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 2011

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 audited results of the Company for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010, as follows:

Statement of Comprehensive Income
For the year ended 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
Revenue	*5*	**55,333**	64,578
Cost of sales		**(39,900)**	(33,781)
Gross profit		**15,433**	30,797
Other income	*5*	**2,239**	1,418
Other gain/(loss)	*5*	**310**	(921)
Selling and distribution expenses		**(1,051)**	(1,025)
Administrative expenses		**(19,933)**	(15,082)
Other operating expenses		**(7,273)**	(4,220)
Operating (loss)/profit		**(10,275)**	10,967
Finance costs	*6*	**(1,043)**	(82)
(Loss)/profit before tax	*7*	**(11,318)**	10,885
Income tax	*8*	**277**	(1,549)
(Loss)/profit for the year		**(11,041)**	9,336
Other comprehensive income for the year		**—**	—
Total comprehensive (expense)/income for the year		**(11,041)**	9,336
(Loss)/earnings per share attributable to ordinary equity holders of the Company:	*9*		
— Basic and diluted		**RMB(0.036)**	RMB0.030

Statement of Financial Position
As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**93,869**	84,897
Land use right		**12,585**	12,878
Deposits for acquisition of property, plant and equipment		**—**	8,255
Interest in an associate		**—**	—
Total non-current assets		**106,454**	106,030
CURRENT ASSETS			
Inventories		**16,815**	13,585
Trade receivables	*10*	**19,670**	15,019
Prepayments, deposits and other receivables		**4,801**	2,878
Due from shareholders		**593**	5,153
Due from a related company		**4,283**	4,290
Tax refundable		**480**	—
Cash and cash equivalents		**1,099**	9,635
Total current assets		**47,741**	50,560
CURRENT LIABILITIES			
Trade payables	*11*	**6,704**	1,957
Accrued liabilities, deposits received and other payables		**9,559**	8,621
Due to a shareholder		**500**	—
Interest-bearing bank loan		**14,000**	14,000
Tax payable		**—**	483
Total current liabilities		**30,763**	25,061
NET CURRENT ASSETS		**16,978**	25,499
TOTAL ASSETS LESS CURRENT LIABILITIES		**123,432**	131,529

	Notes	**2011**	2010
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred government grants		**16,131**	13,187
NET ASSETS		**107,301**	118,342
EQUITY			
Equity attributable to owners of the Company			
Share capital		**30,886**	30,886
Reserves		**76,415**	87,456
TOTAL EQUITY		**107,301**	118,342

Statement of Changes in Equity
For the year ended 31 December 2011

	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 2010	30,886	18,561	10,475	49,084	109,006
Total comprehensive income for the year	—	—	—	9,336	9,336
Transfer from retained earnings to statutory surplus reserve	—	—	1,099	(1,099)	—
At 31 December 2010 and 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	**30,886**	**18,561**	**11,574**	**46,280**	**107,301**

* *These reserve accounts comprise the reserves of approximately RMB76,415,000 (2010: RMB87,456,000) in the statement of financial position.*

Notes to the Accounts

1. CORPORATE INFORMATION

Shanxi Changcheng Microlight Equipment Co. Ltd. (the "Company") 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 ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company included design, research, development, manufacture and sale of image transmission fibre optic products.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the new and revised Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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.

The significant accounting policies that have been used in the preparation of these financial statements have been consistently applied to all the years presented unless otherwise stated.

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 RMB11,041,000 and net operating cash outflow of approximately RMB2,068,000 during the year ended 31 December 2011 and, as of that date, the Company has outstanding bank loan amounted to approximately RMB14,000,000 which is due for repayment within the next twelve months.

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.

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.

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.

3. 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 HKICPA that are effective for the Company's financial year beginning 1 January 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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

New and revised HKFRSs in issue but not yet effective

The Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

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[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 Amendments	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[3]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2012.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2015.

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. For these fair value option 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. 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 other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option 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 directors anticipate that HKFRS 9 that will be adopted in the Company's financial statements for the annual period beginning 1 January 2015 and that the application of the new standard may have a significant impact on amounts reported in respect of the Company's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are 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.

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, and the consequential amendments to HKAS 27 and HKAS 28 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.

Amendments to HKAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycle) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Company expects to adopt the amendments from 1 January 2013.

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.

4. SEGMENT INFORMATION

The Company's revenue and contribution to loss/profit were mainly derived from its sale of fiber optic inverters, fiber optic straight plates, fiber optic face plates, fiber optic tapers and fiber optic tapers billets, 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/profit 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:

	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
Fiber optic inverters	**44,170**	**80**	49,807	77
Fiber optic straight plates	**4,559**	**8**	9,072	14
Fiber optic face plates	**2,717**	**5**	2,949	5
Fiber optic tapers	**3,233**	**6**	2,370	4
Fiber optic tapers billets	**632**	**1**	380	—
Microchannel plates	**22**	**—**	—	—
	55,333	**100**	64,578	100

Geographical information

The Company principally operates in the PRC, the country of the Company's domicile, with revenue and loss/profit 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:

