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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 ANNUAL RESULTS
ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31
DECEMBER 2020**

References are made to the announcement of Shanxi Changcheng Microlight Equipment Co. Ltd. (the “**Company**”) dated 31 March 2021 in relation to the annual results announcement of the Company for the year ended 31 December 2020 (the “**2020 Annual Results Announcement**”) and the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2020 Annual Results Announcement and the 2020 Annual Report.

In addition to the information provided in the 2020 Annual Results Announcement and the 2020 Annual Report, the Board would like to provide further information to the Corporate Governance Report therein in relation to the disclaimer of opinion (the “**Audit Qualification**”) issued by the auditors of the Company, CCTH CPA Limited (the “**Auditor**”), in relation to the consolidated financial statements of the Company for the year ended 31 December 2020 pursuant to Code Provision C.1.3 of Appendix 15 to the GEM Listing Rules.

**DETAILS OF THE AUDIT QUALIFICATION AND MANAGEMENT’S VIEW ON THE
AUDIT QUALIFICATION**

As set out in the 2020 Annual Report, given the conditions as detailed in the consolidated financial statements for the year ended 31 December 2020, the Auditor considered that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern, which was mainly due to that the Company had net current liabilities and net liabilities of approximately RMB175,151,000 and RMB73,967,000 respectively as at 31 December 2020. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern and therefore the Company may be unable to

realise its assets and discharge its liabilities in the normal course of business.

The Company's management believes that, affected by the upstream and downstream markets and exchange rate fluctuations for years, frequent management changes have caused unhealthy operating and management of the Company, and unavailable implementation of several business plans in a good and sustainable manner. Many difficulties encountered in operation cannot be fundamentally resolved. It also coincides with the impact of an unprecedented and prolonged COVID-19, which has caused a severe impact on the domestic and foreign markets, and greatly affected the daily operations of the Company. Through the unremitting efforts of the Company, it has gradually resumed production in April 2020, and is also making active efforts to bring the Company's production and operations back on track. However, the problems accumulated over the years cannot be solved in a short time. The Company is also actively seeking for strategic investors, with an aim to get the Company out of trouble as soon as possible through methods such as placing or financial assistance, thus enabling the Company embark on a track featuring sound development with good momentum as soon as possible.

REASONS FOR DEVIATIONS FROM THE PLAN TO RESOLVE THE ABILITY TO CONTINUE AS A GOING CONCERN AS MENTIONED IN THE 2019 ANNUAL REPORT

As at the end of 2019, the Company was forced to passively change suppliers due to the transformation of major suppliers for environmental protection reasons. The raw materials supplied by the new supplier could not meet the technical requirements of the Company's products, causing a large number of returns by the Company. Therefore, the Company suspended production for rectification at the end of 2019. It was originally planned that after the production resumption at the end of February 2020, the original plan would be carried out in an orderly manner. However, it coincided with the COVID-19, and the Company was struggling to deal with the severe impact on the Company's daily operations due to the pandemic. Besides, as the COVID-19 severely affected domestic and foreign market participants, the strategic investors previously contacted were also in disarray. Therefore, the original plan could only be postponed, which led to deviations from the plan.

THE ACTION PLAN OF THE GROUP IN RESPONSE TO THE AUDIT QUALIFICATION

The Directors of the Company have taken active measures to improve the liquidity of the Group. These steps include (i) at capital level: introducing new strategic investors into the private placement of new shares/bonds, and negotiating and implementing capital operation proposals with shareholders and potential investment 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 loan interest reduction/ exemption schemes with shareholders and borrowers and seeking financial support from shareholders and borrowers.

Although the similar Audit Qualification has existed for more than nine years, the Company is actively trying to find a solution, and the Company is confident that it can remove the Audit Qualification in the next annual results announcement.

AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION

During the process of the 2020 audit and the first Audit Committee meeting in 2021 (held on 31 March 2021), the Audit Committee held teleconferences with the Auditor on several occasions to conduct communications in respect of relevant issues of the 2020 Annual Report. The members of the Audit Committee have fully understood the Audit Qualification, discussed with the management in relation to the Audit Qualification at the Board meeting held on 31 March 2021, and agreed with the management's position and view on the Audit Qualification. The Audit Committee also believes that the management should continue to implement the actions and measures listed in the action plan to gradually resolve the Company's difficulties to continue as a going concern and remove the Audit Qualification as soon as possible.

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

Taiyuan City, Shanxi Province, the PRC, 21 May 2021

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 Guoliang 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 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 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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