



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)

2021

Interim Report

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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 six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021	2020	2021	2020
		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
REVENUE	5	3,168	(3,631)	5,947	(3,658)
Cost of sales		(2,532)	2,085	(5,041)	2,111
Gross profit/(loss)		636	(1,546)	906	(1,547)
Other income, gains and losses	7	643	874	1,684	1,615
Selling and distribution costs		(78)	(83)	(103)	(85)
Administrative and other operating expenses		(4,090)	(3,109)	(7,786)	(6,576)
Finance costs	8	(2,144)	(3,633)	(4,555)	(4,558)
Share of loss of an associate		-	-	-	-
(Loss) before tax		(5,033)	(7,497)	(9,854)	(11,151)
Income tax expense	9	-	-	-	-
(Loss) and total comprehensive (loss) for the period		(5,033)	(7,497)	(9,854)	(11,151)

		For the three months		For the six months	
		ended 30 June		ended 30 June	
		2021	2020	2021	2020
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Attributable to:					
	- Owners of the Company	(5,033)	(7,497)	(9,854)	(11,151)
	- Non-controlling interests	-	-	-	-
		<u>(5,033)</u>	<u>(7,497)</u>	<u>(9,854)</u>	<u>(11,151)</u>
	- Basic and diluted	(0.016)	(0.024)	(0.032)	(0.036)
		<u>(0.016)</u>	<u>(0.024)</u>	<u>(0.032)</u>	<u>(0.036)</u>

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CONDENSED CONSOLIDATED STATEMENT OF POSITION

As at 30 June 2021

	30 June 2021	31 December 2020
Notes	RMB'000 (unaudited)	RMB'000 (audited)
NON-CURRENT ASSETS		
Property, plant and equipment	120,768	124,325
Right-of-use assets	9,799	9,948
Interests in associates	–	–
	130,567	134,273
CURRENT ASSETS		
Inventories	13,629	12,696
Trade receivables	11,814	21,427
Prepayments, deposits and other receivables	5,420	4,140
Cash and cash equivalents	604	1,216
	31,467	39,479
CURRENT LIABILITIES		
Trade payables	8,826	8,958
Accruals and other payables	102,023	99,277
Contract liabilities	5,523	5,480
Amount due to shareholders	20,235	19,595
Bank and other borrowings	80,644	81,320
	217,251	214,630
NET CURRENT LIABILITIES	(185,784)	(175,151)
TOTAL ASSETS LESS CURRENT LIABILITIES	(55,217)	(40,878)

	30 June 2021	31 December 2020
<i>Notes</i>	RMB'000	RMB'000
	(unaudited)	(audited)
NON-CURRENT LIABILITIES		
Deferred government grants	23,197	24,322
Bank and other borrowings	5,407	8,767
	<u>28,604</u>	<u>33,089</u>
NET LIABILITIES	<u>(83,821)</u>	<u>(73,967)</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	15 30,886	30,886
Reserves	<u>(114,658)</u>	<u>(104,804)</u>
	(83,772)	(73,918)
Non-controlling interests	<u>(49)</u>	<u>(49)</u>
Total equity	<u>(83,821)</u>	<u>(73,967)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company							
	Issued share capital	Capital reserve*	Statutory surplus reserves*	Other reserves*	Accumulated losses*	Non-controlling interest	Total equity	
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	
(audited)								
At 1 January 2020	30,886	18,561	11,860	977	(108,291)	(46,007)	(43)	(46,050)
Total comprehensive loss for the period	-	-	-	-	(11,151)	(11,151)	-	(11,151)
As at 30 June 2020	<u>30,886</u>	<u>18,561</u>	<u>11,860</u>	<u>977</u>	<u>(119,442)</u>	<u>(57,158)</u>	<u>(43)</u>	<u>(57,201)</u>
(audited)								
At 1 January 2021	30,886	18,561	11,860	977	(136,202)	(73,918)	(49)	(73,967)
Total comprehensive loss for the period	-	-	-	-	(9,854)	(9,854)	-	(9,854)
As at 30 June 2021	<u>30,886</u>	<u>18,561</u>	<u>11,860</u>	<u>977</u>	<u>(146,056)</u>	<u>(83,772)</u>	<u>(49)</u>	<u>(83,821)</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash flows used in operating activities	2,798	(5,903)
Net cash flows used in investing activities	(14)	(1,723)
Net cash flows generated from financing activities	(3,396)	8,243
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(612)	617
Cash and cash equivalents at 1 January	1,216	144
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	604	761
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	604	761
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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

The Group had net current liabilities and net liabilities of approximately RMB185,784,000 and RMB83,821,000 respectively. In addition, the Group had outstanding bank and other borrowings amounting to approximately RMB80,644,000 as at 30 June 2021. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In addition, the directors of the Company have been taking 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 interim 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 interim financial statements.

3. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “**Interim Financial Reporting**” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by 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 2020.

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 2020.

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 2021. 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.

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Manufacturing and sales of Fiber Optic Products	5,947	(3,703)
Others	-	45
	<hr/>	<hr/>
Revenue from contracts with customers	5,947	(3,658)
	<hr/> <hr/>	<hr/> <hr/>

Disaggregation of revenue from contracts with customers

	Manufacturing and sales of Fiber Optic Products	For the six months ended 30 June 2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment		
<i>Geographical markets</i>		
The PRC	4,630	4,630
Hong Kong and other Asian countries	158	158
Europe and Russia	1,159	1,159
	<hr/>	<hr/>
	5,947	5,947
	<hr/> <hr/>	<hr/> <hr/>

	Manufacturing and sales of Fiber Optic Products RMB'000 (unaudited)	For the six months ended 30 June 2021 RMB'000 (unaudited)
<i>Major products</i>		
Fiber optic inverters	3,506	3,506
Fiber optic straight plates	1,086	1,086
Fiber optic face plates	311	311
Fiber optic tapers	581	581
Microchannel plates	463	463
	5,947	5,947
<i>Timing of revenue recognition</i>		
At a point in time	5,947	5,947
Over time	-	-
	5,947	5,947

	Manufacturing and sales of Fiber Optic Products <i>RMB'000</i> (unaudited)	Others <i>RMB'000</i> (unaudited)	For the six months ended 30 June 2020 <i>RMB'000</i> (unaudited)
Segment			
<i>Geographical markets</i>			
The PRC	1,552	45	1,597
Hong Kong and other Asian countries	585	-	585
Hong Kong and other Asian countries (return)	(5,765)	-	(5,765)
Europe and Russia	10	-	10
Europe and Russia (return)	(85)	-	(85)
	<u>(3,703)</u>	<u>45</u>	<u>(3,658)</u>
<i>Major products</i>			
Fiber optic inverters	20	-	20
Fiber optic inverters (return)	(4,674)	-	(4,674)
Fiber optic straight plates	900	-	900
Fiber optic face plates	-	-	-
Fiber optic tapers	-	-	-
Fiber optic tapers (return)	(684)	-	(684)
Microchannel plates	1,228	-	1,228
Microchannel plates (return)	(493)	-	(493)
Others	-	45	45
	<u>(3,703)</u>	<u>45</u>	<u>(3,658)</u>
<i>Timing of revenue recognition</i>			
At a point in time	(3,703)	45	(3,658)
Over time	-	-	-
	<u>(3,703)</u>	<u>45</u>	<u>(3,658)</u>

6. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to profit/loss were mainly derived from its sale of fiber optic inverters, fiber optic straight plates, fiber optic face plates, fiber optic tapers and microchannel plates (collectively referred as to "**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 product and the percentage of total revenue by product during the period:

	For the six months ended 30 June			
	2021		2020	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Fiber optic inverters	3,506	59	(4,654)	127
Fiber optic straight plates	1,086	18	900	-25
Fiber optic face plates	311	5	-	-
Fiber optic tapers	581	10	(684)	19
Microchannel plates	463	8	735	-20
Others	-	-	45	-1
	<u>5,947</u>	<u>100</u>	<u>(3,658)</u>	<u>100</u>

Note: For the six months ended 30 June 2020, the return of fiber optic inverters, fiber optic tapers and microchannel plates amounted to approximately RMB4,674,000, RMB684,000 and RMB493,000 respectively. Net sales are reported as negative figures as sales of fiber optic inverters and fiber optic tapers were less than sales returns during the reporting period.

