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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)**

**SUPPLEMENTAL ANNOUNCEMENT IN  
RELATION TO THE 2023 ANNUAL REPORT**

This refers to Shanxi Changcheng Microlight Equipment Co. Ltd. (the “**Company**”, and together with its subsidiaries, collectively referred to as the “**Group**”) in the 2023 annual report (“**Annual Report**”). Unless otherwise defined, the terms used in this announcement have the same meaning as those defined in the Annual Report.

In addition to the information contained in the Annual Report, the board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby provides the following supplementary information to the Annual Report, which should be read together with the following information.

**DISCLAIMER OF OPINION**

The Company’s auditor has issued a disclaimer regarding the consolidated financial statements of the Group for the year ended 31 December 2023, which relates to multiple uncertainties related to the Group’s ability to continue as a going concern (disclaimer).

During the 2023 audit process, the audit committee members and the auditor held multiple meetings to discuss the audit results regarding the Annual Report and 2023 audited financial statements. The audit committee members have fully understood and agreed with their opinions on the qualification for continuing operations audit. At the board meeting held on 30 April 2024, the members of the audit committee discussed the Annual Report and 2023 audited financial statements with all Directors and the management of the Company. They agreed with the management’s view on the qualification of continuing operations audit and expressed great confidence in the measures to improve the inflow of funds that the Company will implement.

When considering the sustainable operating ability of the Group, the auditor will refer to a basket of comprehensive factors, including but not limited to the Company's asset liability level, profitability, cash flow of operating operations, and the feasibility of the Group's cash flow forecast for the next year. They will also compare the achievement rate of cash flow forecasts from previous years.

The auditor has audited the financial situation of the Group as of 31 December 2023, and reviewed the profit and cash flow forecast provided by the Group as of 31 March 2025. The auditor believes that the Group lacks sufficient and appropriate audit evidence to satisfy it that the Group's going concern assumption is appropriate. Therefore, the auditor does not issue an audit opinion on the Group's 2023 audit report.

The management, the audit committee members, and the auditor of the Company have held multiple meetings to discuss the audit results of the Annual Report and 2023 audited financial statements. The auditor and the audit committee members have also discussed measures to improve capital inflows with the Directors and the management of the Company. The management of the Company has great confidence in the various measures to be implemented to improve capital inflows.

The Board of Directors (including the audit committee), based on the communication with the auditor and the release of the 2023 financial statements during the audit process, found that the Company's production and operation situation continued to improve in 2023. However, in recent years, due to the impact of the economic environment, various industries have performed poorly, resulting in slow progress in measures to improve the Company's financial situation, such as issuing shares, debt restructuring, and selling some properties. The Board of Directors (including the audit committee) will urge the management of the Company to complete the allocation and partial asset sales as soon as possible, in order to reverse the situation of the Company's net current liabilities and liabilities, and improve the situation of insufficient working capital.

The auditor believes that if the Group has sufficient evidence to prove that 1) it can successfully raise funds within one year, and that the fundraising can reverse the situation of the Group's net current liabilities and net liabilities, and the available funds are greater than the current net current liabilities, and 2) it can record profits in the next year as the Group's profit and cash flow forecast as of 31 March 2025, which will strongly support the Group's assumption of going concern. The auditor will also consider remove the disclaimer of opinion of going concern based on the audit evidence available at that time.

## MEASURES TAKEN BY THE COMPANY TO ADDRESS DISCLAIMERS

### 1. Equity financing

In February 2023, the China Securities Regulatory Commission issued the “Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises” and its supporting regulatory guidelines numbered 1-5, which were implemented on 31 March 2023. The “Notice on the Implementation of the Essential Provisions of the Articles of Association of Companies Listed Abroad” was also abolished; Guidelines for the Adaptation of Regulatory Rules – Article 7 of No. 1 on Overseas Issuance and Listing, regarding corporate governance regulations, domestic enterprises that directly issue and list overseas shall comply with the provisions of Article 6 of the Trial Measures for Administration, and formulate company articles of association in accordance with the relevant provisions of the China Securities Regulatory Commission on corporate governance, such as the Guidelines for the Articles of Association of Listed Companies, to standardise corporate governance. The Hong Kong Stock Exchange has also revised the Listing Rules in accordance with the new regulatory regulations in mainland China, which will take effect on 1 August 2023. The new regulations of the Company Law of the People’s Republic of China will also be implemented on 1 July 2024. The Company’s articles of association has not been revised according to various domestic and foreign regulations, and there are many clauses that contradict or contradict various foreign regulations. Potential investors who are currently negotiating with the Company have noticed that this difference has an impact on the procedural and compliance of stock financing related work. They propose to promote the stock financing work after the Company completes the revision of internal rules and regulations in accordance with foreign regulations. The Company has currently started to sort out the Company’s articles of association and other relevant internal rules based on the revision of external regulations, and will start the review process of the revised articles of association and related internal rules as soon as possible. After the revision of the Company’s articles of association and other relevant internal rules is completed, potential investors will officially start the work related to share financing. At present, the Company is actively communicating with Hong Kong securities firms and other relevant institutions both domestically and internationally to discuss a share offering plan. After the Company completes the revision of its internal rules and regulations in accordance with external regulations, it can proceed with the share financing work.