	2011	2010
	RMB'000	*RMB'000*
The PRC	**3,607**	12,705
Hong Kong	**9,949**	16,730
Europe	**41,622**	35,143
Others	**155**	—
	55,333	64,578

Information about major customers

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

	2011	2010
	RMB'000	*RMB'000*
Customer A	**39,419**	35,143
Customer B	**8,361**	16,730
Customer C	**N/A[1]**	8,786

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

5. REVENUE, OTHER INCOME AND OTHER GAIN/(LOSS)

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 other gain/(loss) recognised during the year is as follows:

	2011	2010
	RMB'000	*RMB'000*
Revenue:		
Sale of goods	**55,333**	64,578
Other income:		
Amortisation of deferred government grants	**1,966**	1,368
Bank interest income	**20**	16
Others	**253**	34
	2,239	1,418
Other gain/(loss):		
Gain/(loss) on disposal of property, plant and equipment	**310**	(921)

6. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on bank loan, wholly repayable within five years	**1,043**	—
Interest on finance leases	**—**	82
	1,043	82

7. (LOSS)/PROFIT BEFORE TAX

	2011	2010
	RMB'000	*RMB'000*
(Loss)/profit before tax is arrived at after charging/(crediting):		
Auditors' remuneration	**350**	356
Cost of inventories sold	**39,900**	33,781
Employee benefit expense (including directors' and supervisors' remuneration):		
Wages, salaries and other benefits	**21,070**	21,678
Pension scheme contributions	**6,516**	5,706
	27,586	27,384
Depreciation of property, plant and equipment	**9,948**	4,441
Amortisation of land use right (included in administrative expenses)	**293**	293
(Gain)/loss on disposal of property, plant and equipment	**(310)**	921
Net foreign exchange loss	**619**	117
Research and development costs (included in other operating expenses)	**6,420**	3,730
Minimum lease payments under operating lease rentals in respect of leasehold land and buildings	**660**	1,440
Impairment of trade receivables (included in administrative expenses)	**18**	—
Reversal of impairment of trade receivables (included in administrative expenses)	**(36)**	(633)
Impairment of other receivables (included in other operating expenses)	**171**	—

8. INCOME TAX

	2011	2010
	RMB'000	*RMB'000*
Current PRC Enterprise income tax		
– Charge for the year	**—**	1,549
– Over-provision in prior years	**(277)**	—
Deferred tax	**—**	—
Total tax (credit)/charge for the year	**(277)**	1,549

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 2011 (2010: 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% over 3 years, beginning on 1 January 2009. For the year ended 31 December 2011, the Company was still entitled to a concessionary Enterprise Income Tax rate of 15% (2010: 15%).

Reconciliation between tax (credit)/expense applicable to (loss)/profit before tax at the statutory rate in the PRC to the tax (credit)/expense at the applicable tax rate is as follows:

	2011	2010
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(11,318)**	10,885
Tax at statutory tax rate of 15% (2010: 15%)	**(1,698)**	1,633
Income not subject to tax	**(396)**	(205)
Expenses not deductible for tax	**1,941**	49
Tax losses not recognised	**153**	—
Over-provision in prior years	**(277)**	—
Others	**—**	72
Income tax (credit)/expense	**(277)**	1,549

As at 31 December 2011, the Company has estimated unused tax losses of approximately RMB1,023,000 (2010: Nil) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The estimated unused tax losses of approximately RMB1,023,000 at 31 December 2011 (2010: Nil) will expire in 5 years.

9. LOSS/EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on the loss attributable to ordinary equity owners of the Company of approximately RMB11,041,000 (2010: profit attributable to ordinary equity owners of the Company of approximately RMB9,336,000) and 308,860,000 (2010: 308,860,000) shares in issue during the year. There were no diluted potential ordinary shares in issue during the years ended 31 December 2010 and 2011.

10. TRADE RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**20,823**	16,190
Impairment	**(1,153)**	(1,171)
	19,670	15,019

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:

	2011	2010
	RMB'000	*RMB'000*
0–90 days	**12,717**	14,419
91–180 days	**5,312**	20
181–365 days	**1,641**	580
	19,670	15,019

The trading terms with customers are largely on credit. The credit period is generally 90 days (2010: 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:

	2011	2010
	RMB'000	*RMB'000*
At 1 January	**1,171**	1,838
Impairment losses recognised	**18**	—
Reversal of impairment losses recognised	**(36)**	(633)
Amount written off as uncollectible	**—**	(34)
At 31 December	**1,153**	1,171

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB1,153,000 (2010: RMB1,171,000). 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:

	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**12,484**	14,419
Less than 9 months past due	**6,813**	600
	19,297	15,019

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:

	2011	2010
	RMB'000	*RMB'000*
0–90 days	**4,870**	1,837
91–180 days	**840**	111
181–365 days	**48**	9
Over 365 days	**946**	—
	6,704	1,957

The trade payables are non-interest-bearing and are normally settled on 30-days terms (2010: 30 days).

12. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Financial Review

Turnover of the Company for the year ended 31 December 2011 was approximately RMB55,333,000 (2010: RMB64,578,000), representing a decrease of approximately 14% as compared to the previous financial year. The decrease in the sales was mainly due to the decrease in the demand from the Asian customers and partly due to the continuing appreciation of Renminbi as a majority of the Company's sales was denominated in US Dollars and Euro.

