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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) FULFILLMENT OF ALL RESUMPTION CONDITIONS  
AND  
(II) RESUMPTION OF TRADING**

**Financial Adviser to the Company**



References are made to (i) the announcements of Shanxi Changcheng Microlight Equipment Co. Ltd. (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, 30 July 2019, and 31 July 2019 in relation to, among other things, the suspension of trading in the shares of the Company on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the resumption conditions imposed by the Stock Exchange and the relevant updates (collectively, the “**Announcements**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the Company had demonstrated to the Stock Exchange through various submissions, that the Company had before 31 July 2019 fulfilled all the resumption conditions (the “**Resumption Conditions**”) imposed by the Stock Exchange as stated in the announcements of the Company dated 17 September 2018 and 10 April 2019.

Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

## **FULFILLMENT OF ALL RESUMPTION CONDITIONS**

As disclosed in the announcement dated 17 September 2018, the Stock Exchange requested the Company to fulfill the following Resumption Conditions:

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

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 Condition:

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

The Board is pleased to announce that all the Resumption Conditions have been fulfilled as at the date hereof, details of which are stated as follows:

**Resumption Conditions (a) publish all the outstanding financial results and address all the audit modifications and (b) announce all material information for the Shareholders and other investors to appraise the Company's position**

The Company has published all the outstanding financial results and various announcements to keep its shareholders and other investors informed, the publication dates were as follows:

	<b>Date</b>	<b>Published information by the Company</b>
(1).	19 April 2018	Unaudited management accounts for the year ended 31 December 2017
(2).	20 June 2018	Resignation of the secretary of the Board
(3).	1 August 2018	1st quarterly update on the status of resumption pursuant to Rules 17.10 and 17.26A of the GEM Listing Rules
(4).	8 August 2018	Further 1st quarterly update on the status of resumption pursuant to Rules 17.10 and 17.26A of the GEM Listing Rules
(5).	28 August 2018	2017 Annual results announcement
(6).	28 August 2018	2017 Annual report

	<b>Date</b>	<b>Published information by the Company</b>
(7).	17 September 2018	Resumption conditions imposed by the Stock Exchange on the Company
(8).	28 September 2018	First quarterly results announcement for the three months ended 31 March 2018
(9).	28 September 2018	First quarterly report for the three months ended 31 March 2018
(10).	28 September 2018	Interim results announcement for the six months ended 30 June 2018
(11).	28 September 2018	Interim report for the six months ended 30 June 2018
(12).	31 October 2018	2nd Quarterly update on the status of resumption pursuant to Rules 17.10 and 17.26A of the GEM Listing Rules
(13).	14 November 2018	Third quarterly results announcement for the three months ended 30 September 2018
(14).	14 November 2018	Third quarterly report for the three months ended 30 September 2018
(15).	21 December 2018	Change of principal place of business in Hong Kong
(16).	2 January 2019	Industrial transformation and upgrading fund subsidy received by the Company from the Shanxi Provincial Government
(17).	31 January 2019	3rd quarterly update on the status of resumption pursuant to Rules 17.10 and 17.26A of the GEM Listing Rules
(18).	4 February 2019	Proposed election of Directors
(19).	4 February 2019	Appointment of general manager
(20).	12 February 2019	Terms of reference for the audit committee
(21).	7 March 2019	Supplemental information of extraordinary general meeting to be held on 26 March 2019
(22).	8 March 2019	Appointment of secretary of the Board

Date	Published information by the Company
(23). 25 March 2019	Announcement in relation to restoration of public float
(24). 26 March 2019	Poll results of the extraordinary general meeting held on 26 March 2019
(25). 26 March 2019	Changes of chairman of the Board, Directors, compliance officer and authorized representative and changes in composition of the Board committees
(26). 26 March 2019	List of Directors and their role and function
(27). 29 March 2019	Annual results announcement for the year ended 31 December 2018
(28). 29 March 2019	2018 Annual Report
(29). 10 April 2019	Additional resumption conditions imposed by the Stock Exchange on the Company
(30). 12 April 2019	Company Information Sheet
(31). 29 April 2019	4th quarterly update on the status of resumption pursuant to Rules 17.10 and 17.26A of the GEM Listing Rules
(32). 15 May 2019	First quarterly result announcement for the three months ended 31 March 2019
(33). 15 May 2019	2019 First quarterly report
(34). 21 June 2019	Poll results of the annual general meeting held on 21 June 2019
(35). 25 June 2019	Change of address of Hong Kong branch H share registrar and transfer office
(36). 30 July 2019	Restoration of minimum public float
(37). 31 July 2019	(i) shareholders' loan from substantial shareholders of the Company; (ii) restoration of minimum public float; and (iii) progress of fulfillment of resumption conditions
(38). 2 August 2019	Inside information and positive profit alert

