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山西長城微光器材股份有限公司
SHANXI CHANGCHENG MICROLIGHT EQUIPMENT CO. LTD.*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8286)

**(I) SHAREHOLDERS' LOAN;
(II) RESTORATION OF MINIMUM PUBLIC FLOAT;
AND
(III) PROGRESS OF FULFILMENT OF RESUMPTION CONDITIONS**

This announcement is made by the board of directors (the "**Board**") of Shanxi Changcheng Microlight Equipment Co. Ltd. (the "**Company**", which together with its subsidiaries, the "**Group**") pursuant to Rules 17.10(2) and 17.26A of The Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 1 August 2018, 8 August 2018, 17 September 2018, 28 September 2018, 31 October 2018, 2 January 2019, 31 January 2019, 10 April 2019, 29 April 2019 and 30 July 2019 in relation to, among others, the update of suspension of trading in the shares of the Company on the Stock Exchange. The Board of the Company wishes to provide to the shareholders of the Company (the "**Shareholders**") further updates as follows:

THE RESUMPTION CONDITIONS

As disclosed in the announcement dated 17 September 2018, the Stock Exchange requested the Company to fulfill the following resumption conditions (the "**Resumption Condition(s)**"):

- (a) publish all the outstanding financial results and address audit modifications;
- (b) announce all material information for the Shareholders and other investors to appraise the Company's position;
- (c) demonstrate its compliance with Rule 17.26 of the GEM Listing Rules; and

In addition to the above, as disclosed in the announcement dated 10 April 2019, the Stock Exchange further requested the Company to fulfill the following additional Resumption Conditions:

- (d) restore the minimum public float pursuant to Rule 11.23(7) of the GEM Listing Rules.

Under the Rule 9.14A(2)(a) of the GEM Listing Rules, the Stock Exchange may cancel the listing of an issuer if trading in the issuer's share has remained suspended for 12 continuous months. The 12-month period will expire on 31 July 2019 (the "**Period**"). The Stock Exchange requests the Company to fulfill the above-mentioned Resumption Conditions before the expiry of the Period to avoid delisting.

SHAREHOLDERS' LOAN

In relation to Resumption Condition (a), on 11 July 2019, Taiyuan Changcheng Optics Electronics Industrial Co., 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 (the “**Loan Agreement A**”) 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 (the “**Supplemental Agreement**”) with the Company in relation to the Shareholders’ Loan A. Pursuant to the Loan Agreement A (as supplemented by the Supplemental Agreement), the key terms of the Shareholders’ Loan A are summarised as below:

Lenders	Beijing Gensir and Taiyuan Changcheng
Borrower	The Company
Principal loan amount	RMB60,000,000
Term of the loan	Commencing from 1 October 2019 to 31 December 2024. Upon maturity, if the Company is in net current liabilities position as at 31 December 2024, the Shareholders’ Loan A will be automatically renewed for a further term of 5 years.
Interest	Nil
Use of proceeds	Funding of technological transformation and upgrade plan and replenishing the Company’s general working capital
Security of the loan	Nil
Conversion right	Upon maturity of the loan, subject to the obtaining of (i) the approval of the Shareholders at the domestic shares class meeting and H shares class meeting of the Company; and (ii) the approval from the Stock Exchange, the outstanding amount of the Shareholders’ Loan A would be converted to convertible bonds subject to the terms and conditions of the Loan Agreement A (as supplemented by the Supplemental Agreement).

In addition, on 30 July 2019, the Lenders have entered into another loan agreement (the “**Loan Agreement B**”) 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. Pursuant to the Loan Agreement B, the key terms of the Shareholders’ Loan B are summarised as below:

Lenders	Beijing Gensir and Taiyuan Changcheng
Borrower	The Company
Principal loan amount	RMB20,000,000
Term of the loan	Commencing from 1 February 2020 to 31 December 2025. Upon maturity, if the Company is in net current liabilities position as at 31 December 2025, the Shareholders’ Loan B will be automatically renewed for a further term of 5 years.
Interest	Nil
Use of proceeds	Funding of technological transformation and upgrade plan and replenishing the Company’s general working capital
Security of the loan	Nil
Conversion right	Upon maturity of the loan, subject to the obtaining of (i) the approval of the Shareholders at the domestic shares class meeting and H shares class meeting of the Company; and (ii) the approval from the Stock Exchange, the outstanding amount of the Shareholders’ Loan B would be converted to convertible bonds subject to the terms and conditions of the Loan Agreement B.

The Board believes that the Shareholders' Loan A and Shareholder's Loan B will significantly improve the liquidity and financial position of the Group. According to the auditors of the Company (the "Auditors"), if (i) the Group can record net current asset position as at 31 December 2019; (ii) the Group can record net profit for the year ending 31 December 2019; and (iii) the Group can provide a cash flow forecast which have no negative cash balance at the end of each month during the cashflow forecast period from 1 January 2019 to 31 December 2020, they can remove the basis of disclaimer of opinion in relation to material uncertainty related to going concern in the auditor's report of the Group for the year ending 31 December 2019.

