



Shanxi Changcheng

Microlight Equipment Co. Ltd. *

山西長城微光器材股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(於中華人民共和國註冊成立之股份有限公司)

(Stock Code 股份代號: 8286)

2020

Third Quarterly Report

*For identification purpose only

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*This report, for which the directors of Shanxi Changcheng Microlight Equipment Co. Ltd. (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

FINANCIAL RESULTS

The board of directors (the “**Board**”) of Shanxi Changcheng Microlight Equipment Co. Ltd. (the “**Company**”) announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (audited)
REVENUE	5	(6,808)	11,113	(10,466)	35,865
Cost of sales		1,502	(6,019)	3,613	(20,752)
Gross (loss)/profit		(5,306)	5,094	(6,853)	15,113
Other income, gains and losses		628	181	2,243	5,200
Selling and distribution costs		(180)	(360)	(265)	(729)
Administrative and other operating expenses		(1,569)	(4,892)	(8,145)	(13,133)
FINANCE COSTS	6	(2,092)	33	(6,650)	(5,749)
Share of loss of an associate		-	(9)	-	(49)
(Loss)/profit before tax		(8,519)	47	(19,670)	653
INCOME TAX EXPENSE	7	-	-	-	(1)
(Loss)/profit and total comprehensive (loss)/income for the period		(8,519)	47	(19,670)	652
Attributable to:					
- Owners of the Company		(8,518)	47	(19,669)	652
- Non-controlling interests		(1)	-	(1)	-
		(8,519)	47	(19,670)	652
(LOSS)/EARNINGS PER SHARE (RMB)					
- Basic and diluted	8	(0.028)	0.0002	(0.064)	0.002

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shanxi Changcheng Microlight Equipment Co. Ltd. was incorporated in the Mainland of the People's Republic of China (the "**PRC**") on 10 November 2000 as a joint stock limited company. The Company's H shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. GOING CONCERN BASIS

As at 30 September 2020, the Group had net current liabilities and net liabilities of approximately RMB77,519,000 and RMB65,720,000 respectively. In addition, the Group had outstanding bank and other borrowings amounting to approximately RMB27,032,000 as at 30 September 2020 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 intended and taken active steps to improve the liquidity position of the Group. These steps include (i) 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, the Company will revitalize the assets, develop new products and expand new markets and areas; (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.

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 third quarterly 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 third quarterly financial statements.

3. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The principal accounting policies and methods of computation used in the preparation of these unaudited consolidated financial statements are consistent with those adopted in the preparation of the annual report of the Company for the year ended 31 December 2019.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual report and should be read in conjunction with the annual report of the Group for the year ended 31 December 2019.

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

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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 period and prior year.

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.

5. REVENUE

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

6. FINANCE COSTS

	For the nine months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Interest on bank borrowing	669	1,163
Interest on other borrowings	5,602	4,707
Interest on amounts due to shareholders	379	769
	6,650	6,639
Less: interest wavier granted	-	(890)
	6,650	5,749

7. INCOME TAX EXPENSE

	For the nine months ended 30 September	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Current PRC Enterprise income tax		
– Charge for the period	-	1
Deferred tax	-	-
Total tax charge	-	1

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: RMB nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

8. (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share:

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and nine months ended 30 September 2020 of approximately RMB8,518,000 and RMB19,669,000 respectively (for the three months and nine months ended 30 September 2019: profit attributable to owners of the Company of approximately RMB47,000 and RMB652,000 respectively) and 308,860,000 (2019: 308,860,000) shares in issue during the period.

Diluted (loss)/earnings per share:

There were no diluted potential ordinary shares in issue during the nine months ended 30 September 2020 and 2019.

9. DIVIDEND

The Directors of the Company do not recommend the payment of any dividend for each of the nine months ended 30 September 2020 and 2019.

