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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of Shanxi Changcheng Microlight Equipment Co. Ltd. (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 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.

* *For identification purpose only*

FINANCIAL RESULTS

The board of directors (the "Board") of Shanxi Changcheng Microlight Equipment Co. Ltd. (the "Company") announce the results of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2014

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Revenue	*5*	**51,466**	62,758
Cost of sales		**(39,269)**	(45,681)
Gross profit		**12,197**	17,077
Other income, gains and losses	*5*	**783**	2,677
Selling and distribution expenses		**(1,460)**	(1,195)
Administrative expenses		**(15,443)**	(14,733)
Other operating expenses		**(5,574)**	(4,989)
Finance costs	*6*	**(1,835)**	(1,067)
Loss before tax	*7*	**(11,332)**	(2,230)
Income tax	*8*	**—**	—
Loss for the year		**(11,332)**	(2,230)
Other comprehensive income for the year		**—**	—
Total comprehensive expense for the year		**(11,332)**	(2,230)
Loss attributable to:			
Owners of the Company		**(11,306)**	(2,230)
Non-controlling interest		**(26)**	—
		(11,332)	(2,230)
Total comprehensive expense attributable to:			
Owners of the Company		**(11,306)**	(2,230)
Non-controlling interest		**(26)**	—
		(11,332)	(2,230)
Loss per share attributable to owners of the Company:			
— Basic and diluted	*9*	**RMB(0.037)**	RMB(0.007)

Consolidated Statement of Financial Position
As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**84,373**	88,813
Land use right		**11,706**	11,999
Interests in associates		**—**	—
Total non-current assets		**96,079**	100,812
CURRENT ASSETS			
Inventories		**22,539**	21,827
Trade receivables	*10*	**15,996**	15,658
Prepayments, deposits and other receivables		**2,079**	2,385
Due from a shareholder		**593**	593
Due from a former related company		**4,283**	4,283
Cash and cash equivalents		**1,233**	13,452
Total current assets		**46,723**	58,198
CURRENT LIABILITIES			
Trade payables	*11*	**8,399**	8,469
Accrued liabilities, deposits received and other payables		**24,387**	26,166
Due to a shareholder		**14,400**	14,400
Bank and other borrowing		**15,000**	17,000
Total current liabilities		**62,186**	66,035
NET CURRENT LIABILITIES		**(15,463)**	(7,837)
TOTAL ASSETS LESS CURRENT LIABILITIES		**80,616**	92,975
NON-CURRENT LIABILITIES			
Deferred government grants		**13,193**	14,310
NET ASSETS		**67,423**	78,665
EQUITY			
Share capital		**30,886**	30,886
Reserves		**36,473**	47,779
Equity attributable to owners of the Company		**67,359**	78,665
Non-controlling interest		**64**	—
TOTAL EQUITY		**67,423**	78,665

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Equity attributable to owners of the Company						
	Share capital *RMB'000*	**Capital surplus*** *RMB'000*	**Statutory surplus reserve*** *RMB'000*	**Retained earnings*** *RMB'000*	**Total** *RMB'000*	**Non-controlling interest** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2013	30,886	18,561	11,574	19,874	80,895	—	80,895
Total comprehensive expense for the year	—	—	—	(2,230)	(2,230)	—	(2,230)
Transfer from retained earnings to statutory surplus reserve	—	—	279	(279)	—	—	—
At 31 December 2013 and 1 January 2014	30,886	18,561	11,853	17,365	78,665	—	78,665
Capital contribution by non-controlling interest	**—**	**—**	**—**	**—**	**—**	**90**	**90**
Total comprehensive expense for the year	**—**	**—**	**—**	**(11,306)**	**(11,306)**	**(26)**	**(11,332)**
At 31 December 2014	**30,886**	**18,561**	**11,853**	**6,059**	**67,359**	**64**	**67,423**

* *These reserve accounts comprise the reserves of approximately RMB36,473,000 (2013: RMB47,779,000) in the consolidated statement of financial position.*

Notes to the Accounts

1. CORPORATE INFORMATION

Shanxi Changcheng Microlight Equipment Co. Ltd. was incorporated in the Mainland of the People's Republic of China (the "PRC") on 10 November 2000 as a joint stock limited company. The Company's H shares are listed on the Growth Enterprise Market of the Stock Exchange.

The principal activities of the Company and its subsidiary (collectively the "Group") included design, research, development, manufacture and sale of image transmission fibre optic products.

