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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)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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.**

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*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”) announces the results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>REVENUE</b>	4	<b>18,731</b>	43,282
Cost of sales		<u>(14,243)</u>	<u>(35,339)</u>
<b>Gross profit</b>		<b>4,488</b>	7,943
Other income, gains and losses	5	<b>2,841</b>	3,441
Selling and distribution costs		<b>(1,643)</b>	(3,794)
Administrative expenses		<b>(13,158)</b>	(12,026)
Other operating expenses		<b>(22,665)</b>	(8,975)
Share of loss of an associate		<b>(307)</b>	(163)
Finance costs	6	<u><b>(3,158)</b></u>	<u>(1,323)</u>
<b>LOSS BEFORE TAX</b>	7	<b>(33,602)</b>	(14,897)
Income tax expense	8	<u>-</u>	<u>-</u>
<b>LOSS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><b>(33,602)</b></u>	<u>(14,897)</u>
<b>LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(33,596)</b>	(14,855)
Non-controlling interests		<u><b>(6)</b></u>	<u>(42)</u>
		<u><b>(33,602)</b></u>	<u>(14,897)</u>
<b>LOSS PER SHARE (RMB)</b>			
- Basic and diluted	9	<u><b>(0.109)</b></u>	<u>(0.048)</u>

**Consolidated Statement of Financial Position**  
As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		77,522	82,161
Land use right		11,120	11,413
Interest in associates		246	537
		<u>88,888</u>	<u>94,111</u>
<b>CURRENT ASSETS</b>			
Inventories		17,224	24,161
Trade and notes receivables	10	11,946	14,537
Prepayments, deposits and other receivables		425	1,597
Amount due from a shareholder		593	593
Amount due from a former related company		4,283	4,283
Cash and cash equivalents		373	542
		<u>34,844</u>	<u>45,713</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	12,283	10,647
Accruals and other payables		50,922	36,108
Amount due to a shareholder		16,490	14,400
Bank borrowing		13,920	14,000
		<u>93,615</u>	<u>75,155</u>
<b>NET CURRENT LIABILITIES</b>		<u>(58,771)</u>	<u>(29,442)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>30,117</u>	<u>64,669</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred government grants		11,193	12,143
<b>NET ASSETS</b>		<u>18,924</u>	<u>52,526</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		30,886	30,886
Reserves		(11,978)	21,618
		<u>18,908</u>	<u>52,504</u>
<b>Non-controlling interests</b>		<u>16</u>	<u>22</u>
<b>TOTAL EQUITY</b>		<u>18,924</u>	<u>52,526</u>

**Consolidated Statement of Changes in Equity**  
For the year ended 31 December 2016

	<b>Attributable to owners of the Company</b>						
	<b>Issued capital</b>	<b>Capital surplus*</b>	<b>Statutory surplus reserves*</b>	<b>Retained earnings/ (accumulated losses)*</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
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
At 1 January 2016	<b>30,886</b>	<b>18,561</b>	<b>11,853</b>	<b>(8,796)</b>	<b>52,504</b>	<b>22</b>	<b>52,526</b>
Total comprehensive loss for the year	-	-	-	(33,596)	(33,596)	(6)	(33,602)
<b>At 31 December 2016</b>	<b>30,886</b>	<b>18,561</b>	<b>11,853</b>	<b>(42,392)</b>	<b>18,908</b>	<b>16</b>	<b>18,924</b>

\* 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 have given consideration to the future liquidity of the Group in light of a net loss of approximately RMB33,602,000 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB58,771,000. In addition, the Group had an outstanding bank loan amounting to RMB13,920,000 which is repayable on demand and an amount due to a shareholder amounting to approximately RMB16,490,000 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 its banker which enhance the Group's ability to renew the current bank loan upon expiry.

In addition, the directors of the Company 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 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 noncurrent 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 2016. 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 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**

###### **(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:

	<b>2016</b>		2015	
	<b>RMB'000</b>	<b>%</b>	RMB'000	%
Fiber optic inverters (note)	<b>(1,129)</b>	<b>-6</b>	21,009	49
Fiber optic straight plates	<b>6,361</b>	<b>34</b>	8,253	19
Fiber optic face plates	<b>504</b>	<b>3</b>	1,031	2
Fiber optic tapers	<b>403</b>	<b>2</b>	2,706	6
Microchannel plates	<b>11,719</b>	<b>63</b>	10,211	24
Others	<b>873</b>	<b>4</b>	72	0
	<b><u>18,731</u></b>	<b><u>100</u></b>	<b><u>43,282</u></b>	<b><u>100</u></b>

Note: Sale return of fiber optic inverters from Europe customers during the year ended 31 December 2016 was amounting to approximately RMB3,767,000. As the sales of fiber optic inverters were smaller than its sale return during the reporting period, therefore the net sales was reported as a negative figure.