10. MOVEMENT OF RESERVES

	Attributable to owners of the Company							
	share capital	Capital surplus	Statutory reserves*	Other reserves	Issued Accumulated losses*	Total	Non-controlling equity	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(audited)</i>								
At 1 January 2019	30,886	18,561	11,853	-	(100,164)	(38,864)	(29)	(38,893)
Total comprehensive income for the period	-	-	-	-	652	652	-	652
Gain on shareholder's loan modification	-	-	-	977	-	977	-	977
As at 30 September 2019	<u>30,886</u>	<u>18,561</u>	<u>11,853</u>	<u>977</u>	<u>(99,512)</u>	<u>(37,235)</u>	<u>(29)</u>	<u>(37,264)</u>
<i>(unaudited)</i>								
At 1 January 2020	30,886	18,561	11,860	977	(108,291)	(46,007)	(43)	(46,050)
Total comprehensive loss for the period	-	-	-	-	(19,669)	(19,669)	(1)	(19,670)
As at 30 September 2020	<u>30,886</u>	<u>18,561</u>	<u>11,860</u>	<u>977</u>	<u>(127,960)</u>	<u>(65,676)</u>	<u>(44)</u>	<u>(65,720)</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business of the Group

Since the listing of the Company on the GEM of the Stock Exchange in 2004, the Group has been engaged in design, research, development, manufacture, and sale of image transmission fiber optic products as its principal business. Image transmission fiber optics products manufactured by the Group are image transmission devices containing a rigidly bundle of optical fibers arranged in an ordered fashion so that images can be transmitted from one end of the optical fiber bundle and displayed on the other end of the bundle. A typical image transmission fiber optic product of the Group would consist of over 10 million optical fibers.

At present, the Group produces five main products, including fiber optic inverters, fiber optic straight plates, fiber optic face plates, fiber optic tapers and microchannel plates. Although fiber-optic imaging devices (fiber optic inverters, fiber optic face plates, fiber optic tapers and microchannel plates) have been increasingly used in medical imaging equipment, digital photography, physics, biochemistry and other civilian applications in recent years, they are currently mainly used in military low-light night vision devices and military low-light night vision video systems. Its customers are mainly located at China, Russia and other Asian countries.

Details of the total sales to external customers by product and the percentage of total revenue by product for the nine months ended 30 September 2019 and 2020 are as follows:

	For the nine months ended 30 September			
	2020		2019	
	RMB'000	%	RMB'000	%
	(unaudited)		(audited)	
Fiber optic inverters	1,518	23	15,284	42
Fiber optic straight plates	2,164	32	4,559	13
Fiber optic face plates	57	1	380	1
Fiber optic tapers	416	6	1,763	5
Microchannel plates	2,249	33	13,492	38
Others	327	5	387	1
Total sales	<u>6,731</u>	<u>100</u>	<u>35,865</u>	<u>100</u>
Fiber optic inverters (return)	(8,171)	47	-	-
Fiber optic tapers (return)	(684)	4	-	-
Microchannel plates (return)	(8,342)	49	-	-
Total returns	<u>(17,197)</u>	<u>100</u>	<u>-</u>	<u>-</u>
Total	<u>(10,466)</u>		<u>35,865</u>	

Note: Returns are the sales returns for 2019

During the first half of 2019, as the Group changed its major raw material supplier to a new supplier of raw materials due to technological transformation of production equipment of the major raw material supplier. However, due to the unqualified product technical indicators of the new supplier, the quality of the Company's product is unstable and the product yield is low, which have affected the normal use of customers. Affected by the Pandemic in early 2020, the Group was unable to replenish the raw materials in time, and the customers were also greatly affected due to the Pandemic control measures. The products they purchased also formed a backlog and they were unable to make payments. After communicating with customers, they agreed to return the purchased products for sales return.

Change in Management Team and Board Composition

The Group gradually underwent the change in certain management team members since the first quarter of 2020. As disclosed in the Company's announcement dated 20 January 2020, Mr. Zhao Taibing was appointed as the general manager of the Company, Mr. Chen Senbiao was appointed as the financial controller of the Company, Ms. Guo Weiwei was appointed as the secretary of the Board of the Company, Mr. Song Zhenglai was appointed as the compliance officer and authorized representative of the Company. As disclosed in the Company's announcement dated 17 February 2020, Mr. Wu Bo was appointed as the chairman of the Board of the Company. As disclosed in the Company's announcement dated 31 July 2020, Ms. Han Lei was appointed as the company secretary and authorized representative of the Company.

At the beginning of such appointment, the new management team plans to continue to promote the improvement measures and technical upgrade of the image transmission fiber optic production process, actively expands civilian customers, and broadens the market and sales channels. However, due to the outbreak of the novel coronavirus pandemic (the "**Pandemic**") since the early of 2020, which has had a greater impact on the Company's production, sales and operations, the new management team has been committed to reducing the impact of the Pandemic and bringing the Company back on track as soon as possible.

