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 2012

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 2012, together with the comparative figures for the year ended 31 December 2011, as follows:

Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	**2012** *RMB'000*	2011 *RMB'000*
Revenue	*5*	**48,113**	55,333
Cost of sales		**(37,328)**	(39,900)
Gross profit		**10,785**	15,433
Other income and gain	*5*	**2,915**	2,549
Selling and distribution expenses		**(1,376)**	(1,051)
Administrative expenses		**(19,966)**	(19,933)
Other operating expenses		**(17,857)**	(7,273)
Finance costs	*6*	**(907)**	(1,043)
Loss before tax	*7*	**(26,406)**	(11,318)
Income tax	*8*	**—**	277
Loss for the year		**(26,406)**	(11,041)
Other comprehensive income for the year		**—**	—
Total comprehensive expense for the year		**(26,406)**	(11,041)
Loss per share attributable to owners of the Company:	*9*		
— Basic and diluted		**RMB(0.085)**	RMB(0.036)

Statement of Financial Position
As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**91,759**	93,869
Land use right		**12,292**	12,585
Interest in an associate		**—**	—
Total non-current assets		**104,051**	106,454
CURRENT ASSETS			
Inventories		**23,232**	16,815
Trade receivables	*10*	**8,552**	19,670
Prepayments, deposits and other receivables		**2,239**	5,281
Due from a shareholder		**593**	593
Due from a former related company		**4,283**	4,283
Cash and cash equivalents		**955**	1,099
Total current assets		**39,854**	47,741
CURRENT LIABILITIES			
Trade payables	*11*	**7,782**	6,704
Accrued liabilities, deposits received and other payables		**15,574**	9,559
Due to a shareholder		**12,400**	500
Interest-bearing bank loan		**12,000**	14,000
Total current liabilities		**47,756**	30,763
NET CURRENT (LIABILITIES)/ASSETS		**(7,902)**	16,978
TOTAL ASSETS LESS CURRENT LIABILITIES		**96,149**	123,432
NON-CURRENT LIABILITIES			
Deferred government grants		**15,254**	16,131
NET ASSETS		**80,895**	107,301
EQUITY			
Equity attributable to owners of the Company			
Share capital		**30,886**	30,886
Reserves		**50,009**	76,415
TOTAL EQUITY		**80,895**	107,301

Statement of Changes in Equity

For the year ended 31 December 2012

	Equity attributable to owners of the Company				
	Share capital	Capital surplus*	Statutory surplus reserve*	Retained earnings*	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	30,886	18,561	11,574	57,321	118,342
Total comprehensive expense for the year	—	—	—	(11,041)	(11,041)
At 31 December 2011 and 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	**30,886**	**18,561**	**11,574**	**19,874**	**80,895**

* *These reserve accounts comprise the reserves of approximately RMB50,009,000 (2011: RMB76,415,000) 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 2012.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no material 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 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 and HKFRS 7 — *Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]

HKAS 1 Amendments	Amendments to HKAS1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK (IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation.* The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Company expects to adopt the amendments from 1 January 2013.

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 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 other comprehensive income ("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.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Company expects to adopt HKFRS 9 from 1 January 2015. The Company will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Company to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. The Company expects that the application of HKFRS 10 will not have any impact on the currently held investments of the Company.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes 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.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Company is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 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.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Company expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

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 provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Company expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will affect presentation only and have no impact on the financial position or performance. The Company expects to adopt the amendments from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right of 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 *Annual Improvements to HKFRSs 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Company expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Company.

(a) 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.

(b) 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 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.

The 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.

Going concern

In preparing the financial statements, the directors have given consideration to the future liquidity of the Company in light of a net loss of approximately RMB26,406,000 and net operating cash outflow of approximately RMB1,497,000 during the year ended 31 December 2012 and, as of that date, the Company's current liabilities exceeded its current assets by approximately RMB7,902,000. In addition, the Company had outstanding bank loan amounting to RMB12,000,000 which would be due for repayment within the next twelve months and an amount due to a shareholder amounting to RMB12,400,000 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 Company 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 the bank which enhance the Company's ability to renew the current bank loan upon expiry.