2. BASIS OF PREPERATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. These consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities that are measured at fair values at the end of each reporting period. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of a net loss of approximately RMB11,332,000 and net operating cash outflow of approximately RMB5,686,000 during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB15,463,000. In addition, the Group had an outstanding bank loan amounting to RMB15,000,000 which would be due for repayment within the next twelve months and an amount due to a shareholder amounting to RMB14,400,000 which is repayable on demand. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group intends to maintain its strong business relationship with its banker to maintain its continuing support. The directors of the Company are of the opinion that there are good track records or relationship with the bank which enhance the Group's ability to renew the current bank loan upon expiry.

In addition, the directors have been taking active steps to improve the liquidity position of the Group. These steps include (i) strengthen the management of overdue trade receivables; (ii) implementing measures to improve gross profit margin of the Group's products; and (iii) implementing stringent cost control measures.

Provided that these measures can successfully improve the liquidity position of the Group, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

New and revised HKFRSs and new disclosure requirements and Hong Kong Companies Ordinance not yet adopted.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities Applying the Consolidated Exception*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2011–2013 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial positions of the Group.

4. SEGMENT INFORMATION

The Group's revenue and contribution to loss were mainly derived from its sale of fiber optic inverters, fiber optic straight plates, fiber optic face plates, fiber optic tapers, fiber optic tapers billets and microchannel plates, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the directors of the Company, being the chief operating decision maker ("CODM"), for purposes of resource allocation and performance assessment. The measures of loss and of total assets and liabilities are consistent with the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position which are reported internally to the CODM. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets forth the total sales to external customers by product and the percentage of total revenue by product during the year:

	2014		2013	
	RMB'000	**%**	*RMB'000*	%
Fiber optic inverters	**30,202**	**59**	43,445	69
Fiber optic straight plates	**9,461**	**18**	7,199	11
Fiber optic face plates	**806**	**2**	1,217	2
Fiber optic tapers	**3,857**	**7**	6,570	11
Microchannel plates	**7,069**	**13**	4,327	7
Water purifier	**71**	**1**	—	—
	51,466	**100**	62,758	100

Geographical information

The Group principally operates in the PRC and the Group's non-current assets are all located in Shanxi, the PRC.

The following is an analysis of the Group's revenue from external customers by geographical location:

	2014	2013
	RMB'000	*RMB'000*
The PRC	**7,438**	11,192
Hong Kong	**17,438**	7,699
Europe	**26,516**	43,799
Others	**74**	68
	51,466	62,758

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2014	2013
	RMB'000	*RMB'000*
Customer A	**19,353**	22,376
Customer B	**9,068**	12,381
Customer C	**8,732**	N/A[1]
Customer D	**N/A[1]**	8,887

1 The revenue did not contribute to 10% or more of the total revenues of the Group.

5. REVENUE AND OTHER INCOME, GAINS AND LOSSES

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and other taxes related to sales where applicable.

An analysis of the Group's revenue, other income, gains and losses is as follows:

	2014	2013
	RMB'000	*RMB'000*
Revenue:		
Sale of goods	**51,466**	62,758
Other income, gains and losses:		
Amortisation of deferred government grants	**1,117**	1,794
Bank interest income	**134**	2
Loss on disposal of items of property, plant and equipment	**(1,618)**	—
Others	**1,150**	881
	783	2,677

6. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on bank and other loans, wholly repayable within five years	**1,835**	1,067

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2014 RMB'000	2013 RMB'000
Auditors' remuneration	**396**	393
Cost of inventories sold	**39,269**	45,681
Employee benefit expense (including directors', chief executive's and supervisors' remuneration):		
Salaries, allowances and other benefits in kind	**21,942**	23,847
Pension scheme contributions	**7,112**	6,586
	29,054	30,433
Less: Amounts capitalised *(note (i))*	**(19,704)**	(21,278)
	9,350	9,155
Depreciation of property, plant and equipment *(note (ii))*	**5,744**	5,919
Less: Amounts capitalised *(note (ii))*	**(3,447)**	(4,112)
	2,297	1,807
Amortisation of land use right (included in administrative expenses)	**293**	293
Loss on disposal of items of property, plant and equipment	**1,618**	—
Net foreign exchange loss (included in administrative expenses)	**111**	578
Research and development costs (included in other operating expenses)	**2,315**	3,919
Impairment of inventories	**2,744**	400
Impairment loss of trade receivables (included in other operating expenses)	**330**	1,415
Reversal of impairment loss of trade receivables (included in other operating expenses)	**(150)**	(755)
Impairment loss of other receivables (included in administrative expenses)	**120**	622
Reversal of impairment loss of other receivables (included in administrative expenses)	**(622)**	—

Notes:

(i) Salaries and other benefits of approximately RMB19,704,000 were capitalised in inventories for the year ended 31 December 2014 (2013: RMB21,278,000).