	<b>Date</b>	<b>Published information by the Company</b>
(39).	14 August 2019	Interim results announcement for the six months ended 30 June 2019
(40).	15 August 2019	Interim report for the six months ended 30 June 2019
(41).	15 August 2019	Clarification announcement relating to the interim report for the six months ended 30 June 2019

Save for information as contained in the above announcements, as of the date of this announcement, the Board is not aware of any other material information of the Group which ought to be disclosed to keep its shareholders and potential investors informed of the situation and development of the Company.

The Company also confirms that save for the material uncertainty related to going concern, there is no other audit modifications in the audited interim financial information of the Company for the six months ended 30 June 2019 as audited by the Company’s auditor, Zhonghui Anda CPA Limited (“**Auditor**”).

As disclosed in the announcement dated 31 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 with the Company, pursuant to which the Lenders agreed to grant a term loan in the principal amount of RMB60,000,000 commencing from 1 October 2019 to 31 December 2024 to the Company for the purposes of funding of the technological transformation and upgrade plan (“**Technological Transformation and Upgrade Plan**”) and replenishing the Company’s general working capital. It was stated that the Auditor confirmed that in the event that the Company draws down the entire amount of the aforementioned shareholders’ loan and with reference to the profit and cashflow forecast memorandum which was prepared by the Company and reviewed by the Auditor, it is expected that the Group can (i) record net current asset position as at 31 December 2019; (ii) record net profit for the year ending 31 December 2019; and (iii) 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, thereby fulfilling the conditions for removing 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.

Based on the above, the Company is of the opinion that it has fulfilled all the Resumption Conditions regarding (a) publishing all the outstanding financial results and addressing all the audit modifications; and (b) announcing all material information for the Company’s shareholders and other investors to appraise the Company’s position.

## **Resumption Condition (c) demonstrate its compliance with GEM Listing Rule 17.26**

According to the audited interim results of the Company for the six months ended 30 June 2019, the Group recorded revenue and net profit for the six months ended 30 June 2019 of approximately RMB24.8 million and RMB0.6 million. Comparing to the revenue and net loss of approximately RMB11.8 million and RMB6.5 million for the six months ended 30 June 2018, the performance of the Group has significantly improved.

Such improvement was mainly attributable to the measures implemented by the new management who have joined the Group since the fourth quarter of 2018. The devoted new management team who had years of experience in business management has since their takeover implemented measures by stages to improve the business operation of the Group, including but not limited to:

- (i) The implementation of two-shift production and the reallocation of 200 idle administrative staff to production, including 160 employees who had served in production department before but were registered under administrative department as at the date of transfer, which increased the production capacity and gross profit margin as a result of economies of scale and optimised the allocation of human resources which in turn reduced administrative staff cost;
- (ii) The refinement and upgrade of production procedures and technologies through cooperation with China Academy of Science (中國科學院) and Jilin University (吉林大學);
- (iii) Active sourcing of new customers and promotion to existing customers which have resulted in increase in purchase orders and letters of intent;
- (iv) A change of product mix to a more profitable one by securing orders of higher margin products; and
- (v) Design and develop new products and production technologies and, as one of the initiatives, the Company has already submitted research proposal and application for subsidy from the Science and Technology Committee of the Central Military Commission (中央軍委科學技術委員會).

The benefits of the aforementioned measures were demonstrated by, including but not limited to:

- (i) An increase of actual production capacity and gross profit margin from approximately 29,848 pieces of image transmission fiber optic products and 25.3% for the six months ended 30 June 2018 to approximately 48,724 pieces of image transmission fiber optic products and 40.5% for the six months ended 30 June 2019, representing an increase of approximately 63.2% and 60.1%, respectively;

- (ii) An increase in revenue and gross profit from approximately RMB11.8 million and RMB3.0 million for the six months ended 30 June 2018 to approximately RMB24.8 million and RMB10.0 million for the six months ended 30 June 2019, represented an increase of approximately 110.0% and 235.4%, respectively;
- (iii) Recognised revenue from new customers of approximately RMB5.5 million for the six months ended 30 June 2019; and
- (iv) Recorded net profit of approximately RMB0.6 million for the six months ended 30 June 2019

The measures mentioned above are not one-off actions but will continue to be in effect and be further refined from time to time.