太原長城光電子工業公司 (transliterated as "Taiyuan Changcheng Optics Electronics Industrial Corporation") and 北京中澤創業投資管理有限公司 (transliterated as "Beijing Gensir Venture Capital Management Limited"), the substantial shareholders of the Company, have agreed in writing to the Company that they will financially support the Company as a going concern.

In addition, the directors have been taking active steps to improve the liquidity position of the Company. These steps include (i) implementing stringent cost control measures to strengthen its cash flow position; and (ii) implementing various sales strategies to increase the sales turnover and margins of the products.

Provided that these measures can successfully improve the liquidity position of the Company, the directors are satisfied that the Company will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Should the Company 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 financial statements.

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:

	2012		2011	
	RMB'000	%	*RMB'000*	%
Fiber optic inverters	**38,172**	**79**	44,170	80
Fiber optic straight plates	**2,273**	**5**	4,559	8
Fiber optic face plates	**1,595**	**3**	2,717	5
Fiber optic tapers	**4,902**	**10**	3,233	6
Fiber optic tapers billets	**875**	**2**	632	1
Microchannel plates	**296**	**1**	22	—
	48,113	**100**	55,333	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:

	2012	2011
	RMB'000	*RMB'000*
The PRC	**4,906**	3,607
Hong Kong	**6,197**	9,949
Europe	**36,666**	41,622
Others	**344**	155
	48,113	55,333

Information about major customers

Revenue from major customers contributing 10% or more of the total revenue, is set out below:

	2012	2011
	RMB'000	*RMB'000*
Customer A	**27,955**	39,419
Customer B	**N/A**[1]	8,361

[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:

	2012	2011
	RMB'000	*RMB'000*
Revenue:		
Sale of goods	**48,113**	55,333
Other income and gain:		
Amortisation of deferred government grants	**1,477**	1,966
Bank interest income	**4**	20
Gain on disposal of items of property, plant and equipment	**88**	310
Others	**1,346**	253
	2,915	2,549

6. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on bank loan, wholly repayable with five years	**907**	1,043

7. LOSS BEFORE TAX

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

	2012	2011
	RMB'000	*RMB'000*
Auditors' remuneration	**609**	350
Cost of inventories sold	**37,328**	39,900
Employee benefit expense (including directors', chief executive's and supervisors' remuneration):		
Wages, salaries and other benefits *(note (i))*	**23,673**	21,070
Pension scheme contributions *(note (i))*	**6,005**	6,516
	29,678	27,586
Depreciation of property, plant and equipment *(note (ii))*	**10,442**	9,948
Amortisation of land use rights (included in administrative expenses)	**293**	293
Gain on disposal of items of property, plant and equipment	**(88)**	(310)
Net foreign exchange loss	**637**	619
Research and development costs (included in other operating expenses)	**6,764**	6,420
Minimum lease payments under operating lease rentals in respect of leasehold land and buildings	**—**	660
Impairment of inventories	**715**	—
Impairment of trade receivables (included in other operating expenses)	**11,052**	18
Reversal of impairment of trade receivables (included in other operating expenses)	**(148)**	(36)
Impairment of other receivables	**745**	171

Notes:

(i) Salaries and other benefits of approximately RMB20,123,000 were capitalised in inventories for the year ended 31 December 2012 (2011: RMB17,873,000).

(ii) Depreciation of property, plant and equipment of approximately RMB4,050,000 was capitalised in inventories for the year ended 31 December 2012 (2011: RMB3,050,000).

8. INCOME TAX

	2012	2011
	RMB'000	*RMB'000*
Current PRC Enterprise Income Tax		
— Charge for the year	**—**	—
— Over-provision in prior years	**—**	(277)
Deferred tax	**—**	—
Total tax credit for the year	**—**	(277)

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 2012 (2011: 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, the PRC, and which is registered as a New and High Technical Enterprise, is entitled to a concessionary Enterprise Income Tax rate of 15% for 3 years. For the year ended 31 December 2012, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (2011: 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 RMB26,406,000 (2011: RMB11,041,000) and 308,860,000 (2011: 308,860,000) shares in issue during the year. There were no diluted potential ordinary shares in issue during the years ended 31 December 2011 and 2012.

