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 2013

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 for the year ended 31 December 2013, together with the comparative figures for the year ended 31 December 2012, as follows:

Statement of Comprehensive Income
For the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 *RMB'000*
Revenue	*5*	**62,758**	48,113
Cost of sales		**(45,681)**	(37,328)
Gross profit		**17,077**	10,785
Other income and gain	*5*	**2,677**	2,915
Selling and distribution expenses		**(1,195)**	(1,376)
Administrative expenses		**(14,733)**	(19,966)
Other operating expenses		**(4,989)**	(17,857)
Finance costs	*6*	**(1,067)**	(907)
Loss before tax	*7*	**(2,230)**	(26,406)
Income tax	*8*	**—**	—
Loss for the year		**(2,230)**	(26,406)
Other comprehensive income for the year		**—**	—
Total comprehensive expense for the year		**(2,230)**	(26,406)
Loss per share attributable to owners of the Company:	*9*		
— Basic and diluted		**RMB(0.007)**	RMB(0.085)

Statement of Financial Position
As at 31 December 2013

	Notes	**2013** *RMB'000*	2012 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**88,813**	91,759
Land use right		**11,999**	12,292
Interest in an associate		**—**	—
Total non-current assets		**100,812**	104,051
CURRENT ASSETS			
Inventories		**21,827**	23,232
Trade receivables	*10*	**15,658**	8,552
Prepayments, deposits and other receivables		**2,385**	2,239
Due from a shareholder		**593**	593
Due from a former related company		**4,283**	4,283
Cash and cash equivalents		**13,452**	955
Total current assets		**58,198**	39,854
CURRENT LIABILITIES			
Trade payables	*11*	**8,469**	7,782
Accrued liabilities, deposits received and other payables		**26,166**	15,574
Due to a shareholder		**14,400**	12,400
Bank and other borrowings		**17,000**	12,000
Total current liabilities		**66,035**	47,756
NET CURRENT LIABILITIES		**(7,837)**	(7,902)
TOTAL ASSETS LESS CURRENT LIABILITIES		**92,975**	96,149
NON-CURRENT LIABILITIES			
Deferred government grants		**14,310**	15,254
NET ASSETS		**78,665**	80,895
EQUITY			
Equity attributable to owners of the Company			
Share capital		**30,886**	30,886
Reserves		**47,779**	50,009
TOTAL EQUITY		**78,665**	80,895

Statement of Changes in Equity

For the year ended 31 December 2013

	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 equity** *RMB'000*
At 1 January 2012	30,886	18,561	11,574	46,280	107,301
Total comprehensive expense for the year	—	—	—	(26,406)	(26,406)
At 31 December 2012 and 1 January 2013	**30,886**	**18,561**	**11,574**	**19,874**	**80,895**
Total comprehensive expense for the year	**—**	**—**	**—**	**(2,230)**	**(2,230)**
Transfer from retained earnings to statutory surplus reserve	**—**	**—**	**279**	**(279)**	**—**
At 31 December 2013	**30,886**	**18,561**	**11,853**	**17,365**	**78,665**

* *These reserve accounts comprise the reserves of approximately RMB47,779,000 (2012: RMB50,009,000) in the 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 included design, research, development, manufacture and sale of image transmission fibre optic products.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the Company's financial year beginning 1 January 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK (IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures and HKAS 28 Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Company is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Company's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Company.

Annual Improvements 2009–2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. None of these amendments have had a significant financial impact on the Company. Details of the key amendments most applicable to the Company are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

The directors consider that the application of the new and revised HKFRSs has had no material financial effect on the financial statements of the Company for the current or prior accounting periods.

Issued but not yet effective HKFRSs

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

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[5]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[6]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[4]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 No mandatory effective date yet determined but is available for adoption.
6 Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Company will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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 in accordance with HKFRS 9 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 Company expects that these amendments will not have any impact on the Company as the Company is not an investment entity as defined in HKFRS 10.

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 are not expected to have any impact on the financial position or performance of the Company upon adoption on 1 January 2014.

The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied.

The Annual Improvements to HKFRSs 2010–2012 Cycle and the Annual Improvements to HKFRSs 2011–2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. The directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

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

3. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA. The financial statements also include applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

These financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities, which have been measured at fair value.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand except when otherwise indicated. It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

4. SEGMENT INFORMATION

The Company'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 Company's 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 statement of comprehensive income and the statement of financial position which are reported internally to the CODM. In addition, the Company's assets are located in Shanxi, the PRC. 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:

	2013		2012	
	RMB'000	***%***	*RMB'000*	*%*
Fiber optic inverters	**43,445**	**69**	38,172	79
Fiber optic straight plates	**7,199**	**11**	2,273	5
Fiber optic face plates	**1,217**	**2**	1,595	3
Fiber optic tapers	**6,570**	**11**	4,902	10
Fiber optic tapers billets	**—**	**—**	875	2
Microchannel plates	**4,327**	**7**	296	1
	62,758	**100**	48,113	100

Geographical information

The Company principally operates in the PRC, the country of the Company's domicile, with revenue and loss derived mainly from its operations in the PRC. The Company's non-current assets are all located in Shanxi, the PRC.