(ii) Geographical information

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

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The PRC	4,630	1,597
Hong Kong and other Asian countries	158	(5,180)
Europe and Russia	1,159	(75)
	5,947	(3,658)

(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:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A	2,100	805
Customer B	1,757	585
Customer C	-	554

7. OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses were mainly from government grants of approximately RMB1,125,000.

8. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank borrowing	418	451
Interest on other borrowings	3,884	3,854
Interest on amounts due to shareholders	253	253
	4,555	4,558

9. Income tax expense

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current PRC enterprise income tax:		
– Charge for the period	–	–
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 six months ended 30 June 2021 (for the six months ended 30 June 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.

10. (LOSS) PER SHARE

Basic (loss) per share:

The calculation of basic (loss) per share is based on the loss attributable to owners of the Company of approximately RMB9,854,000 (for the six months ended 30 June 2020: loss attributable to owners of the Company of RMB11,151,000) and 308,860,000 (2020: 308,860,000) shares in issue during the period.

Diluted (loss) per share:

There were no diluted potential ordinary shares in issue during the six months ended 30 June 2021 and 2020.

11. INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of any dividend for each of the six months ended 30 June 2021 and 2020.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately RMB14,000.

13. TRADE RECEIVABLES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Trade receivables	18,524	28,137
Less: impairment of trade receivables	(6,710)	(6,710)
	<u>11,814</u>	<u>21,427</u>

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

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Within 90 days	5,433	20,064
91 to 180 days	1,080	1,265
181 to 365 days	5,294	98
Over 365 days	7	-
	11,814	21,427

14. Trade payables

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

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
0 to 90 days	1,031	532
91 to 180 days	335	887
181 to 365 days	1,028	2,148
Over 365 days	6,432	5,391
	8,826	8,958

15. Share capital

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Authorised, issued and fully paid:		
198,860,000 (2020: 198,860,000) domestic 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
	30,886	30,886

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.

16. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Contracted contribution to associates	49	49
	49	49

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 six months ended 30 June 2021 and 2020 are set out in note (6) to the condensed consolidated financial statements.

Change in Management Team and Board Composition

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

Upon such appointment, the new management team continues 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 June 2021, the Group had net current liabilities and net liabilities of approximately RMB185,784,000 and RMB83,821,000 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.

In order to improve the financial position of the Group, the directors of the Company have 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 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 principal terms of the Shareholders' Loan A and the Shareholders' Loan B has been summarized and disclosed in the Company's announcement dated 31 July 2019. According to the updates from the Lenders, the drawdown dates 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 City, 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 the PRC. Due to ongoing impact of the Pandemic from the beginning 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 six months ended 30 June 2021, the Group's turnover was approximately RMB5,947,000. As included in turnover was the return expenses of negative RMB5,851,000 the turnover of the corresponding financial period last year was approximately negative RMB3,658,000.

For the six months ended 30 June 2021, the Group's cost of sales was approximately RMB5,041,000. As included in cost of sales was the return cost reversed of negative RMB3,620,000 the cost of sales of the corresponding financial period last year was approximately negative RMB2,111,000.

The gross profit of the Group for the six months ended 30 June 2021 was RMB906,000 (for the six months ended 30 June 2020: gross loss of negative RMB1,547,000).

The Group reported other income, gains and losses amounting to approximately RMB1,684,000 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB1,615,000), representing an increase of approximately RMB69,000 as compared to that of the corresponding financial period. Other income, gains and losses for the six months ended 30 June 2021 were mainly attributable to the amortization of deferred government grants of approximately RMB1,125,000.

Administrative and other operating expenses of the Group for the six months ended 30 June 2021 was approximately RMB7,786,000 (for the six months ended 30 June 2020: RMB6,576,000), representing an increase of approximately RMB1,210,000 as compared to that of the corresponding financial period.

The Group reported finance costs amounting to approximately RMB4,555,000 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB4,558,000), representing a decrease of approximately RMB3,000 as compared to that of the corresponding financial period. Details of finance costs are set out in note (8) to the condensed consolidated financial statements.

The loss after tax for the six months ended 30 June 2021 of the Group was approximately RMB9,854,000 (for the six months ended 30 June 2020: loss after tax of RMB11,151,000).

