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 2015

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 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

	Notes	**2015** **RMB'000**	2014 *RMB'000*
REVENUE	*4*	**43,282**	51,466
Cost of sales		**(35,339)**	(39,269)
Gross profit		**7,943**	12,197
Other income, gains and losses	*5*	**3,441**	783
Selling and distribution costs		**(3,794)**	(1,460)
Administrative expenses		**(12,026)**	(15,443)
Other operating expenses		**(8,975)**	(5,574)
Share of loss of an associate		**(163)**	—
Finance costs	*6*	**(1,323)**	(1,835)
LOSS BEFORE TAX	*7*	**(14,897)**	(11,332)
Income tax expense	*8*	**—**	—
LOSS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(14,897)**	(11,332)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(14,855)**	(11,306)
Non-controlling interests		**(42)**	(26)
		(14,897)	(11,332)
LOSS PER SHARE (RMB)	*9*		
— Basic and diluted		**(0.048)**	(0.037)

Consolidated Statement of Financial Position
As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**82,161**	84,373
Land use right		**11,413**	11,706
Interest in associates		**537**	—
		94,111	96,079
CURRENT ASSETS			
Inventories		**24,161**	22,539
Trade receivables	*10*	**14,537**	15,996
Prepayments, deposits and other receivables		**1,597**	2,079
Amount due from a shareholder		**593**	593
Amount due from a former related company		**4,283**	4,283
Cash and cash equivalents		**542**	1,233
		45,713	46,723
CURRENT LIABILITIES			
Trade payables	*11*	**10,647**	8,399
Accruals and other payables		**36,108**	24,387
Amount due to a shareholder		**14,400**	14,400
Bank borrowing		**14,000**	15,000
		75,155	62,186
NET CURRENT LIABILITIES		**(29,442)**	(15,463)
TOTAL ASSETS LESS CURRENT LIABILITIES		**64,669**	80,616
NON-CURRENT LIABILITIES			
Deferred government grants		**12,143**	13,193
NET ASSETS		**52,526**	67,423
EQUITY			
Equity attributable to owners of the Company			
Share capital		**30,886**	30,886
Reserves		**21,618**	36,473
		52,504	67,359
Non-controlling interests		**22**	64
TOTAL EQUITY		**52,526**	67,423

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company						
	Issued capital	**Capital surplus***	**Statutory surplus reserve***	**Retained earnings***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 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 loss 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
At 1 January 2015	**30,886**	**18,561**	**11,853**	**6,059**	**67,359**	**64**	**67,423**
Total comprehensive loss for the year	**—**	**—**	**—**	**(14,855)**	**(14,855)**	**(42)**	**(14,897)**
At 31 December 2015	**30,886**	**18,561**	**11,853**	**(8,796)**	**52,504**	**22**	**52,526**

* These reserve accounts comprise the consolidated reserves 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.

2. GOING CONCERN BASIS

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of a net loss of approximately RMB14,897,000 during the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB29,442,000. In addition, the Group had an outstanding bank loan amounting to RMB14,000,000 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 are of the opinion that there are good track records or relationship with its banker 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) strengthening 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 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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND OPERATING 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, 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

(a) ***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:

	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Fiber optic inverters	**21,009**	**49**	30,202	59
Fiber optic straight plates	**8,253**	**19**	9,461	18
Fiber optic face plates	**1,031**	**2**	806	2
Fiber optic tapers	**2,706**	**6**	3,857	7
Microchannel plates	**10,211**	**24**	7,069	13
Water purifier	**2**	**0**	71	1
Fiber rods	**70**	**0**	—	0
	43,282	**100**	51,466	100

(b) ***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:

	2015	2014
	RMB'000	*RMB'000*
The PRC	**7,718**	7,438
Hong Kong	**13,949**	17,438
Europe	**10,581**	26,516
Russia	**11,034**	74
	43,282	51,466