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

	2013	2012
	RMB'000	*RMB'000*
The PRC	**11,192**	4,906
Hong Kong	**7,699**	6,197
Europe	**43,799**	36,666
Others	**68**	344
	62,758	48,113

Information about major customers

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

	2013	2012
	RMB'000	*RMB'000*
Customer A	**22,376**	27,955
Customer B	**12,381**	N/A[1]
Customer C	**8,887**	N/A[1]

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

5. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Company'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 Company's revenue, other income and gain is as follows:

	2013	2012
	RMB'000	*RMB'000*
Revenue:		
Sale of goods	**62,758**	48,113
Other income and gain:		
Amortisation of deferred government grants	**1,794**	1,477
Bank interest income	**2**	4
Gain on disposal of items of property, plant and equipment	**—**	88
Others	**881**	1,346
	2,677	2,915

6. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on bank and other loans, wholly repayable within five years	**1,067**	907

7. LOSS BEFORE TAX

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

	2013	2012
	RMB'000	*RMB'000*
Auditors' remuneration	**393**	609
Cost of inventories sold	**45,681**	37,328
Employee benefit expense (including directors', chief executive's and supervisors' remuneration):		
Wages, salaries and other benefits	**23,847**	23,673
Pension scheme contributions	**6,586**	6,005
	30,433	29,678
Less: Amounts capitalised *(note (i))*	**(21,278)**	(20,123)
	9,155	9,555
Depreciation of property, plant and equipment	**5,919**	10,442
Less: Amounts capitalised *(note (ii))*	**(4,112)**	(4,050)
	1,807	6,392
Amortisation of land use right (included in administrative expenses)	**293**	293
Gain on disposal of items of property, plant and equipment	**—**	(88)
Net foreign exchange loss	**578**	637
Research and development costs (included in other operating expenses)	**3,919**	6,764
Impairment of inventories	**400**	715
Impairment of trade receivables (included in other operating expenses)	**1,415**	11,052
Reversal of impairment of trade receivables (included in other operating expenses)	**(755)**	(148)
Impairment of other receivables (included in administrative expenses)	**622**	745

Notes:

(i) Salaries and other benefits of approximately RMB21,278,000 were capitalised in inventories for the year ended 31 December 2013 (2012: RMB20,123,000).

(ii) Depreciation of property, plant and equipment of approximately RMB4,112,000 was capitalised in inventories for the year ended 31 December 2013 (2012: RMB4,050,000).

8. INCOME TAX

	2013	2012
	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 Company had no estimated assessable profits arising in or derived from Hong Kong for the year ended 31 December 2013 (2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Company 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 2013, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (2012: 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 RMB2,230,000 (2012: RMB26,406,000) and 308,860,000 (2012: 308,860,000) shares in issue during the year. There were no diluted potential ordinary shares in issue during the years ended 31 December 2012 and 2013.

10. TRADE RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**17,157**	10,724
Impairment	**(1,499)**	(2,172)
	15,658	8,552

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:

	2013	2012
	RMB'000	*RMB'000*
0–90 days	**12,512**	7,512
91–180 days	**1,539**	536
181–365 days	**1,607**	504
	15,658	8,552

The trading terms with customers are largely on credit. The Company generally allow an average credit period of 90 days (2012: 90 days). The Company maintains strict control over its outstanding receivables and has credit control policy in place to minimise its credit risk. The Company 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 provision for impairment of trade receivables are as follows:

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**2,172**	1,153
Impairment losses recognised	**1,415**	11,052
Reversal of impairment losses recognised	**(755)**	(148)
Amount written off as uncollectible	**(1,333)**	(9,885)
At 31 December	**1,499**	2,172

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB1,499,000 (2012: RMB2,172,000). 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 Company 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:

	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**12,341**	7,512
Less than 9 months past due	**3,317**	1,040
	15,658	8,552

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 Company. Based on past experience, the directors are of the opinion that no provision for impairment 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 the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2013	2012
	RMB'000	*RMB'000*
0–90 days	**4,436**	3,335
91–180 days	**1,986**	1,640
181–365 days	**949**	1,327
Over 365 days	**1,098**	1,480
	8,469	7,782

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 2013 (2012: Nil).

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.

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 currently has produced six products including fibre optic inverters; fibre optic straight plates; fibre optic face plates; fibre optic tapers; fibre optic taper billers; and microchannel plates.