Cost of sales of the Company for the year ended 31 December 2011 was approximately RMB39,900,000 (2010: RMB33,781,000), representing an increase of approximately 18% as compared to the previous financial year. The increase in the cost of sales was mainly due to the increase in the cost of raw materials.

General and administrative expenses of the Company for the year ended 31 December 2011 was approximately RMB19,933,000 (2010: RMB15,082,000), representing an increase of approximately 32% as compared to the previous financial year. The increase in the administrative expenses was mainly due to the substantial increase in the amount of depreciation.

The loss after tax for the year ended 31 December 2011 was approximately RMB11,041,000 (2010: profit after tax of approximately RMB9,336,000).

To conclude, the management of the Company considered that (1) continuing appreciation of Renminbi; (2) increase in the cost of certain raw materials and the cost of production; (3) increase in the research and development costs substantially for the preparation of the launch of a new product line; (4) increase in the amount of depreciation; and (5) increase in the finance costs were the main factors to lead to the loss of the Company for the year ended 31 December 2011.

As at 31 December 2011, the amount due from a shareholder — Taiyuan Changcheng Optics Electronics Industrial Corporation ('Taiyuan Changcheng") was RMB0 (2010: RMB4,444,000).

As at 31 December 2011, the amount due from a shareholder — Taiyuan Tanghai Automatic Control Company Limited ("Taiyuan Tanghai") was approximately RMB593,000 (2010: RMB709,000). The Company is in the process to discuss with Taiyuan Tanghai relating to the repayment of the outstanding balance.

As at 31 December 2011, the amount due from a related company — Taiyuan Huamei Medical Equipments Company Limited ("Taiyuan Huamei") was approximately RMB4,283,000 (2010: RMB4,290,000). Taiyuan Changcheng agreed to repay the outstanding amount due from Taiyuan Huamei to the Company from the sale proceeds of disposal of its land. Taiyuan Changcheng is in the process to dispose its land.

Liquidity and Financial Resources

As at 31 December 2011, the total assets of the Company decreased by approximately RMB2,395,000 to approximately RMB154,195,000 as compared to approximately RMB156,590,000 as at the end of the previous financial year, representing a decrease of approximately 2%.

As at 31 December 2011, the total liabilities of the Company increased by approximately RMB8,646,000 to approximately RMB46,894,000 as compared to approximately RMB38,248,000 as at the end of the previous financial year, representing an increase of approximately 23%.

As at 31 December 2011, the total equity of the Company decreased by approximately RMB11,041,000 to approximately RMB107,301,000 as compared to approximately RMB118,342,000 as at the end of the previous financial year, representing a decrease of approximately 9%.

Gearing Ratio

As at 31 December 2011, the gearing ratio (defined as net debt divided by the total capital plus net debt) was approximately 22% (2010: 11%).

Significant Investment Held

As at 31 December 2011, the Company held interest in an associate with a carrying amount of Nil (2010: Nil).

Acquisition and Disposal of Subsidiaries

The Company had no other acquisition and disposal of subsidiaries during the year ended 31 December 2011.

Pledge of Assets

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

Contingent Liabilities

As at 31 December 2011, the Company had no contingent liabilities.

Exposure to 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 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 2011, the Company had approximately 644 (2010: 640) full-time employees. For the year ended 31 December 2011, the Company reported staff costs of approximately RMB27,586,000 (2010: RMB27,384,000). The Company remunerates its employees based on their experience, performance and value, which they contribute to 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 2011.

AUDIT COMMITTEE

In compliance with Rules 5.28 and 5.33 of the GEM Listing Rules, the Company has established an audit committee. The principal duties of the audit committee are to review and supervise the financial reporting process and internal control procedures 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 audited financial statements for the year ended 31 December 2011.

COMPETING INTERESTS

None of the directors, supervisors and the management shareholders of the Company or any of their respective associates 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 2011.

CORPORATE GOVERNANCE PRACTICE

The Company has reviewed the Company's corporate governance practices and is of the opinion that the Company has met the code provisions set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

All existing directors (including executive, non-executive, and independent non-executive directors) are appointed for a term of three years, and are subject to re-election for appointment by shareholders at the general meeting by the end of the three-year period. During the year ended 31 December 2011, Mr. Tian Qun Xu was re-elected as the executive director of the Company and Mr. Ni Guo Qiang and Mr. Li Li Cai were re-elected as the independent non-executive directors of the Company.

During the year ended 31 December 2011, the Company has established the remuneration committee. The remuneration committee comprises two independent non-executive directors and one internal staff, namely Mr. Li Li Cai, Ms. Zhang Zhi Hong and Mr. Qian Yun. Mr. Li Li Cai has been appointed as the chairman of the committee.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2011. Having made specific enquiry of all the 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 the directors of the Company.

By order of the Board
Shanxi Changcheng Microlight Equipment Co. Ltd.
Song Lian Bin
Chairman

Taiyuan City, Shanxi Province, the PRC, 26 March 2012

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.

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