Financial Position and Going Concern Issue

As at 30 September 2020, the Group had net current liabilities and net liabilities of approximately RMB77,519,000 and RMB65,720,000 respectively. In addition, the Group had outstanding bank and other borrowings amounting to approximately RMB27,032,000 as at 30 September 2020 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 order to improve the financial position of the Group, the directors of the Company has planned and adopted (including but not limited to) the following measures (“**Financial Measures**”):

(i) At the capital level:

Introducing new strategic investors into the private placement of new shares/ bonds, and negotiating and implementing a debt restructuring plan with shareholders, borrowers and financial 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:

Negotiating and implementing interest reduction/exemption program with shareholders and borrowers and seeking financial support from shareholders and borrowers.

On 11 July 2019, Taiyuan Changcheng Optics Electronics Industrial Company Limited (“**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 latest developments, shareholders encountered obstacles in raising funds due to the tightening of bank loans to enterprises, therefore, the drawdown date of the Shareholders' Loan A and Shareholders' Loan B cannot be determined for the time being. When appropriate, shareholders will negotiate and determine the time.

Impact of Novel Coronavirus Pandemic

The Group's head office and all production plants and facilities are located in Taiyuan City, Shanxi Province, China. 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 continuing impact of the Pandemic and the continuous implementation of the Hygiene Prevention and Control Measures and Resumption of Work Control Measures during the first three quarters of 2020, the Group's production plants have been temporarily ceased production since the early of 2020. The Group's production and operation have been severely affected, leading to a significant decline in the sales and financial results performance of the Group for the first three quarters of 2020. With the improvement of the Pandemic situation and the relaxation of government control, the entire industry has resumed production and work in the second half of the year, which will inevitably bring an increase in sales and achieve the realisation of inventory sales.

Financial Review

For the nine months ended 30 September 2020, the Group's turnover was approximately negative RMB10,466,000 and included in turnover was the return expenses of negative RMB17,197,000 (for the nine months ended 30 September 2019: RMB35,865,000), representing a decrease of approximately 129.18% as compared to that of the corresponding financial period.

For the nine months ended 30 September 2020, the Group's cost of sales was approximately negative RMB3,613,000, including the return cost reversed of negative RMB8,739,000 (for the nine months ended 30 September 2019: RMB20,752,000), representing a decrease of approximately 117.41% as compared to that of the corresponding financial period.

The gross loss of the Group for the nine months ended 30 September 2020 was RMB6,853,000 (for the nine months ended 30 September 2019: gross profit of RMB15,113,000).

As a major raw material supplier of the Group (the "**Original Supplier**") had been unable to provide raw materials for the Group in a normal way since 2019 due to technological transformation of production equipment, the Original Supplier was changed to a new supplier (the "**New Supplier**") by the Group. However, due to the unqualified product technical indicators of the New Supplier, the quality of the Company's product is unstable and the product yield is low, which have affected the normal use of customers. Affected by the Pandemic, the Company was unable to replenish the raw materials in time, and the three customers involved in the returned products were also greatly affected due to the Pandemic control measures. The products they purchased also formed a backlog and they were unable to make payments. After communicating with customers, they agreed to return the purchased products for sales return.

In the first half of 2020, the Original Supplier has resumed the supply of raw materials, guaranteeing the product qualification rate.

In terms of returned products, while maintaining sales to military customers, the Company will actively seek for civilian customers and use the returned products for coming sales in the civilian product market to realise the resale of products.

The Group reported other income, gains and losses amounting to approximately RMB2,243,000 for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: RMB5,200,000), representing a decrease of approximately RMB2,957,000 as compared to that of the corresponding financial period. Other income, gains and losses for the nine months ended 30 September 2020 were mainly attributable to the amortization of deferred government grants of approximately RMB2,229,000.

Administrative and other operating expenses of the Group for the nine months ended 30 September 2020 was approximately RMB8,145,000 (for the nine months ended 30 September 2019: RMB13,133,000), representing a decrease of approximately RMB4,988,000 as compared to that of the corresponding financial period.

The Group reported finance costs amounting to approximately RMB6,650,000 for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: RMB5,749,000), representing an increase of approximately RMB901,000 as compared to that of the corresponding financial period. Details of finance costs are set out in note (6) to the condensed consolidated financial statements.