###### **(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:

	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
The PRC	<b>7,953</b>	7,718
Hong Kong	<b>10,994</b>	13,949
Europe (note)	<b>(949)</b>	10,581
Russia	<b>733</b>	11,034
	<u><b>18,731</b></u>	<u>43,282</u>

Note: Sale return of fiber optic inverters from Europe customers during the year ended 31 December 2016 was amounting to approximately RMB3,767,000. As the sales of fiber optic inverters were smaller than its sale return during the reporting period, therefore the net sales was reported as a negative figure.

### (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:

	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Customer A	<b>9,855</b>	9,044
Customer B	<b>4,268</b>	11,007
Customer C	<b>2,208</b>	12,536
Customer D	<b>-</b>	4,454

## 5. OTHER INCOME, GAINS AND LOSSES

	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Amortisation of deferred government grants	<b>2,478</b>	1,055
Bank interest income	<b>3</b>	2
Rental income	<b>26</b>	78
Reversal of impairment of other receivables	<b>-</b>	865
Reversal of impairment of trade and notes receivables	<b>-</b>	803
Foreign exchange gain	<b>329</b>	618
Others	<b>5</b>	20
	<u><b>2,841</b></u>	<u>3,441</u>

## 6. FINANCE COSTS

	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Interest on bank loan	<b>1,068</b>	1,323
Interest on amount due to a shareholder	<b>2,090</b>	-
	<u><b>3,158</b></u>	<u>1,323</u>

## 7. LOSS BEFORE TAX

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

	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Auditors' remuneration	<b>450</b>	419
Cost of inventories sold	<b>14,243</b>	35,339
Staff costs (including directors' remuneration)		
Wages and salaries	<b>15,032</b>	14,951
Pension scheme contributions	<b>8,719</b>	8,648
	<b>23,751</b>	23,599
Depreciation of items of property, plant and equipment	<b>4,893</b>	5,051
Amortisation of land use right	<b>293</b>	293
Net foreign exchange gain	<b>(329)</b>	(618)
Share of loss of an associate	<b>307</b>	-
Research and development costs	<b>971</b>	1,970
Impairment of investments in associates	<b>333</b>	152
Impairment of inventories	<b>19,735</b>	6,727
Impairment/(reversal of impairment) of trade receivables	<b>1,606</b>	(803)
Reversal of impairment of other receivables	<b>-</b>	(865)

## 8. INCOME TAX EXPENSE

	<b>2016</b>	2015
	<b>RMB'000</b>	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 2016 (2015: RMB 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, the PRC, and which is registered as a New and High Technical Enterprise, 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 2016, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (2015: 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 RMB33,596,000 (2015: RMB14,855,000) and 308,860,000 (2015: 308,860,000) shares in issue during the year. There were no diluted potential ordinary shares in issue during the years ended 31 December 2015 and 2016.



## 10. TRADE AND NOTES RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	13,888	15,413
Notes receivables	540	-
Less: impairment of trade receivable	<u>(2,482)</u>	<u>(876)</u>
	<u><b>11,946</b></u>	<u>14,537</u>

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:

	2016 RMB'000	2015 RMB'000
Within 90 days	6,852	7,579
91-180 days	2,900	6,052
181-365 days	<u>1,654</u>	<u>906</u>
	<u><b>11,406</b></u>	<u>14,537</u>

## 11. TRADE PAYABLES

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

	2016 RMB'000	2015 RMB'000
0-90 days	1,529	4,258
91-180 days	613	2,210
181-365 days	3,119	2,189
Over 365 days	<u>7,022</u>	<u>1,990</u>
	<u><b>12,283</b></u>	<u>10,647</u>

## 12. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for each of the years ended 31 December 2016 and 2015.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Company continued to be principally engaged in design, research, development, manufacture, and sale of image transmission optic products. A subsidiary of the Company continued to be engaged in wholesale of household water purifiers. The newly registered two subsidiaries in the year of 2016 did not commence any operation.

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 Company and its subsidiaries (together 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 the total sales to external customers by product and the percentage of total revenue by product for the years ended 31 December 2016 and 2015 are set out in note (4) above.

