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 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (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, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

FINANCIAL RESULTS

The board of Directors (the "Board") of Shanxi Changcheng Microlight Equipment Co. Ltd. (the "Company") hereby announce the results of the Company for the year ended 31 December 2007, together with the comparative figures for the year ended 31 December 2006, as follows:

INCOME STATEMENT

For the year ended 31 December 2007

	Notes	**2007** *RMB'000*	2006 *RMB'000*
Revenue	*3*	**50,318**	41,956
Cost of sales		**(20,793)**	(19,475)
Gross profit		**29,525**	22,481
Other income	*3*	**501**	655
Selling and distribution expenses		**(375)**	(870)
Administrative expenses		**(10,910)**	(9,981)
Impairment loss on interest in an associate		**(2,465)**	–
Other operating expenses		**(345)**	(710)
Operating profit		**15,931**	11,575
Share of profit of an associate		**7**	7
Profit before income tax	*5*	**15,938**	11,582
Income tax expense	*6*	**(2,760)**	(1,802)
Profit for the year		**13,178**	9,780
Earnings per share for profit attributable to the equity holders of the Company during the year	*7*		
– Basic		**RMB0.043**	RMB0.032
– Diluted		**N/A**	N/A

BALANCE SHEET
As at 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**37,041**	29,196
Land use rights		**16,420**	16,773
Deposits for acquisition of property, plant and equipment		**19,525**	14,186
Interest in an associate		**615**	3,073
		73,601	63,228
Current assets			
Due from shareholders		**8,027**	5,214
Due from a related company		**18**	–
Due from a director		**41**	133
Inventories		**3,797**	3,096
Trade receivables	*8*	**11,739**	13,416
Prepayments, deposits and other receivables		**199**	5,850
Tax recoverable		**–**	191
Financial assets at fair value through profit or loss		**271**	171
Cash and cash equivalents		**11,085**	2,828
		35,177	30,899
Current liabilities			
Due to directors		**94**	71
Trade payables	*9*	**343**	266
Tax payable		**84**	–
Accruals, deposits received and other payables		**5,054**	4,765
		5,575	5,102
Net current assets		**29,602**	25,797
Total assets less current liabilities		**103,203**	89,025
Non-current liability			
Deferred government grants		**11,360**	10,360
Net assets		**91,843**	78,665
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**30,886**	30,886
Reserves		**60,957**	47,779
Total equity		**91,843**	78,665

NOTES TO THE ACCOUNTS

1. General 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 were the manufacture and sale of optical fibre products.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by The Hong Kong Institute of Certified Public Accountants.

(a) Adoption of new or amended HKFRSs

From 1 January 2007, the Company has adopted all the new and amended HKFRSs that are first effective on 1 January 2007 and relevant to its operations. The adoption of these new and amended HKFRSs did not result in significant changes to the Company's accounting policies, but gave rise to additional disclosures. In particular, the impact of the adoption of HKFRS 7 Financial Instruments: Disclosures and HKAS 1 (Amendment): Capital Disclosures has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital.

(b) New or amended HKFRSs that have been issued but are not yet effective

The Company has not early adopted the following standards or interpretations that have been issued but are not yet effective for the year ended 31 December 2007.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27(Revised)	Consolidated and Separate Financial Statements [5]
Amendment to HKFRS 2	Share-based Payment – Vesting conditions and cancellations [1]
HKFRS 3(Revised)	Business Combinations – Comprehensive revision on applying the acquisition method [5]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 11	HKFRS 2 – Company and Treasury Share Transactions [2]
HK(IFRIC) – Int 12	Service Concession Arrangements [3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 July 2009

Among these new standards and interpretations, HKAS 1 (Revised) is expected to be relevant to the Company's financial statements.

2. **Basis of preparation** *(Continued)*

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendment to IAS 1 Presentation of Financial Statements

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Company but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Company's financial statements.

The directors of the Company are currently assessing the impact of the other new standards and interpretations but are not yet in a position to state whether they would have material impact on the Company's financial statements.

