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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)

**FULFILMENT OF RESUMPTION GUIDANCE
AND
RESUMPTION OF TRADING**

Trading in the shares of the Company has been suspended since 9:00 a.m. on 13 June 2022. As the Company has fulfilled all Resumption Guidance, the Company has made an application to the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 25 August 2023.

This announcement is made by Shanxi Changcheng Microlight Equipment Co. Ltd. ("**Company**") pursuant to Rule 17.10(2) of the Rules Governing the Listing of Securities on GEM ("**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the annual results announcement of the Company for the financial year ended 31 December 2021 dated 10 June 2022 ("**2021 Annual Results Announcement**"), the announcement on suspension of trading of the Company's shares on the Stock Exchange dated 13 June 2022, the announcement on resumption guidance and continued suspension of trading dated 9 August 2022, the announcement on clarification and continued suspension of trading dated 10 August 2022, the announcement on quarterly update on resumption progress dated 13 September 2022, the announcement on clarification and continued suspension of trading dated 14 September 2022, the announcement on additional resumption guidance and continued suspension of trading dated 1 December 2022, the announcement on quarterly update on resumption progress dated 13 December 2022, the announcement on clarification and continued suspension of trading dated 14 December 2022, the announcement on quarterly update on resumption progress dated 13 March 2023, the announcement on additional resumption guidance and continued suspension of trading dated 25 April 2023 and the announcement on quarterly update on resumption progress dated 13 June 2023 (collectively, the "**Announcements**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND OF SUSPENSION OF TRADING IN THE SHARES

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 June 2022. As disclosed in the announcements of the Company dated 9 August 2022, 10 August 2022, 1 December 2022 and 25 April 2023, the Stock Exchange imposed on the Company the following resumption guidance (“**Resumption Guidance**”):

- (i) address the issues giving rise to the disclaimer of opinion on the Company’s material uncertainties on going concern and the impairment of property, plant and equipment of the 2021 Annual Results Announcement, provide comfort that the Disclaimer of Opinion in respect of such issues would no longer be required and disclose sufficient information to enable investors to make an informed assessment of the Company’s financial positions as required under Rule 17.49B of the GEM Listing Rules;
- (ii) announce all material information for the Company’s shareholders and investors to appraise the Company’s position;
- (iii) demonstrate the Company’s compliance with Rule 17.26 of the GEM Listing Rules; and
- (iv) publish all outstanding financial results and address any audit modifications.

FULFILMENT OF ALL RESUMPTION GUIDANCE

As at the date of this announcement, the Company has fulfilled all Resumption Guidance, details of which are set out below.

Resumption Guidance (i) – address the issues giving rise to the disclaimer of opinion on the Company’s material uncertainties on going concern and the impairment of property, plant and equipment of the 2021 Annual Results Announcement, provide comfort that the Disclaimer of Opinion in respect of such issues would no longer be required and disclose sufficient information to enable investors to make an informed assessment of the Company’s financial positions as required under Rule 17.49B of the GEM Listing Rules

As set out in the audited annual financial results for the year ended 31 December 2022 (“**2022 Annual Results**”) published by the Company on 19 May 2023, CCTH CPA Limited (“**Auditor**”), the external auditor of the Company, issued a disclaimer of opinion in relation to impairment of property, plant and equipment for the year ended 31 December 2021 (“**PPE Disclaimer**”), as they were unable to determine whether the impairment loss on the Group’s property, plant and equipment, based on their estimated replacement costs, was properly recognised in the consolidated financial statements for the year ended 31 December 2021. Any adjustments to be made for the impairment of the Group’s property, plant and equipment, if any, might have significant impacts on the consolidated financial position of the Group at 31 December 2021 and the Group’s financial performance for that year then ended.

In order to address and resolve the issue on PPE Disclaimer, as set out in the 2022 Annual Results, the Company engaged an external valuer to conduct valuation of the Group's property, plant and equipment based on their estimated fair values, based on which the Directors considered that no impairment loss on the Group's property, plant and equipment was required to be recognised in the consolidated financial statements for the year ended 31 December 2022. Accordingly, for the year ended 31 December 2022, the Company made a reversal of the impairment loss made in the year ended 31 December 2021 credited to profit or loss.