Apart from the aforementioned measures, the devoted new management team also formulated the Technological Transformation and Upgrade Plan which aim to improve the passing rate of the Group's image transmission fiber optic products and meet the rising requirements from the Group's customers by (i) purchasing production equipment to upgrade and improve the production technology and replacing those obsoleted or with low efficiency; and (ii) renovating the production facilities to improve the infrastructure for facilitating the installment of more advanced machinery.

The Technological Transformation and Upgrading Plan will be implemented in two phases. The first phase involves replacement of old equipment and machineries used for production of fiber optic products and microchannel plates by purchasing more up-to-date machinery so as to reduce pure handcraft procedures involved in the production of image transmission fiber optic products. The second phase of the Technological Transformation and Upgrading Plan is to improve the working environment in order to further reduce the impact of environmental pollutants on the product's quality.

Set out below are the key stages of the implementation of Technological Transformation and Upgrading Plan:

<b>Stages</b>	<b>Expected date</b>
Commencement of the first phase of the Technological Transformation and Upgrading Plan	February 2020
Commencement of the second phase of the Technological Transformation and Upgrading Plan	April 2021
Full completion of the first phase of the Technological Transformation and Upgrading Plan	June 2021
Full completion of the second phase of the Technological Transformation and Upgrading Plan	December 2021

To assess the effect of the Technological Transformation and Upgrading Plan, the Company has engaged an external expert, namely China Instrument and Control Society(中國儀器儀表學會)(“CIS”) to examine the Technological Transformation and Upgrading Plan in details. CIS, established in 1979, is a national, academic and scientific organization in the PRC which was established to facilitate development of advanced instruments and measuring and control science technology. CIS authored books such as “Optical Instruments”(光學儀器)(ISSN1005-5630) and “Chinese Journal of Scientific Instrument”(儀器儀錶學報), which were included in the internationally recognized databases including but not limited to Engineering Index(美國工程索引), International Information Service for the Physics and Engineering Communities(英國科學文摘), and Chinese Academic Journal Comprehensive Evaluation Database(中國學術期刊綜合評價資料庫).

CIS had performed site visit to the production facilities of the Group, observed the current production procedures, reviewed the Technological Transformation and Upgrading Plan, in particular the specification of the machinery to be purchased, and have the following findings:

- (i) the production facilities of the Group have spare spaces to allow concurrent installation of new machines and continuation of production using existing machines, such that the implementation of the upgrade plan will not affect the existing production of the Group;
- (ii) the major bottleneck in production capacity and passing rate is the procedure of cane draw, which is to draw glass canes of pre-determined diameter from glass rods(拉絲). As the production procedures of optic product required a fusion of a bundle of glass canes to allow internal reflection, the smaller the pre-determined diameter of the glass canes the better are the results in terms of reflection effect as the space in between each glass canes would be reduced and product failure, such as having a black spot, or producing non-focusing image, will be reduced.

CIS has reviewed the Technological Transformation and Upgrading Plan, in particular the specification of the machinery to be purchased and noted that the machines to be purchased would be able to increase the precision of the pre-determined diameter of the glass canes produced by 50% from  $\pm 25\mu\text{m}$  to  $\pm 12.5\mu\text{m}$ , such that CIS considered that the Group’s estimation of passing rate of the fiber optic products and microchannel products and the production capacity of the Group per annum after the full implementation of the Technological Transformation and Upgrading Plan is achievable.



The Directors consider that (i) the improvement of the passing rate of the Group's product will in turn improve the gross profit of the Group by reducing wastage of raw material and cost for re-work; and (ii) the improvement of the production capacity will increase the Group's capacity for accepting more purchase orders. Therefore, with the implementation of the Technological Transformation and Upgrading Plan, effect of which is recognised by CIS, the Directors expected that the Group's performance will be further improved.

Based on the above, the Company respectfully submits that it has fulfilled the relevant Resumption Condition in demonstrating its compliance with GEM Listing Rule 17.26.

**Resumption Condition (d) restore the minimum public float required under GEM Listing Rule 11.23(7).**

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 as at the date of the Disposal Announcement, 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. As at the date of this announcement, the shares of the Company held by the public shareholders represent approximately 34.35% of the total issued share capital of the Company, which is above the minimum prescribed percentage of public shareholders of 25% as 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.

**RESUMPTION OF TRADING**

Trading in the Shares on the GEM of Stock Exchange has been suspended since 9:00 a.m. on 3 April 2018. As all the Resumption Conditions have been fulfilled, an application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 26 September 2019.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

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

Taiyuan City, Shanxi Province, the PRC, 25 September 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](http://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](http://www.sxccoe.com).*

*\* For identification purpose only*