3. **Revenue and other income**

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 and other income recognised during the year is as follows:

	2007	2006
	RMB'000	*RMB'000*
Revenue:		
Sale of goods	**50,318**	41,956
Other income:		
Amortisation of deferred government grants	**300**	300
Government grants	**50**	20
Bank interest income	**23**	65
Other interest income on financial assets stated at amortised cost	**–**	180
Write back of allowance for doubtful trade receivables	**–**	4
Fair value gain on held for trading financial assets at fair value through profit or loss	**100**	69
Dividend income from held for trading financial assets at fair value through profit or loss	**25**	17
Others	**3**	–
	501	655

4. Segment information

As over 90% of the turnover and the profit from operating activities of the Company for the years ended 31 December 2007 and 2006 are generated from the manufacture and sale of optical fibre products, no further segment information by business activity has been presented.

The Company has determined that geographical segment based on the location of customers is its primary segment reporting format. The Company's operating businesses are organised and managed separately, according to the location of the customers. In determining the Company's geographical segments, revenues and results are attributed based on the location of the customers. Over 90% of the Company's assets are located in the PRC. In Europe, the customers comprise those in Netherlands.

The following table presents revenue and profit information for each of the Company's geographical segments:

	Hong Kong		**PRC**		**Europe**		**Total**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:								
Sales to external customers	**19,469**	16,709	**5,191**	4,015	**25,658**	21,232	**50,318**	41,956
Segment results	**11,279**	8,672	**3,007**	2,046	**14,864**	10,893	**29,150**	21,611
Other income							**501**	655
Administrative expenses							**(10,910)**	(9,981)
Impairment loss on interest in an associate							**(2,465)**	–
Other operating expenses							**(345)**	(710)
Operating profit							**15,931**	11,575
Share of profit of an associate							**7**	7
Profit before income tax							**15,938**	11,582
Income tax expense							**(2,760)**	(1,802)
Profit for the year							**13,178**	9,780

5. Profit before income tax

	2007	2006
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging:		
Cost of inventories sold	**20,793**	19,475
Depreciation	**1,580**	2,701
Amortisation of land use rights	**353**	353

6. Income tax expense

	2007	2006
	RMB'000	*RMB'000*
Current tax		
– PRC	**2,760**	1,802

No Hong Kong profits tax has been provided as the Company had no estimated assessable profits arising in Hong Kong for the year ended 31 December 2007 (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Company operates, based on existing legislation, interpretations and practices in respect thereof during the year.

According to the applicable corporate income tax law of the PRC, the Company, which operates in the high technology industrial development zone in Taiyuan (太原高新技術產業開發區), the PRC, and which is registered as a high technology development enterprise, is entitled to a concessionary corporate income tax rate of 15%, which has been applied for the two years ended 31 December 2006 and 2007.

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB13,178,000 (2006: RMB9,780,000) and 308,860,000 (2006: 308,860,000) shares in issue during the year.

No diluted earnings per share amounts have been presented for the two years ended 31 December 2006 and 2007 as there was no dilutive potential share during the years.

8. Trade receivables

An ageing analysis of the Company's net trade receivables as at the balance sheet date is as follows:

	2007	2006
	RMB'000	*RMB'000*
0 – 90 days	**11,184**	11,361
91 – 180 days	**436**	2,006
181 – 365 days	**119**	49
	11,739	13,416

The trading terms with customers are largely on credit. Invoices are normally payable within three months of issuance. The Company maintains strict control over its outstanding receivables and has credit control policy in place to minimise its credit risk. Overdue balances are regularly reviewed by management.

9. Trade payables

An ageing analysis of the Company's trade payables as at the balance sheet date is as follows:

	2007	2006
	RMB'000	*RMB'000*
0 – 90 days	**298**	194
91 – 180 days	**7**	30
181 – 365 days	**1**	5
Over 365 days	**37**	37
	343	266

10. Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: 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 in the PRC. To improve competitiveness and maintain our position as a leading image transmission fibre optic products manufacturer in the PRC, we invested in developing a new manufacturing plant in Taiyuan. The new manufacturing plant is expected to commence production at the late of 2008. After that, the production capacity of image transmission fibre optic products will be substantially increased. We expect to see the benefits from the investment reflected in the financial performance in the next few years.

Financial Review

Turnover of the Company for the year ended 31 December 2007 was approximately RMB50,318,000 (2006: RMB41,956,000), representing an increase of approximately 20% as compared to the previous financial year. Turnover of the Company continued to experience steady growth during the year.