10. TRADE RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**10,724**	20,823
Impairment	**(2,172)**	(1,153)
	8,552	19,670

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:

	2012	2011
	RMB'000	*RMB'000*
0–90 days	**7,512**	12,717
91–180 days	**536**	5,312
181–365 days	**504**	1,641
	8,552	19,670

The trading terms with customers are largely on credit. The credit period is generally 90 days (2011: 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:

	2012 *RMB'000*	2011 *RMB'000*
At 1 January	**1,153**	1,171
Impairment losses recognised	**11,052**	18
Reversal of impairment losses recognised	**(148)**	(36)
Amount written off as uncollectible	**(9,885)**	—
At 31 December	**2,172**	1,153

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB2,172,000 (2011: RMB1,153,000). 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:

	2012 *RMB'000*	2011 *RMB'000*
Neither past due nor impaired	**7,512**	12,484
Less than 9 months past due	**1,040**	6,813
	8,552	19,297

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:

	2012 *RMB'000*	2011 *RMB'000*
0–90 days	**3,335**	4,870
91–180 days	**1,640**	840
181–365 days	**1,327**	48
Over 365 days	**1,480**	946
	7,782	6,704

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 2012 (2011: 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 2012 and 2011, the total sales to external customers by product and the percentage of total revenue by product are listed as below:

	2012		2011	
	RMB'000	***%***	*RMB'000*	*%*
Fiber optic inverters	**38,172**	**79**	44,170	80
Fiber optic straight plates	**2,273**	**5**	4,559	8
Fiber optic face plates	**1,595**	**3**	2,717	5
Fiber optic tapers	**4,902**	**10**	3,233	6
Fiber optic tapers billets	**875**	**2**	632	1
Microchannel plates	**296**	**1**	22	—
	48,113	**100**	55,333	100

The percentage of total revenue by product had no significant changes during the year of 2012.

Financial Review

Turnover of the Company for the year ended 31 December 2012 was approximately RMB48,113,000 (2011: RMB55,333,000), representing a decrease of approximately 13% as compared to the previous financial year.

Cost of sales of the Company for the year ended 31 December 2012 was approximately RMB37,328,000 (2011: RMB39,900,000), representing a decrease of approximately 6% as compared to the previous financial year.

Administrative expenses of the Company for the year ended 31 December 2012 was approximately RMB19,966,000 (2011: RMB19,933,000), representing an increase of approximately 0.2% as compared to the previous financial year.

Other operating expenses of the Company for the year ended 31 December 2012 was approximately RMB17,857,000 (2011: RMB7,273,000), representing an increase of approximately 146% as compared to the previous financial year. The increase in the other operating expenses was mainly because of impairment of trade receivables amounting to approximately RMB11,052,000 mainly due to dispute in product specification with certain customers. In addition, the Company recorded research and development cost amounting to approximately RMB6,764,000 (2011: RMB6,420,000).

Having reviewed the financial performance of the Company for the year ended 31 December 2012, the directors of the Company consider that the Company recorded substantial loss was mainly due to (1) gross profit margin dropped from the average of 47.8% for the financial years of 2009 and 2010 to 22.4% for the current year as a result of increasing of cost of production; (2) depreciation charge of property, plant and machinery increased from the average of approximately RMB3,748,000 for the financial years of 2009 and 2010 to approximately RMB10,442,000 for the current year; (3) research and development cost increased from the average of approximately RMB2,909,000 for the financial years of 2009 and 2010 to approximately RMB6,764,000 for the current year; and (4) impairment of trade receivables of approximately RMB11,052,000.

As mentioned in the above, a customer in France, a customer in Holland, and a customer in Hong Kong have returned goods to the Company amounting to of approximately RMB11,052,000 during the year ended 31 December 2012 mainly due to the customers did not satisfy with the product quality and accept for part of the product specifications. The management of the Company had negotiated with the customers several times with the ground that the product specifications are in agreement with those stated in the relevant sale contracts. For the purpose of maintaining business relationship with the customers, the Company finally accepted the goods returned to the Company. Nevertheless, the directors of the Company believe that this is a one-off incident and would not affect the future business of the Company.

The loss after tax for the year ended 31 December 2012 was approximately RMB26,406,000 (2011: RMB11,041,000).

As the Company incurred substantial loss for the financial year of 2012, the Company had obtained financial support from bank and its shareholder. As at 31 December 2012, the Company had outstanding bank loan amounting to RMB12,000,000 and outstanding amount due to Taiyuan Changcheng Optics Electronics Industrial Corporation, a shareholder of the Company, amounting to RMB12,400,000.