During the years ended 31 December 2013 and 2012, the total sales to external customers by product and the percentage of total revenue by product are listed as below:

	2013		2012	
	RMB'000	***%***	*RMB'000*	*%*
Fiber optic inverters	**43,445**	**69**	38,172	79
Fiber optic straight plates	**7,199**	**11**	2,273	5
Fiber optic face plates	**1,217**	**2**	1,595	3
Fiber optic tapers	**6,570**	**11**	4,902	10
Fiber optic tapers billets	**—**	**—**	875	2
Microchannel plates	**4,327**	**7**	296	1
	62,758	**100**	48,113	100

Financial Review

Turnover of the Company for the year ended 31 December 2013 was approximately RMB62,758,000 (2012: RMB48,113,000), representing an increase of approximately 30% as compared to that of the previous financial year.

Cost of sales of the Company for the year ended 31 December 2013 was approximately RMB45,681,000 (2012: RMB37,328,000), representing an increase of approximately 22% as compared to that of the previous financial year.

The gross profit margin for the year ended 31 December 2013 was 27.2% (2012: 22.4%). The improvement of gross profit margin was mainly due to the increase in the passing rate of product production during the year ended 31 December 2013.

Administrative expenses of the Company for the year ended 31 December 2013 was approximately RMB14,733,000 (2012: RMB19,966,000), representing a decrease of approximately RMB5,233,000 as compared to that of the previous financial year. At the year end of 2013, the management of the Company reviewed the estimated useful lives of the Company's leasehold buildings. Based on the recent assessment made by the registered developer of the Company's leasehold buildings, the directors of the Company reasonably believe that the useful lives of the Company's leasehold building should not be less than 40 years. In connection with such circumstance, the depreciation rate of Company's leasehold buildings is revised from 10 years or over the lease terms, whichever is shorter to 40 years or over the lease terms, whichever is shorter. Accordingly, the depreciation charge for the Company's leasehold buildings for the year ended 31 December 2013 amounting to approximately RMB1,273,000 (2012: RMB5,888,000), representing a decrease of approximately RMB4,615,000 as compared to that of the previous financial year.

Other operating expenses of the Company for the year ended 31 December 2013 was approximately RMB4,989,000 (2012: RMB17,857,000), representing a decrease of approximately RMB 12,868,000 as compared to that of the previous financial year. The company recorded an impairment of trade receivables amounting to approximately RMB1,415,000 for the year ended 31 December 2013 (2012: RMB11,052,000). In addition, the Company recorded research and development cost amounting to approximately RMB3,919,000 (2012: RMB6,764,000) for the year ended 31 December 2013.

Due to the facts that the Company recorded (1) an increase in sales; (2) an improvement in the gross profit margin; and (3) a decrease in the administrative and other operating expenses during the year ended 31 December 2013; the directors of the Company believe that the financial performance of the Company is at the improvement stage.

The loss after tax for the year ended 31 December 2013 was approximately RMB2,230,000 (2012: RMB26,406,000).

Financial Support

As the Company incurred net losses for three consecutive years since 2011, the Company had obtained financial support from its banker and its shareholder. As at 31 December 2013, the Company had outstanding bank loan and other borrowing amounting to RMB17,000,000 and outstanding amount due to Taiyuan Changcheng Optics Electronics Industrial Corporation, a shareholder of the Company, amounting to RMB14,400,000.

Going Concern

The Company incurred a net loss of approximately RMB2,230,000 during the year ended 31 December 2013 and, as of that date, the Company's current liabilities exceeded its current assets by approximately RMB7,837,000. In addition, the Company had outstanding bank and other borrowings amounting to RMB17,000,000 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 Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The validity of the going concern assumption on which the financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company. The financial statements have been prepared on the assumption that the Company 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 Company is unable to continue as a going concern.

Financial Assistance to Related Parties

As at 31 December 2013, the amount due from a shareholder — Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000 (2012: RMB593,000). As at 31 December 2013, 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 (2012: RMB4,283,000).

Liquidity and Financial Resources

As at 31 December 2013, the total assets of the Company increased by approximately RMB15,105,000 to approximately RMB159,010,000 as compared to approximately RMB143,905,000 as at the end of the previous financial year, representing an increase of approximately 11%.

As at 31 December 2013, the total liabilities of the Company increased by approximately RMB17,335,000 to approximately RMB80,345,000 as compared to approximately RMB63,010,000 as at the end of the previous financial year, representing an increase of approximately 28%.

As at 31 December 2013, the total equity of the Company decreased by approximately RMB2,230,000 to approximately RMB78,665,000 as compared to approximately RMB80,895,000 as at the end of the previous financial year, representing a decrease of approximately 3%.

Gearing Ratio

As at 31 December 2013, the gearing ratio (defined as net debt divided by total share capital plus net debt) was approximately 40% (2012: 37%).