(ii) Depreciation of property, plant and equipment of approximately RMB3,447,000 was capitalised in inventories for the year ended 31 December 2014 (2013: RMB4,112,000).

8. INCOME TAX

	2014	2013
	RMB'000	*RMB'000*
Current PRC Enterprise income tax		
— Charge for the year	**—**	—
Deferred tax	**—**	—
Total tax charge for the year	**—**	—

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for the year ended 31 December 2014 (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

According to the applicable Enterprise Income Tax Law of the PRC, the Company, which operates in the Taiyuan Economic and Technology Development Zone (太原經濟技術開發區), the PRC, and which is registered as a New and High Technical Enterprise (高新技術企業), is entitled to a concessionary Enterprise Income Tax rate of 15% for 3 years. For the year ended 31 December 2014, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (2013: 15%).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB11,306,000 (2013: RMB2,230,000) and 308,860,000 (2013: 308,860,000) shares in issue during the year. There were no diluted potential ordinary shares in issue during the years ended 31 December 2013 and 2014.

10. TRADE RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**17,675**	17,157
Impairment	**(1,679)**	(1,499)
	15,996	15,658

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2014	2013
	RMB'000	*RMB'000*
0–90 days	**11,760**	12,512
91–180 days	**2,045**	1,539
181–365 days	**590**	1,607
Over 365 days	**1,601**	—
	15,996	15,658

The trading terms with customers are largely on credit. The credit period is generally 90 days (2013: 90 days). The Group maintains strict control over its outstanding receivables and has credit control policy in place to minimise its credit risk. The Group has significant concentration of credit risk arising from its ordinary course of business due to its relatively small customer bases. Overdue balances are regularly reviewed by management. Trade receivables are non-interest-bearing.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2014	2013
	RMB'000	*RMB'000*
0–90 days	**3,990**	4,436
91–180 days	**2,067**	1,986
181–365 days	**1,088**	949
Over 365 days	**1,254**	1,098
	8,399	8,469

The trade payables are non-interest-bearing and are mainly denominated in RMB.

12. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Image transmission fibre optics products manufactured by the Group are image transmission devices containing a rigidly bundle of optical fibres arranged in an ordered fashion so that images can be transmitted from one end of the optical fibre bundle and displayed on the other end of the bundle. A typical image transmission fibre optic product of the Group would consist of over 10 million optical fibres.

The Group currently produce five products including fibre optic inverters; fibre optic straight plates; fibre optic face plates; fibre optic tapers; and microchannel plates.

Details of total sales to external customers by product and the percentage of total revenue by product for the years ended 31 December 2014 and 2013 are set out in note 4 of the Notes to the Accounts.

Financial Review

Turnover of the Group for the year ended 31 December 2014 was approximately RMB51,466,000 (2013: RMB62,758,000), representing a decrease of approximately 18% as compared to that of the previous financial year.

Cost of sales of the Group for the year ended 31 December 2014 was approximately RMB39,269,000 (2013: RMB45,681,000), representing a decrease of approximately 14% as compared to that of the previous financial year.

The gross profit margin for the year ended 31 December 2014 was 23.7% (2013: 27.2%).

Administrative expenses of the Group for the year ended 31 December 2014 was approximately RMB15,443,000 (2013: RMB14,733,000), representing an increase of approximately RMB710,000 as compared to that of the previous financial year.

Other operating expenses of the Group for the year ended 31 December 2014 was approximately RMB5,574,000 (2013: RMB4,989,000). The changes in the other operating expenses were mainly due to (1) impairment of trade receivables, net amounting to approximately RMB180,000 (2013: RMB660,000); (2) research and development costs amounting to approximately RMB2,315,000 (2013: RMB3,919,000); and (3) impairment of inventory amounting to approximately RMB2,744,000 (2013: RMB400,000).

The loss after tax for the year ended 31 December 2014 of the Group was approximately RMB11,332,000 (2013: RMB2,230,000).

Financial Support

As the Group incurred net losses for four consecutive years since 2011, the Group had obtained financial support from its banker and its shareholder. As at 31 December 2014, the Group had outstanding bank loan amounting to RMB15,000,000 and amount due to Taiyuan Changcheng Optics Electronics Industrial Corporation, a shareholder of the Company, amounting to RMB14,400,000.