(c) *Information about major customers*

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

	2015	2014
	RMB'000	*RMB'000*
Customer A	**9,044**	19,353
Customer B	**11,007**	9,068
Customer C	**12,536**	8,732
Customer D	**4,454**	5,169

5. OTHER INCOME, GAINS AND LOSSES

	2015	2014
	RMB'000	*RMB'000*
Amortisation of deferred government grants	**1,055**	1,117
Bank interest income	**2**	134
Loss on disposal of property, plant and equipment	**—**	(1,618)
Rental income	**78**	—
Reversal of impairment of other receivable	**865**	622
Reversal of impairment of trade receivable	**803**	150
Foreign exchange gain	**618**	—
Others	**20**	378
	3,441	783

6. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loan	**1,323**	1,835

7. LOSS BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Auditors' remuneration	**419**	396
Cost of inventories sold	**35,339**	39,269
Staff costs (including directors' remuneration):		
Wages and salaries	**14,951**	21,942
Pension scheme contributions	**8,648**	7,112
	23,599	29,054
Depreciation of items of property, plant and equipment	**5,051**	5,744
Amortisation of land use right	**293**	293
Loss on disposal of property, plant and equipment	**—**	1,618
Net foreign exchange loss	**—**	111
Research and development costs	**1,970**	2,315
Impairment of investment in associates	**152**	87
Impairment of inventories	**6,727**	2,744
Impairment of trade receivables	**—**	330
Reversal of impairment of trade receivables	**(803)**	(150)
Impairment of other receivables	**—**	120
Reversal of impairment of other receivables	**(865)**	(622)

8. INCOME TAX EXPENSE

	2015	2014
	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 2015 (2014: RMBNil). 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% over 3 years, beginning on 15 October 2015. For the year ended 31 December 2015, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (2014: 15%).

The income tax expenses for the year can be reconciled to the loss for the year multiplied by applicable tax rate as follows:

	2015	2014
	RMB'000	*RMB'000*
Loss before tax	**(14,897)**	(11,322)
Tax calculated at the domestic tax rate of 15% (2014: 15%)	**(2,235)**	(1,700)
Tax effect of revenue not taxable for tax purposes	**(250)**	(168)
Tax effect of expenses not deductible for tax purposes	**1,077**	1,117
Tax effect of tax losses not recognised	**1,408**	751
Income tax expenses	**—**	—

As at 31 December 2015, the Group has estimated unused tax losses of approximately RMB14,474,000 (2014: RMB5,089,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The estimated unused tax losses of approximately RMB14,474,000 at 31 December 2015 (2014: RMB5,089,000) is due to expire within one to five years for offsetting against future taxable profits of the Group in which the losses arise.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB14,855,000 (2014: RMB11,306,000) and 308,860,000 (2014: 308,860,000) shares in issue during the year. There were no diluted potential ordinary shares in issue during the years ended 31 December 2014 and 2015.

10. TRADE RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**15,413**	17,675
Less: impairment losses	**(876)**	(1,679)
	14,537	15,996

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:

	2015	2014
	RMB'000	*RMB'000*
Within 90 days	**7,579**	11,760
91 days to 180 days	**6,052**	2,045
181 days to 1 year	**906**	590
Over 1 year	**—**	1,601
	14,537	15,996

The trading terms with customers are largely on credit. The credit period is generally 90 days (2014: 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.

The movements in impairment of trade receivables are as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**1,679**	1,499
Impairment losses recognised	**—**	330
Reversal of impairment losses recognised	**(803)**	(150)
At 31 December	**876**	1,679

Included in the above impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB876,000 (2014: RMB1,679,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**7,579**	11,760
Less than 9 months past due	**6,958**	2,635
Over 9 months past due	**—**	1,601
	14,537	15,996

Receivables that were neither past due nor impaired relate to a number of independent customers for whom there were no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. TRADE PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
0–90 days	**4,258**	3,990
91–180 days	**2,210**	2,067
181–365 days	**2,189**	1,088
Over 365 days	**1,990**	1,254
	10,647	8,399

12. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2015 (2014: RMBNil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company continued to be principally engaged in design, research, development, manufacture, and sale of image transmission fibre optic products. The subsidiary of the Company continued to be engaged in wholesale of household water purifiers.