Significant Investment Held

As at 31 December 2013, the Company held interest in an associate with a carrying amount of Nil (2012: Nil).

Acquisition and Disposal of Subsidiaries

The Company had no other acquisition and disposal of subsidiaries during the year ended 31 December 2013.

Pledge of Assets

As at 31 December 2013, the Company's land with the carrying value of approximately RMB11,999,000 (2012: RMB12,292,000) was pledged to a bank as securities for the borrowing facilities of the Company.

Contingent Liabilities

As at 31 December 2013, the Company had no significant contingent liabilities.

Exposure of Fluctuation in Exchange Rates

A majority of the Company's sales was denominated in US Dollars and Euro while a majority of the Company'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 Company is exposed to foreign exchange risk arising from the exposure of RMB against US Dollars, Euro and Hong Kong Dollars, respectively.

Employee Information

As at 31 December 2013, the Company had approximately 683 (2012: 617) full-time employees. For the year ended 31 December 2013, the Company reported staff costs of approximately RMB30,433,000 (2012: RMB29,678,000). The Company remunerates its employees based on their experience, performance and value, which they contribute to the Company.

CORPORATE GOVERNANCE PRACTICES

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 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.

The Company has engaged Messis Capital Limited as its compliance adviser for a period of two years commencing on 1 October 2012. The Company has also engaged Crowe Horwath (HK) Limited ("Crowe Horwath") to undertake the role of reviewing and assessing the Company's internal control and to evaluate its effectiveness and efficiency on the internal control. Crowe Horwath has prepared a report to the Board and senior management on the findings of the internal control system implemented by the Company and helps to identify any significant areas of concern and made recommendations to the Board accordingly. The review report was submitted to the Stock Exchange on 8 March 2013. The

Company has further engaged Crowe Horwath to evaluate the effectiveness and efficiency on the Company's internal control in April 2013. Crowe Horwath has prepared a report to the Board and senior management on the findings of the internal control system in August 2013.

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 2013. 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

The Company has not purchased, sold or redeemed any of its listed securities during the year ended 31 December 2013.

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 Company. 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 Company for the year ended 31 December 2013.

COMPETING INTERESTS

None of the Directors, supervisors and the management shareholders of the Company nor any of their respective associates (as defined under the GEM Listing Rules) have engaged in any business that competes or may compete with the business of the Company or has any other conflict of interests with the Company during the year ended 31 December 2013.

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 3 to the financial statements, the Company incurred a net loss of approximately RMB2,230,000 during the year ended 31 December 2013 and, as of that date, the Company's current liabilities exceeded its current assets by approximately RMB7,837,000. In addition, the Company had outstanding bank and other borrowings amounting to RMB17,000,000 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 Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The validity of the going concern assumption on which the financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as disclosed in note 3 to the financial statements. The financial statements have been prepared on the assumption that the Company 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 Company 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 statement of financial position. In addition, the Company 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 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 Company as at 31 December 2013 and the loss of the Company for the year then ended, and the related disclosures thereof in the financial statements.

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

Included in the property, plant and equipment on the statement of financial position of the Company as at 31 December 2013 were plant and machinery with carrying amount of approximately RMB22,718,000 (2012: 26,073,000). The fact that the Company incurred net losses for three consecutive years, may, in our opinion, constitute an indicator of impairment. However, no impairment losses were recognised for the years ended 31 December 2012 and 2013. 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 RMB22,718,000 as at 31 December 2013 (2012: RMB26,073,000), 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 Company as at 31 December 2013 and 2012 and the losses for the years then ended, and the related disclosures in these financial statements. This also caused us to disclaim our audit opinion on the financial statements in respect of the year ended 31 December 2012.

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

Included in current assets on the statement of financial position of the Company as at 31 December 2013 were amounts due from a shareholder and a former related company of approximately RMB593,000 (2012: RMB593,000) and RMB4,283,000 (2012: RMB4,283,000) respectively, which were unsecured and remained outstanding up to the date of this report. In addition, audit confirmation of such balance as at 31 December 2013 has 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 2013. Accordingly, we were unable to assess whether the carrying amounts of the aforesaid receivables as at 31 December 2013 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 Company as at 31 December 2013 and 2012 and the losses for the years then ended, and the related disclosures in these financial statements. This also caused us to disclaim our audit opinion on the financial statements in respect of the year ended 31 December 2012.

(d) ***Other payables***

Included in the accrued liabilities, deposits received and other payables on the statement of financial position of the Company 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.

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 financial statements as to whether they give a true and fair view of the state of affairs of the Company as at 31 December 2013 and of the loss and cash flows of the Company for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the 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 Company's results for the year ended 31 December 2013 have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Company'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 2013 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, 28 March 2014

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*.