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 June 2021, the amount due to Taiyuan Changcheng was approximately RMB19,542,000. 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 30 June 2021, the amount due to Beijing Gensir was approximately RMB693,000.

The Group obtained financial assistance from two connected persons (the **"Connected Persons"**). As at 30 June 2021, the amount due to Connected Persons was approximately RMB671,000.

For the six months ended 30 June 2021, total interest charged by Taiyuan Changcheng, Beijing Gensir and Connected Persons was approximately RMB244,000, RMB9,000 and RMB12,000 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 June 2021, the Group had an outstanding bank borrowing amounting to RMB10,700,000 (as at 31 December 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 30 June 2021, the Group had outstanding other borrowings amounting to approximately RMB75,351,000 (including non-current portion of approximately RMB1,007,000 and current portion of approximately RMB74,344,000).

Liquidity and Financial Resources

As at 30 June 2021, the total assets of the Group decreased by approximately RMB11,718,000 to approximately RMB162,034,000 as compared to approximately RMB173,752,000 as at the end of the previous financial period, representing a decrease of approximately 7%.

As at 30 June 2021, the total liabilities of the Group decreased by approximately RMB1,864,000 to approximately RMB245,855,000 as compared to approximately RMB247,719,000 as at the end of the previous financial period, representing a decrease of approximately 1%.

As at 30 June 2021, the total equity of the Group decreased by approximately RMB9,854,000 to approximately negative RMB83,821,000 as compared to approximately negative RMB73,967,000 as at the end of the previous financial period.

Gearing Ratio

As at 30 June 2021, the gearing ratio (defined as total debts divided by total assets) of the Group was approximately 152% (31 December 2020: 143%).

Significant Investment Held

As at 30 June 2021, the Group held interests in associates with the carrying value of approximately RMB nil (31 December 2020: RMB nil).

Acquisition and Disposal of Subsidiaries

The Group had no acquisition and disposal of subsidiaries during the six months ended 30 June 2021.

Pledge of Assets

As at 30 June 2021, certain plant and machinery and medium term leasehold buildings at carrying amount of approximately RMB nil and RMB44,970,000 (31 December 2020: RMB17,000 and RMB45,726,000) respectively were pledged to secure a bank borrowing to the Group.

As at 30 June 2021, 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 June 2021, plant and machinery and motor vehicles at carrying amount of approximately RMB417,000 and RMB nil (31 December 2020: RMB484,000 and RMB nil) respectively were pledged to secure the amount due to a shareholder.

Contingent Liabilities

As at 30 June 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 30 June 2021, the Group had approximately 430 full-time employees. The Group remunerates its employees based on their experience, performance and value, which they contribute to the Group.

OTHER INFORMATION

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

As at 30 June 2021, the directors and 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:

- 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 June 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 30 June 2021, 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 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%
Jia Yaotian	Interest in a controlled corporation	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%

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*
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 30 June 2021, 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 the Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2021.

Share Option Scheme

The Group do not have share option scheme.

Directors' and Supervisors' Rights to Acquire H Shares

During the six months ended 30 June 2021, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 June 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 contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party, and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at 30 June 2021 or at any time during the six months ended 30 June 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 six months ended 30 June 2021.

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 six months ended 30 June 2021.

Corporate Governance Practices

The board of directors of the Company recognizes 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 and Corporate Governance Report (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules. In the opinion of the Board of the Company, the Company has complied with the code provisions except for (i) no arrangement of insurance cover in respect of legal action against the directors of the Company (code provisions A1.8) due to insufficient budget provided and (ii) two non-executive directors and three independent non-executive directors of the Company did not attend the annual general meeting of the Company dated 20 August 2020 (code provisions A6.7) due to other engagements.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30 June 2021. Having made specific enquiry of all the directors of the Company, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors of the Company.

By order of the Board

Shanxi Changcheng Microlight Equipment Co. Ltd.

Wu Bo

Chairman

Taiyuan City, Shanxi Province, the PRC, 13 August 2021

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. Wu Bo and Mr. Yuan Guoliang; and three independent non-executive directors, namely Mr. Xu Yongfeng, Mr. Wang Weizhong and Mr. Rong Fei.

This report 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 report will also be published on the Company’s website at “www.sxccoe.com”.