Image transmission fibre optics products manufactured by the Company 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 Company would consist of over 10 million optical fibres.

The Group currently produces five major 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 2015 and 2014 are set out in notes (4) above.

Financial Review

Turnover of the Group for the year ended 31 December 2015 was approximately RMB43,282,000 (2014: RMB51,466,000), representing a decrease of approximately 16% as compared to that of the previous financial year.

Cost of sales of the Group for the year ended 31 December 2015 was approximately RMB35,339,000 (2014: RMB39,269,000), representing a decrease of approximately 10% as compared to that of the previous financial year.

The gross profit margin for the year ended 31 December 2015 was 18% (2014: 24%).

Administrative expenses of the Group for the year ended 31 December 2015 was approximately RMB12,026,000 (2014: RMB15,443,000), representing a decrease of approximately RMB3,417,000 as compared to that of the previous financial year.

Other operating expenses of the Group for the year ended 31 December 2015 was approximately RMB8,975,000 (2014: RMB5,574,000). The other operating expenses mainly include (i) research and development costs approximately RMB1,970,000 (2014: RMB2,315,000) and (ii) impairment of inventory approximately RMB6,727,000 (2014: RMB2,744,000).

The loss after tax for the year ended 31 December 2015 of the Group was approximately RMB14,897,000 (2014: RMB11,332,000).

Financial Support

As the Group incurred net losses since 2011, the Group obtained financial support from its banker and its shareholder. As at 31 December 2015, the Group had outstanding bank loan amounting to RMB14,000,000 and amount due to Taiyuan Changcheng Optics Electronics Industrial Corporation ("Taiyuan Changcheng"), a shareholder of the Company, amounting to RMB14,400,000.

Disagreement of Interest Charged by Taiyuan Changcheng

The Company obtained financial support from its substantial shareholder — Taiyuan Changcheng since the late of 2011. As at 31 December 2011, 2012, 2013, 2014 and 2015, the amount due to Taiyuan Changcheng was RMB500,000, RMB12,400,000, RMB14,400,000, RMB14,400,000, and RMB14,400,000 respectively.

In June 2015, Taiyuan Changcheng informed the shareholder representative of the Company that interest will be charged for certain amount of financial assistance provided to the Company. The estimated interest was approximately RMB222,000, RMB334,000, and RMB594,000 for the years of 2012, 2013, and 2014 respectively. The estimated interest for the year ended 31 December 2015 was approximately RMB594,000. The total interest was approximately RMB1,744,000.

The management of the Company disagreed with the interest charged by Taiyuan Changcheng. The interest approximately RMB1,744,000 was not accrued in the profit and loss accounts of the Company as the management of the Company understand that the financial assistance provided by Taiyuan Changcheng was on an interest-free basis. The management of the Company is in negotiation with Taiyuan Changcheng.

Going Concern

The Group incurred net losses since 2011. As at 31 December 2015, the Group's current liabilities exceeded its current assets by approximately RMB29,442,000. In addition, the Group had an outstanding bank loan amounting to RMB14,000,000 which will 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.

Beijing Gensir Venture Capital Management Limited, a substantial shareholder of the Company, will provide financial assistance to the Company when necessary.

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

— negotiate with the Company's banker in advance for renewal of the bank loan amounting to RMB14,000,000 which will be due for repayment within the next twelve months;

— strengthen the management of overdue trade receivable;

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

— implement stringent cost control measures; and

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

Financial Assistance to Related Parties

As at 31 December 2015, the amount due from a shareholder — Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000 (2014: RMB593,000) and 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 (2014: RMB4,283,000).