The Auditor further confirmed that in the event that the Company draws down the entire amount of the Shareholders' Loan A, it is expected that (i) above can be fulfilled, and with reference to the profit and cashflow forecast memorandum submitted by the Company to the Stock Exchange on 31 July 2019 which indicated that (ii) and (iii) above can be fulfilled, the basis of the disclaimer of opinion in relation to material uncertainty related to going concern in the auditors' report of the Group for the year ending 31 December 2019 can be removed accordingly.

RESTORATION OF MINIMUM PUBLIC FLOAT

In relation to Resumption Condition (d), as disclosed in the announcement of the Company dated 30 July 2019 (the "Disposal Announcement"), based on the information available to the Board, Kwong Tat Finance Limited, a substantial shareholder of the Company, disposed of 6,155,000 H shares to an independent third party (the "Disposal") on 26 July 2019, representing approximately 2% of the total issued share capital of the Company as at the date of the Disposal Announcement. Upon completion of the Disposal, the shares of the Company held by the public shareholders represent approximately 34.35% of the total issued share capital of the Company as at the date of the Disposal Announcement, which is above the minimum prescribed percentage of public shareholders of 25% required by Rule 11.23(7) of the GEM Listing Rules. The Board is therefore of the view that the Company had restored the minimum public float.

PROGRESS OF FULFILMENT OF RESUMPTION CONDITIONS

The progress of the fulfilment of resumption conditions by the Company and the status of business operation of the Company are summarised as follow:

Fulfillment of Resumption Conditions

(a) publish all the outstanding financial results and address audit modifications

The Company has issued all the outstanding financial results and addressed all audit modification. In fact, the material uncertainty related to going concern issue is the only audit modification left in the auditors' report of the Group for the six months ended 30 June 2019.

As discussed in the section headed "Shareholders' Loan" above, according to the Auditors, if (i) the Group can record net current asset position as at 31 December 2019; (ii) the Group can record net profit for the year ending 31 December 2019; and (iii) the Group can provide a cash flow forecast which have no negative cash balance at the end of each month during the cashflow forecast period from 1 January 2019 to 31 December 2020, they can remove the basis of disclaimer of opinion in relation to material uncertainty related to going concern in their Auditor's Report for the year ending 31 December 2019.

The Auditor further confirmed that in the event that the Company draws down the entire amount of the Shareholders' Loan A, it is expected that (i) above can be fulfilled, and with reference to the profit and cashflow forecast memorandum submitted by the Company to the Stock Exchange on 31 July 2019 which indicated that (ii) and (iii) above can be fulfilled, the basis of the disclaimer of opinion in relation to material uncertainty related to going concern in the auditors' report of the Group for the year ending 31 December 2019 can be removed accordingly.

(b) announce all material information for the Shareholders and other investors to appraise the Company's position

The Board considers that the Company has announced all material information for the Shareholders and other investors to appraise the Company's position.

(c) demonstrate its compliance with Rule 17.26 of the GEM Listing Rules

According to the audited interim results of the Company for the six months ended 30 June 2019, the Group recorded net profit for the six months ended 30 June 2019, which was mainly attributable to the measures implemented by the new management who have joined the Group since the fourth quarter of 2018. Based on the continuous improvement on the financial results, the Board considers that the Company has demonstrated its compliance with Rule 17.26 of the GEM Listing Rules.

(d) restore the minimum public float pursuant to Rule 11.23(7) of the GEM Listing Rules

As discussed in the section headed "Restoration of Minimum Public Float" above, the Board considers that the minimum public float of the Company had been restored.

Accordingly, the Board is in the opinion that the Company has fulfilled all the Resumption Conditions, though the Shareholders are reminded that this does not represent the views of the Stock Exchange.

Business Operation

The Group continues to be principally engaged in design, research, development, manufacture and sale of image transmission optic products.

The Board has been adopting various measures to improve the business capabilities of the Group, including (i) implementing image transmission fiber optic production technology upgrade; (ii) implementing measures to improve products passing rate and gross profit margin; (iii) adjusting structure of production lines to achieve efficiency level; and (iv) implementing stringent cost control measures.

With the enhancement of product quality control, the implementation of production technology upgrade measures and changes of members of management team, the Group's recorded net profit for the six months ended 30 June 2019.

The Group received a subsidy from the industrial transformation and upgrading fund in the amount of RMB20,000,000 (the "ITU Fund") from the government of Taiyuan City, Shanxi Province on 26 December 2018, which was to specifically support the industrial transformation and upgrading and technological transformation project of the Group. The Group has utilised the ITU Fund to implement image transmission fiber optic production technology upgrade.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 April 2018 and will remain suspended until the confirmation by the Stock Exchange that the Company has fulfilled all the Resumption Conditions.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Shanxi Changcheng Microlight Equipment Co. Ltd.
Zhao Zhi
Chairman

Taiyuan City, Shanxi Province, the PRC, 31 July 2019

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

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at www.sxccoe.com.

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