### **Financial Review**

Turnover of the Group for the year ended 31 December 2016 was approximately RMB18,731,000 (2015: RMB43,282,000), representing a decrease of approximately 57% as compared to that of the previous financial year.

Cost of sales of the Group for the year ended 31 December 2016 was approximately RMB14,243,000 (2015: RMB35,339,000), representing a decrease of approximately 60% as compared to that of the previous financial year.

The gross profit margin of the Group for the year ended 31 December 2016 was 24% (2015: 18%).

Administrative expenses of the Group for the year ended 31 December 2016 was approximately RMB13,158,000 (2015: RMB12,026,000), representing an increase of approximately RMB1,132,000 as compared to that of the previous financial year.

Other operating expenses of the Group for the year ended 31 December 2016 was approximately RMB22,665,000 (2015: RMB8,975,000). Other operating expenses mainly include (i) research and development costs approximately RMB971,000 (2015: RMB1,970,000) and (ii) impairment of inventory approximately RMB19,735,000 (2015: RMB6,727,000).

The Group reported finance costs amounting to approximately RMB3,158,000 (2015: RMB1,323,000) for the year ended 31 December 2016, representing an increase of approximately RMB1,835,000 as compared to that of the previous financial year.

The loss after tax for the year ended 31 December 2016 of the Group was approximately RMB33,602,000 (2015: RMB14,897,000).

## **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 2016, the Group had outstanding bank loan amounting to RMB13,920,000 and amount due to Taiyuan Changcheng Optics Electronics Industrial Corporation (“Taiyuan Changcheng”), a substantial shareholder of the Company, amounting to RMB16,490,070.

### **Bank Loan**

As at 31 December 2016, the Company had outstanding bank loan amounting to RMB13,920,000 which was expired in November 2016 and was not repaid. The bank loan is now repayable on demand. The bank loan is secured by the Company’s land use right located at No. 7, Dianzi Street, Taiyuan City, Shanxi Province, the PRC and certain plant and machinery at carrying amount of approximately RMB846,000.

### **Interest Charged by Taiyuan Changcheng**

The Company obtained financial assistance from its substantial shareholder – Taiyuan Changcheng since the late of 2011. As at 31 December 2011, 2012, 2013, 2014, 2015, and 2016, the amount due to Taiyuan Changcheng was RMB500,000, RMB12,400,000, RMB14,400,000, RMB14,400,000, RMB14,400,000, and RMB16,490,070 (including interest amounting to RMB2,090,070) respectively.

In June 2015, Taiyuan Changcheng informed the shareholder representatives of the Company that interest will be charged for the certain financial assistance provided to the Company. The management of the Company disagreed with the interest charged by Taiyuan Changcheng. The estimated total interest of approximately RMB1,744,000 for the years ended 31 December 2012, 2013, 2014, and 2015 was not accrued in the profit and loss accounts of the Company for the year ended 31 December 2015 as the management of the Company claimed that the financial assistance provided to the Company by Taiyuan Changcheng was on an interest-free basis. The management of the Company negotiated with Taiyuan Changcheng.

In June 2016, both of Taiyuan Changcheng and the Company agreed that Taiyuan Changcheng should charge interest on certain financial assistance provided to the Company. The interest charged by Taiyuan Changcheng was agreed at amount of RMB2,090,070 for the five years ended 31 December 2012, 2013, 2014, 2015 and 2016. The total interest was accrued in the profit and loss accounts for the year ended 31 December 2016. The directors of the Company believe that the interest charged by Taiyuan Changcheng is based on normal commercial terms or better.

### **Going Concern**

As at 31 December 2016, the Group’s current liabilities exceeded its current assets by approximately RMB58,771,000. In addition, the Group had an outstanding bank loan amounting to RMB13,920,000 which is repayable on demand and an amount due to a shareholder amounting to RMB16,490,070 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:

- continue to negotiate with the Company’s banker for renewal of the bank loan;
- strengthen the management of overdue trade receivable;
- implement measures to improve gross profit margin of the Group’s products;
- implement stringent cost control measures;
- consider to issue domestic shares and/or other fund raising measures; and
- consider seeking further financial assistance from its shareholders, if appropriate.

### **Financial Assistance to Related Parties**

As at 31 December 2016, the amount due from a shareholder – Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000 (2015: 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 (2015: RMB4,283,000).

### **Liquidity and Financial Resources**

As at 31 December 2016, the total assets of the Group decreased by approximately RMB16,092,000 to approximately RMB123,732,000 as compared to approximately RMB139,824,000 as at the end of the previous financial year, representing a decrease of approximately 12%.