Cost of sales of the Company for the year ended 31 December 2007 was approximately RMB20,793,000 (2006: RMB19,475,000), representing an increase of approximately 7% as compared to the previous financial year. The increase in the cost of sales was mainly resulted from the increase in the sales.

Administrative expenses of the Company for the year ended 31 December 2007 was approximately RMB10,910,000 (2006: RMB9,981,000), representing an increase of approximately 9% as compared to the previous financial year.

The profit after tax for the year ended 31 December 2007 was approximately RMB13,178,000 (2006: RMB9,780,000), representing an increase of approximately 35% as compared to the previous financial year.

Liquidity and Financial Resources

As at 31 December 2007, the total assets of the Company increased by approximately RMB14,651,000 to approximately RMB108,778,000 as compared to approximately RMB94,127,000 as at the end of the previous financial year, representing an increase of approximately 16%.

As at 31 December 2007, the total liabilities of the Company increased by approximately RMB1,473,000 to approximately RMB16,935,000 as compared to approximately RMB15,462,000 as at the end of the previous financial year, representing a increase of approximately 10%.

As at 31 December 2007, the total equity of the Company increased by approximately RMB13,178,000 to approximately RMB91,843,000 as compared to approximately RMB78,665,000 as at the end of the previous financial year, representing an increase of approximately 17%.

Gearing Ratio

As at 31 December 2007, the gearing ratio (defined as total liabilities over total assets) was approximately 16% (2006: 16%).

Charges of Assets

As at 31 December 2007, the Company did not pledge any of its assets to obtain banking facilities nor have any charge on its assets (2006: Nil).

Contingent Liabilities

As at 31 December 2007, the Company had contingent liabilities arising from a pending litigation (2006: Nil). As at 31 December 2007, the Company was one of the defendants in a pending litigation and dispute arising from a subcontracting agreement with a subcontractor. The subcontractor claims against the defendants including the Company for (i) enforcement of the subcontracting agreement and (ii) losses and damages suffered by the subcontractor in the sum of RMB1.5 million. After taking into account of legal advices from the Company's legal advisors, the directors consider that the Company has a good defence against such claim and no provision has been made in the financial statements.

Exposure to Fluctuation in Exchange Rates

A majority of the Company's sales was denominated in US Dollars 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 mainly exposed to foreign exchange risk arising from the exposure of RMB against US Dollars and Hong Kong Dollars, respectively. The Directors of the Company believe that such exposure does not have significant adverse effects on the Company, and accordingly, the Company does not intend to hedge its exposure to foreign exchange movements.

Employee Information

As at 31 December 2007, the Company had approximately 542 (2006: 461) full-time employees. For the year ended 31 December 2007, the Company reported staff costs of approximately RMB10,001,000 (2006: RMB8,182,000). 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 2007.

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 four independent non-executive Directors, namely Mr. Ni Guo Qiang, Mr. Shen Ming Hong, Mr. Li Li Cai and Ms. Chen Yue Jie. Mr. Ni Guo Qiang has been appointed as the chairman of the committee.

The audit committee has reviewed the annual results of the Company for the year ended 31 December 2007.

COMPETING INTERESTS

None of the Directors, supervisors and the management shareholders of the Company or any of their respective associates has 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 2007.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining a high standard of corporate governance. The corporate governance principles of the Company emphasize a quality board, sound internal control, transparency and accountability to all shareholders.

The Board 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 Listing Rules except that (1) a remuneration committee was not established by the Company; and (2) directors are not subject to retirement by rotation at least once every three years.

All Directors of the Company are not retired by rotation at least once every three years due to the Board is reviewing the corporate governance structure and shall make necessary arrangement in due course. The remuneration committee has not yet been established by the Company due to the restricted availability of time for most of the independent non-executive Directors.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board consider appropriate.

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 2007. 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.

On behalf of the Board
Wang Gen Hai
Chairman

Shanxi, the People's Republic of China, 28 March 2008

As at the date of this announcement, the Board comprises 8 directors, of which 3 are executive directors, namely Mr. Wang Gen Hai, Mr. Li Kang Sheng, and Mr. Tian Qun Xu; 1 non-executive director, namely Mr. Lin Yin Ping; and 4 independent non-executive directors, namely Mr. Ni Guo Qiang, Mr. Shen Ming Hong, Mr. Li Li Cai, and Ms. Chen Yue Jie.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days form the date of its posting.