Going Concern

The Group incurred a net loss of approximately RMB11,332,000 and net operating cash outflow of approximately RMB5,686,000 during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB15,463,000. In addition, the Group had an outstanding bank loan amounting to RMB15,000,000 which would be due for repayment within the next twelve months and an amount due to a shareholder amounting to RMB14,400,000 which is repayable on demand. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

To address the issue of going concern, the directors of the Company have taken/will take the following steps:

— negotiate with the Company's banker in advance for the renewal of outstanding bank loan amounting to RMB15,000,000 which will be expired on 28 May 2015;

— strengthen the management of overdue trade receivable;

— implement measures to improve gross profit margins of the Group's products;

— implement stringent cost control measures; and

— consider to seek further financial support from its shareholders, if appropriate.

Financial Assistance to Related Parties

As at 31 December 2014, the amount due from a shareholder — Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000 (2013: RMB593,000). As at 31 December 2014, the amount due from a former related company — Shanxi Jindi Yucheng Medical Equipments Company Limited (formerly known as Taiyuan Huamei Medical Equipments Company Limited) was approximately RMB4,283,000 (2013: RMB4,283,000).

Liquidity and Financial Resources

As at 31 December 2014, the total assets of the Group decreased by approximately RMB16,208,000 to approximately RMB142,802,000 as compared to approximately RMB159,010,000 as at the end of the previous financial year, representing an decrease of approximately 10%.

As at 31 December 2014, the total liabilities of the Group decreased by approximately RMB4,966,000 to approximately RMB75,379,000 as compared to approximately RMB80,345,000 as at the end of the previous financial year, representing decrease of approximately 6%.

As at 31 December 2014, the total equity of the Group decreased by approximately RMB11,242,000 to approximately RMB67,423,000 as compared to approximately RMB78,665,000 as at the end of the previous financial year.

Gearing Ratio

As at 31 December 2014, the gearing ratio (defined as net debt divided by total share capital plus net debt) of the Group was approximately 48% (2013: 40%).

Significant Investment Held

As at 31 December 2014, the Group held interests in associates with a carrying amount of RMB Nil (2013: Nil).

Acquisition and Disposal of Subsidiaries

The Group had no acquisition and disposal of subsidiaries during the year ended 31 December 2014.

Pledge of Assets

As at 31 December 2014, the Group's land with the carrying value of approximately RMB11,706,000 (2013: RMB11,999,000) was pledged to a bank as securities for the borrowing facilities of the Group.

Contingent Liabilities

As at 31 December 2014, the Group had no contingent liabilities.

Exposure of Fluctuation in Exchange Rates

A majority of the Group's sales was denominated in US Dollars and Euro while a majority of the Group's cost of sales and capital and operating expenses were denominated in RMB. Accordingly, the directors of the Company are of the view that, the Group is exposed to foreign exchange risk arising from the exposure of RMB against US Dollars and Euro, respectively.

Employee Information

As at 31 December 2014, the Group had approximately 635 (2013: 683) full-time employees. For the year ended 31 December 2014, the Group reported staff costs of approximately RMB29,054,000 (2013: RMB30,433,000). The Group remunerates its employees based on their experience, performance and value, which they contribute to the Group.

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company is always committed to maintaining high standards of corporate governance. The Company has complied with the code provision set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the code provision except for: (1) the deviation that Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual and (2) seven directors of the Company have not been re-elected for appointment upon the end of three-year period since their last appointment.

The Company has engaged Messis Capital Limited as its compliance adviser for a period of two years commencing on 1 October 2012 and ending on 30 September 2014.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2014. Having made specific enquiry of all directors of the Company, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year ended 31 December 2014.

AUDIT COMMITTEE

In compliance with Rules 5.28 and 5.33 of the GEM Listing Rules, the Company has established an audit committee. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Ni Guo Qiang, Mr. Li Li Cai, and Ms. Zhang Zhi Hong. Ms. Zhang Zhi Hong has been appointed as the chairman of the audit committee. The audit committee has reviewed the annual results of the Group for the year ended 31 December 2014.

COMPETING INTERESTS

None of the Directors, supervisors and the management shareholders of the Company nor any of their respective associates have engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the year ended 31 December 2014.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the independent auditors' report from the external auditors of the Company:

Basis for disclaimer of opinion

(a) ***Going concern***

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a net loss of approximately RMB11,332,000 and net operating cash outflow of approximately RMB5,686,000 during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB15,463,000. In addition, the Group had an outstanding bank loan amounting to RMB15,000,000 which would be due for repayment within the next twelve months and an amount due to a shareholder amounting to RMB14,400,000 which is repayable on demand. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as described in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated and company statements of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable. Accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the net assets of the Group as at 31 December 2014 and the loss of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