As at 31 December 2016, the total liabilities of the Group increased by approximately RMB17,510,000 to approximately RMB104,808,000 as compared to approximately RMB87,298,000 as at the end of the previous financial year, representing an increase of approximately 20%.

As at 31 December 2016, the total equity of the Group decreased by approximately RMB33,602,000 to approximately RMB18,924,000 as compared to approximately RMB52,526,000 as at the end of the previous financial year.

### **Gearing Ratio**

As at 31 December 2016, the gearing ratio (defined as net debt divided by total share capital plus net debt) of the Group was approximately 83% (2015: 59%).

### **Significant Investment Held**

As at 31 December 2016, the Group held interests in associates with the carrying value of approximately RMB246,000 (2015: RMB537,000).

### **Acquisition and Disposal of Subsidiaries**

The Group had no acquisition and disposal of subsidiaries during the year ended 31 December 2016.

### **Pledge of Assets**

As at 31 December 2016, the Group’s land and plant and machinery with the carrying value of approximately RMB11,120,000 and RMB846,000 respectively (2015: RMB11,413,000 and RMB1,154,000) were pledged to a bank as securities for the borrowing facilities of the Group.

## **Contingent Liabilities**

As at 31 December 2016, the Group had no contingent liabilities.

## **Exposure of Fluctuation in Exchange Rates**

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets, and liabilities are principally denominated in the functional currency of the Group.

## **Employee Information**

As at 31 December 2016, the Group had approximately 542 (2015: 541) full-time employees. For the year ended 31 December 2016, the Group reported staff costs of approximately RMB23,751,000 (2015: RMB23,599,000). The Group remunerates its employees based on their experience, performance and value, which they contribute to the Group.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules. In the opinion of the board of directors of the Company, the Company has complied with the code provisions except for (i) nine directors of the Company have not been re-elected upon the end of three-year period since their last appointment (code provisions A4.2) due to the shareholders of the Company did not reach an agreement in relating to the re-election of directors; (ii) the notice of board meeting dated 6 June 2016 was less than 14 days notice (code provisions A1.3) due to the publication of the final results of the Group was delayed; (iii) the Company did not arrange for insurance cover in respect of legal action against the directors of the Company (code provisions A1.8) due to insufficient budget provided; and (iv) two independent non-executive directors and one non-executive director did not attend the annual general meeting of the Company dated 22 December 2016 (code provisions A6.7) due to other engagements.

## **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 2016. 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.

## **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 2016.

## **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 2016.

## **COMPETING INTERESTS**

The directors of the Company believe that none of the directors, supervisors and 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 2016.

## **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 to a shareholder and interest expenses payable to a shareholder**

We are unable to obtain sufficient evidence on the balance of the amount due to a shareholder as at 31 December 2015. No sufficient evidence has been received by us in respect of whether the interest expenses payable to that shareholder of approximately RMB2,090,000 charged to profit or loss were properly accounted for in the consolidated financial statements for the year ended 31 December 2016. However, we are satisfied that the amount due to a shareholder is fairly stated as at 31 December 2016.

#### **2. Amount due from a shareholder**

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the amount due from a shareholder of approximately RMB593,000 (2015: RMB593,000) as at 31 December 2016. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amount should be made in the consolidated financial statements.

#### **3. Amount due from a former related company**

Included in the current assets on the consolidated statement of financial position as at 31 December 2016 was amount due from a former related company of approximately RMB4,283,000 (2015: RMB4,283,000), which was unsecured and remained outstanding up to the date of this report. In addition, audit confirmations of such balances as at 31 December 2016 and 2015 have not been received from 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 2016 and 2015. Accordingly, we were unable to assess whether the carrying amounts of the aforesaid receivables as at 31 December 2016 and 2015 were fairly stated and whether any impairment loss should be recognised.

Any adjustments to the figures as described above might have a significant consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2016 and 2015 and the financial position of the Group as at 31 December 2016 and 2015, and the related disclosures thereof in the consolidated financial statements.

#### 4. Material uncertainty relating to the going concern basis

As disclosed in note 2 to the consolidated financial statements, the Group incurred a loss of approximately RMB33,602,000 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB58,771,000. In addition, the Group had an outstanding bank loan amounting to RMB13,920,000 which is repayable on demand and an amount due to a shareholder amounting to approximately RMB16,490,000 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**

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

#### **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 2016 as set out in the preliminary announcement have been agreed by the auditors, Zhonghui Anda CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 December 2016. 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](http://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 2016 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, 31 March 2017

*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](http://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>.*