As set out in the 2022 Annual Results, the Auditor expressed that as they had issued the PPE Disclaimer for the year ended 31 December 2021, they were unable to determine whether the aforesaid reversal was properly recognised in the consolidated financial statements for the year ended 31 December 2022. Notwithstanding such disclaimer of opinion issued in relation to the comparability between the figures of the two years ended 31 December 2022, the Auditor did not disclaim or modify their opinion in relation to the figures of the year ended 31 December 2022 as set out in the 2022 Annual Results.

Although the Auditor issued a disclaimer of opinion in relation to going concern issue on the consolidated financial statements of the Group for the year ended 31 December 2022, in light of the performance of the Group in 2023 and as illustrated in the disclosure in Resumption Guidance (iii) in this announcement, the Directors are confident that going concern issue is no longer an issue for the Company after 2022 in the post-COVID-19 era.

As set out in the interim results for the six months ended 30 June 2023 of the Company published on 14 August 2023 ("**2023 Interim Results**"), the unaudited revenue of the Group recognised up to 30 June 2023 is approximately RMB22.0 million, which has already surpassed the total revenue of the Group of RMB15.5 million for the year ended 31 December 2022.

As at 30 June 2023, the Group has also had certain ongoing sales contracts on hand, income from most of such contracts are expected to be recognised in the financial year ending 31 December 2023. The Directors believe that this signifies a significant and real upward momentum brought by the new orders placed in the post-pandemic era, which notwithstanding the issuance of the disclaimer of opinion on going concern of the Company for the year ended 31 December 2022, there has been an improvement on the financial positions and operation of the Company compared with 2021 as evidenced by the turnaround of lost-making performance.

The Company has strived to keep up with such upward momentum. In view of the improvement of the Company's performance in 2023, the Directors are optimistic that the operation scale of the Company can at least resume to that before the COVID-19 pandemic, the financial situation and operations of the Group will be further improved, the Group would be able to generate net operation cash flow from the operation which continues to improve the finance position of the Group, and there will no longer be any going concern issue upon the committed development of the Group and the recovery from COVID-19 impacts.

Resumption Guidance (ii) – announce all material information for the Company’s shareholders and investors to appraise the Company’s position

Since its trading suspension on 13 June 2022, the Company has continued to disclose material information to the Company’s shareholders and other investors by issuing announcements as soon as practicable and in a timely manner.

Resumption Guidance (iii) – demonstrate the Company’s compliance with Rule 17.26 of the GEM Listing Rules

Principal business of the Group

The Group has been principally engaged in the 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.

Financial position and various measures of the Group

For the six months ended 30 June 2023, the sales of the Group was approximately RMB22.0 million, representing an increase of approximately RMB26.7 million as compared with the negative turnover of approximately RMB4.7 million for the corresponding period in 2022. Such amount of turnover has already surpassed the amount of the revenue of the Group of RMB15.5 million for the year ended 31 December 2022.

As also disclosed in the 2023 Interim Results, the Group has also made improvement in gross profit and has recorded a turnaround of profit of approximately RMB3.3 million for the six months ended 30 June 2023 from a loss of approximately RMB10.1 million for the corresponding period in 2022.

Please also refer to the disclosure in Resumption Guidance (i) in this announcement above.

As at 30 June 2023, the Group had total assets of approximately RMB157.6 million while the Group's net current liabilities and net liabilities as at the same date were approximately RMB135.8 million and RMB94.6 million respectively. To improve the financial position of the Group, the Directors planned and implemented including but not limited to the following measures:

- (1) at capital level – introducing new strategic investors by way of the private placement of new shares/bonds, and negotiating and implementing a debt restructuring plan with shareholders, lenders and financial institutions;
- (2) at the operational level – revitalizing idle assets and planning to lease out the properties temporarily not used in the Company's principal 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
- (3) in respect of liabilities – negotiating and implementing interest reduction/exemption program with shareholders and lenders and seeking financial support from shareholders and lenders.

Profit Forecast for the year ended 31 December 2023

Set out below is the profit forecast of the Group for the year ended 31 December 2023 (“**Profit Forecast**”) as contained in section headed “Profit and Cash Flow Forecast Memorandum” (“**Profit and Cash Flow Forecast Memorandum**”) in the resumption proposal submitted by the Company to the Stock Exchange on 12 June 2023 (“**Resumption Proposal**”), which was prepared by the Directors with reference to signed sales contracts secured by the Group, historical financial information and other assumptions as further detailed below.