The loss after tax for the nine months ended 30 September 2020 of the Group was approximately RMB19,669,000 (for the nine months ended 30 September 2019: profit after tax of RMB652,000).

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

The Group obtained financial assistance from Taiyuan Changcheng, a substantial shareholder of the Company. As at 30 September 2020, the amount due to Taiyuan Changcheng was approximately RMB18,973,000. The financial assistance of RMB1,300,000 provided by Taiyuan Changcheng to the Company are secured by certain plant and machinery and motor vehicles of the Company.

The Group obtained financial assistance from Beijing Gensir, a substantial shareholder of the Company. As at 30 September 2020, the amount due to Beijing Gensir was approximately RMB1,157,000.

The Group obtained financial assistance from two connected persons (the “**Connected Persons**”). As at 30 September 2020, the amount due to Connected Persons was approximately RMB652,000.

For the nine months ended 30 September 2020, total interest charged by Taiyuan Changcheng, Beijing Gensir and Connected Persons was approximately RMB365,000, RMB14,000 and RMB18,000 respectively. The directors of the Company consider that the interest charged by Taiyuan Changcheng, Beijing Gensir and Connected Persons are based on normal commercial terms or better. The financial assistances and interest expenses are exempted from connected transaction requirements.

Bank and Other Borrowings

As at 30 September 2020, the Group had an outstanding bank borrowing amounting to RMB11,500,000 (as at 31 December 2019: RMB13,000,000), which had been renewed in December 2019. The term of the bank borrowing is three years commencing on 30 December 2019.

As at 30 September 2020, the Group had outstanding other borrowings amounting to approximately RMB77,361,000 (including non-current portion of approximately RMB62,481,000 and current portion of approximately RMB14,880,000).

Pledge of Assets

As at 30 September 2020, certain plant and machinery and medium term leasehold buildings at carrying amount of approximately RMB43,000 and RMB45,944,000 (31 December 2019: RMB134,000 and RMB47,137,000) respectively were pledged to secure a bank borrowing to the Group.

As at 30 September 2020, the Group's right-of-use asset located at No. 7 Dianzi Street, Demonstration Zone, Shanxi, the PRC were pledged to secure a bank borrowing to the Group.

As at 30 September 2020, plant and machinery and motor vehicles at carrying amount of approximately RMB539,000 and RMB nil (31 December 2019: RMB723,000 and RMB nil) respectively were pledged to secure the amount due to a shareholder.

OTHER INFORMATION

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

As at 30 September 2020, 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%

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

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 30 September 2020, none of the directors or supervisors of the Company nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules.

Substantial Shareholders

As at 30 September 2020, 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 <i>(Note 1)</i>	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 <i>(Note 2)</i>	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 controlled corporations	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 controlled corporations	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 30 September 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 or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the nine months ended 30 September 2020.

Share Option Scheme

The Group do not have share option scheme.

Directors' and Supervisors' Rights to Acquire H Shares

During the nine months ended 30 September 2020, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 September 2020, none of the directors or supervisors of the Company nor their spouses or children under the age of 18 had any right to acquire H shares of the Company or had exercised any such right during the period.

Contracts of Significance

The directors of the Company believe that no contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party, and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at 30 September 2020 or at any time during the nine months ended 30 September 2020.

Competing Interests

The directors of the Company believe that none of the directors, supervisors and management shareholders of the Company nor any of their respective associates had an interest in a business which competes or may compete with the business of the Group during the nine months ended 30 September 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 has been appointed as the chairman of the audit committee. The audit committee has reviewed the unaudited results of the Group for the nine months ended 30 September 2020.

By order of the Board

Shanxi Changcheng Microlight Equipment Co. Ltd.

Wu Bo

Chairman

Taiyuan City, Shanxi Province, the PRC, 13 November 2020

As at the date of this report, the board of directors comprises nine directors, of which four are executive directors, namely Mr. Zhao Zhi, Mr. Song Zhenglai, Mr. Jiao Baoguo and Ms. Wang Lingling; two non-executive directors, namely Mr. Yuan Guoliang and Mr. Wu Bo; and three independent non-executive directors, namely Mr. Xu Yongfeng, Mr. Wang Weizhong and Mr. Rong Fei.