng was approximately RMB23,803,000 (2023: RMB22,100,000).

The Group obtained financial assistance from Beijing Gensir, a substantial shareholder of the Company. As at 31 December 2024, the amount due to Beijing Gensir was approximately RMB1,475,000 (2023: RMB1,313,000).

The Group obtained financial assistance from two connected persons (the “**Connected Persons**”). As at 31 December 2024, the amount due to Connected Persons was approximately RMB757,000 (2023: RMB733,000).

For the year ended 31 December 2024, total interest charged by Taiyuan Changcheng, Beijing Gensir and Connected Persons was approximately RMB1,647,000 (2023: RMB1,465,000), RMB43,000 (2023: RMB29,000) and RMB25,000 (2023: RMB24,000) 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 2024, the Group had an outstanding bank borrowing in the amount of RMB6,000,000 (2023: RMB6,020,000).

As at 31 December 2024, the Group had outstanding other borrowings in the amount of approximately RMB64,770,000 (2023: RMB64,768,000), including non-current portion of approximately RMB58,826,000 (2023: RMB59,024,000) and current portion of approximately RMB5,944,000 (2023: RMB5,744,000).

Liquidity and Financial Resources

As at 31 December 2024, the total assets of the Group decreased by approximately RMB8,796,000 to approximately RMB162,874,000 as compared to approximately RMB171,670,000 as at the end of the previous financial period, representing a decrease of approximately 5.12%.

As at 31 December 2024, the total liabilities of the Group increased by approximately RMB24,824,000 to approximately RMB304,795,000 as compared to approximately RMB279,971,000 as at the end of the previous financial period, representing an increase of approximately 8.87%.

As at 31 December 2024, the total deficit on equity of the Group increased by approximately RMB33,620,000 to approximately RMB141,921,000 as compared to approximately RMB108,301,000 as at the end of the previous financial period.

Gearing Ratio

As at 31 December 2024, the gearing ratio (defined as net debt divided by total deficit plus net debt) of the Group was approximately 200% (2023: 173%).

Significant Investment Held

As at 31 December 2024, the Group held interests in associates with the carrying value of RMB Nil (2023: RMB Nil).

Acquisition and Disposal of Subsidiaries

The Group had no acquisition and disposal of subsidiaries during the year ended 31 December 2024.

Pledge of Assets

As at 31 December 2024, certain buildings at carrying amount of approximately RMB40,093,000 (2023: RMB41,501,000) were pledged to secure a bank borrowing to the Group.

As at 31 December 2024, the Group's right-of-use assets located at No. 7 Dianzi Street, Demonstration Zone, Shanxi, the PRC was pledged to secure a bank borrowing to the Group.

Contingent Liabilities

As at 31 December 2024, 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.

Events After the Reporting Period

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, lenders and bankers; (ii) negotiating and implementing loan interest reduction plan with shareholders and lenders; (iii) negotiating extension repayment plans with creditor; (iv) seeking further financial support from substantial shareholders and lenders; and (v) seeking and communicating with customers on the sales of fiber optic products.

HUMAN RESOURCES

As at 31 December 2024, the Group had approximately 295 full-time employees. The Group remunerates its employees based on their experience, performance and value, which they contribute to the Group.

OTHER INFORMATION

Corporate Governance Code

In connection with the listing of the Company on the Stock Exchange in February 2004, the Company adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix C1 to the Listing Rules. The Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2024.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. Having made specific enquiry, the Company confirmed that all Directors have complied with the Model Code throughout the year ended 31 December 2024.

ANNUAL GENERAL MEETING

The date of the annual general meeting of the Company (the “**AGM**”) to receive, consider and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditor of the Company for the year ended 31 December 2024 will be announced in due course. The notice and circular convening the AGM will be published and dispatched to the shareholders in accordance with the requirements of the Listing Rules in due course. Shareholders should refer to details in the circular of the Company regarding the AGM, the notice of AGM and the form of proxy.

SCOPE OF WORK OF BEIJING XINGHUA CAPLEGEND CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, Beijing Xinghua Caplegend CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Beijing Xinghua Caplegend CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Beijing Xinghua Caplegend CPA Limited on the preliminary announcement.

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises all the independent non-executive Directors, namely Mr. Xu Yongfeng (the Chairman), Mr. Wang Weizhong and Mr. Rong Fei. The Audit Committee has reviewed together with the management and the independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the consolidated financial statements. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2024.

SUPPLEMENTAL DETAILS OF DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The additional time is required for the auditors of the Company to complete the audit work, due to the process of collecting and collating the necessary information and documents for the auditors to complete its audit process, including, but not limited to, required information for the asset valuation process and audit confirmation letters, to the auditors for the audit process.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.sxccoe.com) in due course. The 2024 annual report of the Company will be despatched to the shareholders and published on the aforesaid websites in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2025, pending the release of the annual results of the Company for the year ended 31 December 2024 contained in this announcement. Upon the publication of this announcement, an application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 16 April 2025.

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

Taiyuan City, Shanxi Province, the PRC, 15 April 2025

As at the date of this announcement, the Board comprises eight directors, of which three are executive directors, namely 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".