	For the year ended 31 December 2023 RMB
Sales revenue	50,496,161.70
Operating profit	–6,297,007.08
Other operating income	98,958.81
Other income	7,337,912.74
Operating profit	1,139,864.47
Net profit	1,139,864.47

All sales revenue of RMB50,496,161.70 as stated in the Profit Forecast is supported by confirmed orders.

The principal assumptions underlying the preparation of the Profit Forecast as contained in the Resumption Proposal are set out below.

- “1. The Profit Forecast is prepared based on the audited consolidated results of the Group for the year ended 31 December 2022, the actual unaudited management account from 1 January 2023 to 30 April 2023 and the results as forecasted by the Directors from 1 May 2023 to 31 December 2023. The Profit Forecast is based on the purchase order received from customers, assuming that variable cost would generally increase with revenue, fixed cost would generally remain unchanged as compared to the year ended 31 December 2022 and other one off income and expenses will not occur.
2. The report summarizes the latest business information of the company obtained by the management up to now and prepares it based on the expected data most likely to occur.
3. This forecast is prepared based on the assumption that the Group will be able to raise fund by borrowing, disposal of assets and capital injection to maintain going concern in the foreseeable future and will not be severely interrupted by any force majeure events or unforeseeable factors.
4. The Group will continue to principally engage in design, research, development, manufacture, and sale of image transmission fiber optic products business throughout the Forecast Period.
5. The Forecasts have been prepared taking into account the Directors’ and the Group’s key senior management’s continued involvement in the development of the Group’s existing operations. It is assumed that the Group will be able to retain its key management and personnel during the Forecast Period.
6. There will be no material change in the existing government policies or political, legal, fiscal, market or economic conditions in the People’s Republic of China (the “**PRC**”) and Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), including changes in legislations, regulations or rules, which may have a material adverse effect on business of the Group.
7. There will be no material change in the bases or rates of taxation, both direct and indirect, in the PRC and Hong Kong.
8. There will be no material change in inflation, interest rate and exchange rate from those presently prevailing on Forecast Period.
9. The Group will be able to recruit enough employees to meet its operational needs during the Forecast Period.

10. The forecast is prepared in RMB. Foreign currency business is mainly settled in US dollar as the currency, using the exchange rate 7 and local currency.
11. All of the Group's assets including fixed assets, trademarks and trade receivables are carried at amounts not materially different from their recoverable amounts during the Forecast Period and adequate provision have been made for any impairment. It is assumed that there will be no material changes in their recoverable amounts for the Forecast Period.
12. The profit forecast is based on order on hand, expected orders and the latest market demand forecast obtained from third parties.
13. The Group will maintain the business relationship and trading practices with its current customers, trade in the existing business model during the forecast period, and assume that the order on hand do not differ materially from the management estimates.”

While the Profit Forecast has been prepared by the Directors after due and careful enquiry, actual results or outcomes could be affected by events or circumstances after the Profit Forecast had been prepared and differ materially from those expressed in the Profit Forecast. The Company strongly cautions the Shareholders and potential investors against placing undue reliance on the Profit Forecast. The Company expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the Profit Forecast.

CL Partners CPA Limited (“**CL Partners**”) has been engaged by the Company as a reporting accountant to review the Profit Forecast. CL Partners is of the view that so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Profit and Cash Flow Forecast Memorandum and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in Group's annual consolidated financial statements for the year ended 31 December 2022.

Working capital sufficiency of the Group

On the basis of the assumptions stated in the Profit and Cash Flow Forecast Memorandum and after taking into account the cash flow generated from the operating activities, the existing and expected financial resources available to the Group, the Directors, after due and careful consideration, are of the opinion that the Group has sufficient working capital from the date of the Profit and Cash Flow Forecast Memorandum to 30 June 2024, being 12 months period from the date of the Profit Forecast.

In the opinion of CL Partners as the Company's reporting accountant, the above statement has been made by the Directors after due and careful enquiry.

Compliance with Rule 17.26 of the GEM Listing Rules

Prior to the date of this announcement, the Group has already implemented certain financial measures to improve its financial position. For details of the implemented measures, please refer to the 2023 Interim Results.

With the above various measures in place, the Company expects that the Group will be able to generate more inflow of funds on the one hand and to reduce the Group's liabilities on the other hand. It is expected that as a result, the Group will manage to increase its assets and resources available for development and operations.