(b) ***Impairment of property, plant and equipment***

Included in the property, plant and equipment on the consolidated and company statements of financial position as at 31 December 2014 were plant and machinery with carrying amount of approximately RMB19,376,000 (2013: RMB22,718,000). The fact that the Group incurred net losses for four consecutive years and net operating cash outflow during the year ended 31 December 2014, may, in our opinion, constitute an indicator of impairment. However, no impairment losses were recognised for the years ended 31 December 2013 and 2014. We were unable to satisfy ourselves as to the appropriateness of the assumptions made by the directors of the Company in assessing the recoverable amount of the aforesaid item of property, plant and equipment with carrying amount of approximately RMB19,376,000 as at 31 December 2014 (2013: RMB22,718,000), and whether any impairment losses should be recognised in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Any adjustments that might have been found to be necessary in respect of the carrying amounts of the aforesaid item of property, plant and equipment and impairment losses would have a consequential significant effect on the net assets of the Group as at 31 December 2014 and 2013 and the losses for the years then ended, and the related disclosures in these consolidated financial statements. This also caused us to disclaim our audit opinion on the financial statements in respect of the year ended 31 December 2013.

(c) ***Amounts due from a shareholder/a former related company***

Included in current assets on the consolidated and company statements of financial position as at 31 December 2014 were amounts due from a shareholder and a former related company of approximately RMB593,000 (2013: RMB593,000) and RMB4,283,000 (2013: RMB4,283,000) respectively, which were unsecured and remained outstanding up to the date of this report. In addition, audit confirmations of such balances as at 31 December 2014 have not been received from the shareholder and the former related company. We were unable to obtain sufficient reliable audit evidence or to carry out alternative audit procedures that we considered necessary to assess the validity and recoverability of such receivables as at 31 December 2014. Accordingly, we were unable to assess whether the carrying amounts of the aforesaid receivables as at 31 December 2014 were fairly stated and whether any impairment loss should be recognised. Any adjustments that might have been found to be necessary in respect of the carrying amounts of the amounts due from a shareholder and a former related company would have a consequential significant effect on the net assets of the Group as at 31 December 2014 and 2013 and the losses for the years then ended, and the related disclosures in these consolidated financial statements. This also caused us to disclaim our audit opinion on the financial statements in respect of the year ended 31 December 2013.

(d) ***Other payables***

Included in the accrued liabilities, deposits received and other payables on the consolidated and company statements of financial position as at 31 December 2013 was other payables of approximately RMB7,000,000. Since audit confirmations of such balances have not been received from the respective creditors, we have not been able to assess the accuracy and completeness of the above liabilities. There are no other satisfactory alternative procedures that we could perform to satisfy ourselves that these balances as at 31 December 2013 were free from material misstatement and we have been unable to determine whether any adjustments to these amounts are necessary and the related disclosures have been properly recorded and reflected in the financial statements of the Company for the year ended 31 December 2013. The matter describe above also caused us to disclaim our audit opinion on the financial statements in respect of the year ended 31 December 2013. Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the comparative information.

(e) ***Amount due to a shareholder***

Included in the consolidated and company statements of financial position as at 31 December 2014 was an amount due to a shareholder of approximately RMB14,400,000. Since audit confirmation of such balance has not been received from the shareholder, we have not been able to assess the accuracy and completeness of the above liability. There are no other satisfactory alternative procedures that we could perform to satisfy ourselves that this balance as at 31 December 2014 was free from material misstatement and we have been unable to determine whether any adjustment to this amount are necessary and the related disclosures have been properly recorded and reflected in the consolidated financial statements of the Company.

Disclaimer of Opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's draft financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the preliminary announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the GEM website at www.hkgem.com and the Company's website at http://www.sxccoe.com. The annual report of the Company for the year ended 31 December 2014 will be available on both websites and dispatched to the shareholders of the Company in due course.

By order of the Board
Shanxi Changcheng Microlight Equipment Co. Ltd.
Wang Wen Sheng
Chairman

Taiyuan City, Shanxi Province, the PRC, 30 March 2015

As at the date of this announcement, the Board comprises nine directors, of which three are executive directors, namely Mr. Wang Wen Sheng, Mr. Guo Xu Zhi and Mr. Tian Qun Xu; two non-executive directors, namely Mr. Zhang Shao Hui and Mr. Yuan Guo Liang; and four independent non-executive directors, namely Mr. Ni Guo Qiang, Mr. Li Li Cai, Mr. Duan Zhong and Ms. Zhang Zhi Hong.

This announcement will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from its date of publication and on the website of the Company at http://www.sxccoe.com.