



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)

2024

First Quarterly Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This 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 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 the Company announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2024, together with the comparative figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2024

		For the three months ended 31 March	
		2024	2023
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Revenue	5	3,106	10,053
Cost of sales		<u>(1,626)</u>	<u>(5,809)</u>
Gross profit		1,480	4,244
Other income, gains and losses, net		627	567
Selling and distribution costs		(72)	(222)
Administrative and other operating expenses		(3,968)	(4,030)
Finance costs	6	(2,068)	(861)
Share of loss of an associate		<u>-</u>	<u>-</u>
Loss before tax		(4,001)	(302)
Income tax expense	7	<u>-</u>	<u>-</u>
Loss and total comprehensive loss for the period		<u>(4,001)</u>	<u>(302)</u>
Attributable to:			
– Owners of the Company		(4,001)	(302)
– Non-controlling interests		<u>-</u>	<u>-</u>
		<u>(4,001)</u>	<u>(302)</u>
Loss per share (RMB)			
– Basic and diluted	8	<u>(0.013)</u>	<u>(0.001)</u>

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.

2. GOING CONCERN BASIS

As at 31 March 2024, the Group had net liabilities of approximately RMB112,302,000. 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.

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 substantial 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 first 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 first 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 unaudited condensed 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 HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. 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.

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 three months ended 31 March	
	2024	2023
	RMB'000	RMB'000
Interest on bank borrowing	109	188
Interest on other borrowings	1,782	1,791
Interest on amounts due to shareholders	177	359
	2,068	2,338
Less: Wavier on interest	-	(1,477)
	2,068	861

7. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2024	2023
	RMB'000	RMB'000
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 three months ended 31 March 2024 (for the three months ended 31 March 2023: 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 PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months ended 31 March 2024 of approximately RMB4,001,000 (for the three months ended 31 March 2023: RMB302,000) and 308,860,000 (2023: 308,860,000) shares in issue during the period. There were no diluted potential ordinary shares in issue during the three months ended 31 March 2023 and 2024.

9. DIVIDEND

The Board of the Company does not recommend the payment of any dividend for the three months ended 31 March 2024 (for the three months ended 31 March 2023: Nil).

10. MOVEMENT OF RESERVES

	Attributable to owners of the Company						Non-controlling interest	Total equity
	Issued share capital	Capital surplus	Statutory surplus reserves	Other reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	30,886	18,561	11,860	(4,076)	(163,181)	(97,798)	(128)	(97,926)
Total comprehensive loss for the period	-	-	-	-	(302)	(302)	-	(302)
At 31 March 2023	<u>30,886</u>	<u>18,561</u>	<u>11,860</u>	<u>4,076</u>	<u>(163,483)</u>	<u>(98,100)</u>	<u>(128)</u>	<u>(98,228)</u>
At 1 January 2024	30,886	18,561	11,860	4,076	(173,573)	(108,190)	(111)	(108,301)
Total comprehensive loss for the period	-	-	-	-	(4,001)	(4,001)	-	(4,001)
At 31 March 2024	<u>30,886</u>	<u>18,561</u>	<u>11,860</u>	<u>4,076</u>	<u>(177,574)</u>	<u>(112,191)</u>	<u>(111)</u>	<u>(112,302)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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 European countries.

Financial Position and Going Concern Issue

As at 31 March 2024, the Group had net liabilities of approximately RMB112,302,000. 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.

To improve the financial position of the Group, the Directors of the Company planned and implemented (including but not limited to) the following measures (“**Financial Measures**”):

(i) at 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.

In 31 March 2024, the Group renewed the outstanding bank borrowings and extended the loan term to 30 June 2024.

Financial Review

The sales of the Group for the three months ended 31 March 2024 was approximately RMB3,106,000 (for the three months ended 31 March 2023: approximately RMB10,053,000), representing a decrease of approximately 69.10% as compared to that of the previous financial period.

Details of the total sales to external customers by product and the percentage of total revenue by product for the three months ended 31 March 2023 and 2024 are set out as below:

	For the three months ended 31 March			
	2024		2023	
	RMB'000	%	<i>RMB'000</i>	%
Fiber optic inverters	1,370	45	6,907	68
Fiber optic straight plates	127	4	–	–
Fiber optic face plates	439	14	163	2
Fiber optic tapers	603	19	208	2
Microchannel plates	559	18	2,768	28
Others	8	–	7	–
	<hr/> 8 <hr/>	<hr/> – <hr/>	<hr/> 7 <hr/>	<hr/> – <hr/>
Total sales	3,106	100	10,053	100
	<hr/> 3,106 <hr/>	<hr/> 100 <hr/>	<hr/> 10,053 <hr/>	<hr/> 100 <hr/>

Cost of sales of the Group for the three months ended 31 March 2024 was approximately RMB1,626,000 (for the three months ended 31 March 2023: approximately RMB5,809,000). This represented a decrease of approximately 72.01% over the previous financial year.