On 20 February 2013, each of Taiyuan Changcheng Optics Electronics Industrial Corporation Beijing Gensir Venture Capital Management Limited, the substantial shareholders of the Company, have agreed in writing to the Company that they will financially support the Company as a going concern. In addition, the directors of the Company believe that the Company's bank loan amounting to RMB12,000,000 as at 31 December 2012 would be able to renew upon the expiry date in the third quarter of 2013.

Financial Assistance to Related Parties

As at 31 December 2012, the amount due from a shareholder — Taiyuan Tanghai Automatic Control Company Limited was approximately RMB593,000 (2011: RMB593,000).

As at 31 December 2012, 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 (2011: RMB4,283,000).

Liquidity and Financial Resources

As at 31 December 2012, the total assets of the Company decreased by approximately RMB10,290,000 to approximately RMB143,905,000 as compared to approximately RMB154,195,000 as at the end of the previous financial year, representing a decrease of approximately 7%.

As at 31 December 2012, the total liabilities of the Company increased by approximately RMB16,116,000 to approximately RMB63,010,000 as compared to approximately RMB46,894,000 as at the end of the previous financial year, representing an increase of approximately 34%.

As at 31 December 2012, the total equity of the Company decreased by approximately RMB26,406,000 to approximately RMB80,895,000 as compared to approximately RMB107,301,000 as at the end of the previous financial year, representing a decrease of approximately 25%.

Gearing Ratio

As at 31 December 2012, the gearing ratio (defined as net debt divided by total share capital plus net debt) was approximately 37% (2011: 22%).

Significant Investment Held

As at 31 December 2012, the Company held interest in an associate with a carrying amount of Nil (2011: Nil).

Acquisition and Disposal of Subsidiaries

The Company had no other acquisition and disposal of subsidiaries during the year ended 31 December 2012.

Pledge of Assets

As at 31 December 2012, the Company's land with the carrying value of approximately RMB12,292,000 (2011: RMB12,585,000) was pledged to a bank as securities for the borrowing facilities of the Company.

Contingent Liabilities

As at 31 December 2012, the Company had no 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 2012, the Company had approximately 617 (2011: 644) full-time employees. For the year ended 31 December 2012, the Company reported staff costs of approximately RMB29,678,000 (2011: RMB27,586,000). 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.

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.

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 2012. 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 2012.

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 2012.

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 2012.

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*

The Company incurred a net loss of approximately RMB26,406,000 and net operating cash outflow of approximately RMB1,497,000 during the year ended 31 December 2012 and, as of that date, the Company's current liabilities exceeded its current assets by approximately RMB7,902,000. In addition, the Company had outstanding bank loan amounting to RMB12,000,000 which would be due for repayment within the next twelve months and an amount due to a shareholder amounting to RMB12,400,000 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. 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 2012 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 2012 were plant and machinery with carrying amount of approximately RMB26,073,000. The fact that the Company incurred net losses and net operating cash outflow for two consecutive years, may, in our opinion, constitute an indicator of impairment. However, no impairment loss was recognised for the year ended 31 December 2012. 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 as at 31 December 2012, and whether any impairment loss should be recognised in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Any adjustment that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Company as at 31 December 2012 and the loss of the Company for the year then ended, and the related disclosures thereof in the financial statements.

(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 2012 were amounts due from a shareholder and a former related company of approximately RMB593,000 and RMB4,283,000 respectively, which were unsecured and remained outstanding up to the date of this report. We were unable to obtain sufficient reliable audit evidence to satisfy ourselves as to the ability of the shareholder and the former related company to settle the aforesaid receivables. Accordingly, we were unable to assess whether the carrying amounts of the aforesaid receivables as at 31 December 2012 were fairly stated and whether any impairment loss should be recognised. Any adjustment that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Company as at 31 December 2012 and the loss of the Company for the year then ended, and the related disclosures thereof in the financial statements.

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 2012 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.

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

Taiyuan City, Shanxi Province, the PRC, 6 June 2013

As at the date of this announcement, the Board comprises nine directors, of which three are executive directors, namely Mr. Song Lian Bin, Mr. Wang Wen Sheng, 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.