The Board considers the Company has a viable and sustainable business with a sufficient level of operations and assets of sufficient value to support its operations to meet the requirements under Rule 17.26 of the GEM Listing Rules and the continued listing of the Shares on the Stock Exchange.

Resumption Guidance (iv) – publish all outstanding financial results and address any audit modifications

Since the suspension of trading, the Company has published all its outstanding financial results. The Company has published its interim results for the six months ended 30 June 2022 on 12 August 2022, third quarterly results for the nine months ended 30 September 2022 on 14 November 2022, audited annual results for the year ended 31 December 2022 on 19 May 2023, first quarterly results for the three months ended 31 March 2023, and the 2023 Interim Results on 14 August 2023.

The Auditor has issued a disclaimer of opinion in relation to the going concern issue on the consolidated financial statements of the Group for the year ended 31 December 2022, details of which have been disclosed in the 2022 Annual Results and please also refer to the disclosure in Resumption Guidance (i) in this announcement above.

Following the publication of the aforesaid financial results, the Company is of the view that Resumption Guidance (iv) has been fulfilled.

EXPERT AND CONSENTS

Two letters from CL Partners relating to the Profit Forecast and Directors' statement of sufficiency of working capital respectively are included in the appendices to this announcement. The following is the qualification of CL Partners.

Name	Qualification
CL Partners CPA Limited	Certified Public Accountants

CL Partners has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its reports/letters and all references to its name (including its qualifications) in the form and context in which they are included. To the best knowledge, information and belief of the Board and having made all reasonable enquiries, CL Partners is a third party independent of the Group and is not a connected person of the Group.

As at the date of this announcement, CL Partners does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of this announcement, CL Partners does not have any direct or indirect interests in any assets which have been, since 30 June 2023 (the date to which the latest published interim report of the Group was made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 13 June 2022. As all Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 25 August 2023.

PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This announcement includes certain “forward-looking statements”. These statements are based on the current expectations of the Company and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this announcement include statements about the Company's business plan, any potential fundraising and all other statements in this announcement other than historical facts. There is no assurance that any business plan or potential fundraising will materialise.

Forward-looking statements include, without limitation, statements typically containing words such as “plans”, “intends”, “expects”, “anticipates”, “targets”, “estimates”, “envisages” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.

All forward-looking statements attributable to the Company are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the date of this announcement.

Any forward-looking statement contained in this announcement based on past or current trends and/or activities of the Company should not be taken as a representation that such trends or activities will continue in the future. No statement in this announcement is intended to be a profit forecast or to imply that the earnings of the relevant company for the current year or future years will necessarily match or exceed its historical or published earnings. Subject to the requirements of the GEM Listing Rules and other applicable laws and regulations, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions of circumstances on which any such statement is based.

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

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

Wu Bo
Chairman

Taiyuan City, Shanxi Province, the PRC, 24 August 2023

As at the date of this announcement, 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 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 Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 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”.

* *For identification purpose only*



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9 August 2023

The Board of Directors
Shanxi Changcheng Microlight Equipment Co. Ltd
No. 7 Dianzi Street
Demonstration Zone
Shanxi,
The People's Republic of China

Dear Sirs,

Shanxi Changcheng Microlight Equipment Co. Ltd (the “Company”) and its subsidiaries (the “Group”) Profit Forecast for the year ending 31 December 2023

We refer to the forecast of the consolidated profit attributable to equity holders of the Company for the year ending 31 December 2023 (the “Profit Forecast”) set forth in the section headed “Profit and cashflow forecast memorandum” of the Group prepared by the Company in the Appendix I under resumption proposal “Resumption Proposal” dated on 12 June 2023.

Directors’ Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Group for the year ended 31 December 2022, the unaudited consolidated results based on the management accounts of the Group for the five months period ended 31 May 2023 and a forecast of the consolidated results of the Group for the remaining seven months ending 31 December 2023.

The Company’s directors are solely responsible for the Profit Forecast.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures. We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the directors of the Company have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors of the Company and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast have been properly compiled in accordance with the bases and assumptions adopted by the directors of the Company as set out in Profit and Cash Flow Forecast Memorandum and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in Group's annual consolidated financial statements for the year ended 31 December 2022.



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Other Matter

We draw attention to “Product development” under “The Group’s Business and Business Plan” as set forth in the Resumption Proposal which sets out the assumptions adopted by the directors of the Company regarding the improvement of the quality through product’s research and development.