Liquidity and Financial Resources

As at 31 December 2015, the total assets of the Group decreased by approximately RMB2,978,000 to approximately RMB139,824,000 as compared to approximately RMB142,802,000 as at the end of the previous financial year, representing a decrease of approximately 2%.

As at 31 December 2015, the total liabilities of the Group increased by approximately RMB11,919,000 to approximately RMB87,298,000 as compared to approximately RMB75,379,000 as at the end of the previous financial year, representing an increase of approximately 16%.

As at 31 December 2015, the total equity of the Group decreased by approximately RMB14,897,000 to approximately RMB52,526,000 as compared to approximately RMB67,423,000 as at the end of the previous financial year.

Gearing Ratio

As at 31 December 2015, the gearing ratio (defined as net debt divided by total share capital plus net debt) of the Group was approximately 59% (2014: 48%).

Significant Investment Held

As at 31 December 2015, the Group held interests in associates with a carrying amount of approximately RMB537,000 (2014: RMBNil).

Acquisition and Disposal of Subsidiaries

The Group had no acquisition and disposal of subsidiaries during the year ended 31 December 2015.

Pledge of Assets

As at 31 December 2015, the Group's land and plant and machinery with the carrying value of approximately RMB11,413,000 and RMB1,154,000 respectively (2014: RMB11,706,000 and RMBNil) were pledged to a bank as securities for the borrowing facilities of the Group.

Contingent Liabilities

As at 31 December 2015, 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 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 2015, the Group had approximately 541 (2014: 635) full-time employees. For the year ended 31 December 2015, the Group reported staff costs of approximately RMB23,599,000 (2014: RMB29,054,000). The Group remunerates its employees based on their experience, performance and value, which they contribute to the Group.

CORPORATE GOVERNANCE PRACTICES

The Board 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; (2) eight directors of the Company have not been re-elected for appointment upon the end of three-year period since their last appointment; and (3) Mr. Yuan Guo Liang and Mr. Ni Guo Qiang were unable to attend the annual general meeting of the Company dated 10 June 2015.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors 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 2015. Having made specific enquiry of the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

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 2015.

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 2015.

COMPETING INTERESTS

The Directors believe that none of the Directors, supervisors and the management shareholders of the Company nor any of their respective associates had an interest in a business which competes or may compete with the business of the Group during the year ended 31 December 2015.

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

1. ***Amount due from a shareholder/a former related company***

Included in current assets on the consolidated statement of financial position as at 31 December 2015 were amount due from a shareholder and a former related company of approximately RMB593,000 (2014: RMB593,000) and RMB4,283,000 (2014: 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 2015 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 2015 and 2014. Accordingly, we were unable to assess whether the carrying amounts of the aforesaid receivables as at 31 December 2015 and 2014 were fairly stated and whether any impairment loss should be recognised.

2. ***Amount due to a shareholder***

Included in the consolidated statement of financial position as at 31 December 2015 was an amount due to a shareholder of approximately RMB14,400,000 (2014: 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 2015 and 2014 was free from material misstatement and the related disclosures have been properly recorded and reflected in the consolidated financial statements of the Company.

Any adjustments that might have been found to be necessary in respect of the carrying amounts above would have a consequential significant effect on the net assets of the Group as at 31 December 2015 and 2014 and the losses for the years then ended, and the related disclosures in these consolidated financial statements.

Material Uncertainty Relating to the Going Concern

As disclosed in note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB14,897,000 during the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB29,442,000. In addition, the Group had an outstanding bank loan amounting to RMB14,000,000 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 as described in note 2 to the consolidated financial statements. 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 statement 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 evidence, we were unable to ascertain whether the assumptions made by the Directors in the preparation of the consolidated financial statements on a going concern basis were appropriate.

Disclaimer of Opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, 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. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, Zhonghui Anda CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2015. The work performed by Zhonghui Anda CPA Limited 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 Zhonghui Anda CPA Limited 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 2015 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, 15 June 2016

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.