Administrative and other operating expenses of the Group for the three months ended 31 March 2024 was approximately RMB3,968,000 (for the three months ended 31 March 2023: RMB4,030,000), representing a decrease of approximately RMB62,000 as compared to that of the previous financial period.

The Group reported finance costs in the amount of approximately RMB2,068,000 for the three months ended 31 March 2024 (for the three months ended 31 March 2023: RMB861,000). Details of the finance costs are disclosed in note 6 to the accounts.

The loss after tax for the three months ended 31 March 2024 of the Group was approximately RMB4,001,000 (for the three months ended 31 March 2023: RMB302,000).

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 March 2024, the amount due to Taiyuan Changcheng was approximately RMB22,300,000. 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 31 March 2024, the amount due to Beijing Gensir was approximately RMB1,507,000.

The Group obtained financial assistance from two connected persons (the "**Connected Persons**"). As at 31 March 2024, the amount due to Connected Persons was approximately RMB740,000.

For the three months ended 31 March 2024, the total interest charged by Taiyuan Changcheng, Beijing Gensir and Connected Persons was approximately RMB175,000, RMB3,000 and RMB6,000 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 March 2024, the Group had an outstanding bank borrowing in the amount of RMB6,020,000. The term of the bank borrowing has been extended to 30 June 2024. The bank borrowing is secured by the Group's certain buildings and production plants located at No. 7 Dianzi Street, Demonstration Zone, Shanxi, the PRC.

As at 31 March 2024, the Group had outstanding other borrowings in the amount of approximately RMB64,155,000.

Financial Assistance to Related Parties

As at 31 March 2024, the amount due from a shareholder – Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000. As at 31 March 2024, the amount of approximately RMB593,000 was fully impaired.

As at 31 March 2024, the amount due from a former related company – Shanxi Jindi Yucheng Medical Equipments Company Limited (formerly known as Taiyuan Huamei Medical Equipments Company Limited) was approximately RMB47,000. As at 31 March 2024 the amount of approximately RMB47,000 was fully impaired.

Pledge of Assets

As at 31 March 2024, certain buildings with carrying amounts of approximately RMB41,250,000 were pledged to secure the Group's bank borrowings.

As at 31 March 2024, 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.

OTHER INFORMATION

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

As at 31 March 2024, 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 31 March 2024, none of the directors or supervisors of the Company nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules.

Substantial Shareholders

As at 31 March 2024, 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 (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%
Ning Shuwu	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 Ning Shuwu. As Ning Shuwu 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, Ning Shuwu is deemed to be interested in the entire 34,000,000 domestic shares held by Beijing Yuankang.

4. According to the interests filing disclosure, these 24,900,000 domestic shares are registered in the name of Taiyuan Tanghai, a company whose issued shares were reportedly registered as to approximately 47.29% in the name of Liu Jiang. As Liu Jiang is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Taiyuan Tanghai, for the propose of the SFO, Liu Jiang is deemed to be interested in the entire 24,900,000 domestic shares held by Taiyuan Tanghai. Qiu Gui Qin, as the spouse of Liu Jiang, is taken to be interested in the shares held by Liu Jiang by virtue of Part XV of the SFO.

Save as disclosed above, the directors of the Company are not aware of other person who, as at 31 March 2024, 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 Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the three months ended 31 March 2024.

Share Option Scheme

The Group do not have share option scheme.

Directors' and Supervisors' Rights to Acquire H Shares

During the three months ended 31 March 2024, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 31 March 2024, 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 31 March 2024 or at any time during the three months ended 31 March 2024.

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 three months ended 31 March 2024.

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 (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 no arrangement of insurance cover in respect of legal action against the directors of the Company (code provisions C.1.8) due to insufficient budget provided.

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 three months ended 31 March 2024. 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.

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 three months ended 31 March 2024.

By order of the Board

Shanxi Changcheng Microlight Equipment Co. Ltd.

Wu Bo

Chairman

Taiyuan City, Shanxi Province, the PRC, 14 May 2024

As at the date of this report, 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 nonexecutive 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 Stock Exchange's website at "www.hkexnews.hk" 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".