In preparing the Profit Forecast, the directors of the Company have assumed that the products will be in good quality and the rate of return will be minimal. The actual rate of return is subjected to the quality of the products manufactured by the Group. The actual rate of return will be affected the revenue for the period ending from 1 June 2023 to 31 December 2023 as compared with the revenue estimated by the directors of the Company and so as affecting the consolidated profit of the Group for the year ending 31 December 2023 attributable to equity holders of the Company. Our opinion is not qualified in respect of this matter.

CL Partners CPA Limited

Yours faithfully,

CL Partners CPA Limited
Certified Public Accountants

APPENDIX II — LETTER FROM CL PARTNERS IN RELATION TO DIRECTORS' STATEMENT OF SUFFICIENCY OF WORKING CAPITAL



CL Partners CPA Limited
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9 August 2023

The Board of Directors
Shanxi Changcheng Microlight Equipment Co. Ltd
No. 7 Dianzi Street
Demonstration Zone
Shanxi
The People's Republic of China

Dear Sirs,

Shanxi Changcheng Microlight Equipment Co. Ltd (the "Company")

Directors' Statement of Sufficiency of Working Capital

We refer to the board memorandum dated 12 June 2023 which has been prepared by the directors of the Company in connection with their statement relating to the sufficiency of working capital of the Company and its subsidiaries (collectively referred to as the "Group") (the "Statement") contained in section headed "Profit and Cash Flow Forecast Memorandum" ("Memorandum") in Appendix I under resumption proposal dated 12 June 2023 ("Resumption Proposal") and submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Copies of the board memorandum and extracts of the Resumption Proposal for which the directors of the Company are solely responsible, are attached hereto stamped by us solely for the purpose of identification.

Directors' Responsibilities

The directors of the Company are solely responsible for the Statement and the board memorandum, including the working capital forecast therein, in support of the Statement.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the Statement and to report our opinion to you.

We conducted our engagement in accordance with the terms of our engagement letter dated 10 July 2023 and Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether the directors of the Company have made the Statement, in the form and context in which it is made, after due and careful enquiry. Our work was limited primarily to making inquiries of the Group's management, considering the analyses and assumptions on which the working capital forecast is based and applying analytical procedures to financial data in the working capital forecast. It is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

On the basis of our procedures, we report that:

- a) in our opinion, the Statement has been made by the directors of the Company after due and careful enquiry; and
- b) the persons or institutions providing finance have confirmed to us in writing the existence of the facilities that are shown to be required by the Company's working capital forecast; and in regard of direct confirmations for facilities which have not been received as of the date of this letter, we have relied on the sighting a signed letters from the entities and financial institutions confirming facilities that is addressed to Company between the facility providers as alternative evidence of the existence of these facilities.

Other Matters

Without qualifying our opinion, we draw your attention to the sensitivity factors set out in paragraph 2.3 and 3.5 as set out in the Memorandum.

We have considered the assumptions included in the Memorandum on which the Statement has been based and found that the Statement is consistent with and is compiled on the basis of the assumptions made by the directors of the Company as below:

- a) the revenue by contract listing as at 31 May 2023 ("Contract List") to assumptions included in the Memorandum; and compared the selected material signed sales contracts to the Contract List on the quantity and revenue amounts; and



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- b) discussed the in-flows and out-flows plans with the directors of the Company in the context of the preparation of the Statement and considered the consistency of the underlying assumptions included in the Statement.

Furthermore, the Statement is based on the Group's forecasts and estimation of future transactions and cash flows and other assumptions about the future. Actual cash flows are likely to be different from those estimated or forecast since anticipated events frequently do not occur as expected and unforeseen events may arise, and their impact on estimates and forecasts may be material.

We make no representation regarding the sufficiency for your purposes of the aforementioned procedures.

Intended Users and Purpose

This letter has been prepared in connection with the Resumption Proposal. It should not be relied upon by any party for any other purpose and we expressly disclaim any liability or duty to any party in this respect. It should not be disclosed, referred to or quoted in whole or in part without our prior written consent, nor is it to be filed with or referred to in whole or in part in the Resumption Proposal or any other document.

Yours faithfully,

CL Partners CPA Limited

CL Partners CPA Limited
Certified Public Accountants
Hong Kong

c.c. The Stock Exchange of Hong Kong Limited