The expected fundraising amount for the rights issue is RMB20 million, and the allocation schedule is as follows (T day is the date of completion of the revision of the Company's articles of association):

<b>Serial number</b>	<b>Job content</b>	<b>Time arrangement</b>
1	Revise the Company's articles of association and communicate with the major shareholders of the Company regarding stock financing matters and communicate stock issuance plans with potential investors	Strive to complete the revision of the Company's articles of association before 30 September 2024
2	The Company signs a subscription agreement with effective conditions with potential investors	T+30 days
3	The Board of Directors of the Company has reviewed and approved the subscription agreement, issued an announcement letter, and issued a notice to convene a special general meeting of shareholders	T+45 days
4	Deliberation of share issuance plan and subscription agreement at the special general meeting of shareholders of the Company	T+92 days
5	The Hong Kong Stock Exchange agrees to issue additional shares for listing	T+105 days
6	Filing the issuance results with the China Securities Regulatory Commission	T+108 days

## **2. Debt restructuring**

- (a) The Company is in communication with one shareholder and two other borrowers to further reduce interest and has made positive progress. One of the shareholders has been providing loan support to the Company since November 2011, and until March 2023, a total of five loan agreements were signed, with a cumulative loan principal of approximately RMB14.6 million and an interest rate of 4.35%. In March 2023, the Company signed a supplementary contract to the loan contract with the shareholder, extending the repayment period of the loan to 31 December 2026. It was confirmed that the loan principal as of the signing date of the supplementary contract was approximately RMB14.6 million, with interest calculated at a 10% increase in the People's Bank of China Loan Market Quotation Rate (LPR). As of 30 April 2024, the outstanding loan principal is approximately RMB14.6 million, and the outstanding loan interest is approximately RMB5.8 million.

Other borrowers (1) have been providing loan support to the Company since June 2016, and a total of five loan agreements have been signed until December 2022, with a cumulative loan principal of approximately RMB14.859 million and an interest rate of 12%. As of 31 December 2023, approximately RMB7.9 million of principal has been repaid, and approximately RMB1.964 million of interest has been repaid. In December 2022, the Company signed a supplementary loan contract with other borrowers (1), confirming that the loan principal as of the signing date of the supplementary contract was approximately RMB6.959 million, and extending the loan term to 31 December 2026. As of 31 December 2023, the outstanding loan principal was approximately RMB6.959 million, corresponding to an outstanding loan interest of approximately RMB0.9 million.

Other borrowers (2) have provided loan support to the Company since November 2017, and have signed two loan agreements until December 2022. The Company has also signed two loan extension agreements with other borrowers (2), with a cumulative loan principal of approximately RMB50 million and an interest rate of 12%. In December 2022, the Company signed two loan agreement extension agreements with other borrowers (2), confirming a total loan principal balance of about RMB50 million. The loan term was extended to 31 December 2026, and the total interest from the first loan provision date to 31 March 2023 was exempted by about RMB24 million. The interest for the years from 1 April 2023 to 31 December 2023, 2024, and 2025 was delayed and paid in 2026. As of 30 April 2024, the outstanding loan principal was about RMB50 million. In May 2024, the Company signed a supplementary loan agreement with other borrowers(2), confirming that the total payable interest from 1 April 2023 to 31 December 2024 was approximately RMB11 million, which was exempted from repayment by the Company.

The Company is currently in communication with a shareholder and other borrowers (1) to further reduce interest, with the aim of reducing the Group's current liabilities and lowering financial expenses.

- (b) The original principal of the loan from Huaxia Bank was RMB13 million, and as of now, the remaining loan principal is approximately RMB6.02 million, with an interest rate of 7.125% and a maturity date of 30 November 2024. At present, the Company is in negotiations with Huaxia Bank to renew loans and increase credit limits. If the bank completes the internal approval process based on the negotiation results, it is expected to increase the Company's liquidity.
- (c) The Company will maintain communication with creditors who are interested in debt to equity conversion, and initiate the debt to equity conversion work at an appropriate time after completing the revision of the organisational charter and other relevant internal rules.

### **3. Activate assets**

The Company has formulated a plan in 2023 to sell some properties that are temporarily not used for the Company's business operations in order to generate more revenue and provide support for the Company's business development and operation. The total area of the planned property for sale is about 36,000 square meters. According to the evaluation results of the asset appraiser in 2024, the market value of this part of the property is about RMB190 million. Due to the uncertain trend of the real estate industry in mainland China since 2023, many leading companies have defaulted and caused significant adverse events, leading to a lack of confidence in the real estate market and a cautious investment attitude among investors. As a result, the Company has made step-by-step adjustments to the sales plan, planning to sell approximately 12,000 square meters of the aforementioned property first. Currently, discussions are being held with potential investors on various purchase terms (such as sales form, payment method, etc.), and the property is expected to generate a sales revenue of RMB75 million. After deducting taxes and fees, the Company is expected to receive cash inflows of about RMB50 million, which can be used to improve the Company's cash flow situation. For the remaining properties to be sold, the Company will choose to sell or rent them out based on changes in the real estate market, in order to maximise profits.

### **4. New customer development**

At present, there are three new customers in talks, two of which are already undergoing product certification for small-scale procurement, and the other customer is in the bidding process. The Company is actively participating in the bidding.

The combination of stock financing, debt restructuring, and asset activation can save time and improve efficiency for the Company in increasing fundraising volume.

The above supplementary information does not affect other information included in the Annual Report. Except as disclosed above, all other information in the Annual Report remains unchanged.

By order of the Board  
**Shanxi Changcheng Microlight Equipment Co. Ltd**  
**Wu Bo**  
*Chairman*

Taiyuan city, Shanxi Province, the PRC, 23 July 2024

*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*