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 2008

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 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.

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.

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 audited results of the Company for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007, as follows:

INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *RMB'000*	2007 *RMB'000*
Revenue	*4*	**44,853**	50,318
Cost of sales		**(23,380)**	(20,793)
Gross profit		**21,473**	29,525
Other income	*4*	**608**	501
Selling and distribution expenses		**(605)**	(375)
Administrative expenses		**(13,471)**	(10,910)
Impairment of an interest in an associate		**–**	(2,465)
Other operating expenses		**(860)**	(345)
Operating profit		**7,145**	15,931
Share of (loss)/profit of an associate		**(615)**	7
Profit before income tax	*6*	**6,530**	15,938
Income tax expense	*7*	**(2,699)**	(2,760)
Profit for the year		**3,831**	13,178
Earnings per share for profit attributable to the equity holders of the Company during the year	*8*		
– Basic and diluted		**RMB0.012**	RMB0.043

BALANCE SHEET
As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**56,707**	37,041
Land use rights		**16,068**	16,420
Deposits for acquisition of property, plant and equipment		**11,785**	19,525
Interest in an associate		**–**	615
		84,560	73,601
Current assets			
Due from shareholders		**6,168**	8,027
Due from a related company		**3,311**	18
Due from a director		**–**	41
Inventories		**7,712**	3,797
Trade receivables	*9*	**10,631**	11,739
Prepayments, deposits and other receivables		**1,502**	199
Financial assets at fair value through profit or loss		**211**	271
Cash and cash equivalents		**3,030**	11,085
		32,565	35,177
Current liabilities			
Due to directors		**109**	94
Trade payables	*10*	**1,088**	343
Accrued liabilities, deposits received and other payables		**5,992**	5,054
Tax payable		**1,535**	84
		8,724	5,575
Net current assets		**23,841**	29,602
Total assets less current liabilities		**108,401**	103,203
Non-current liabilities			
Deferred government grants		**12,727**	11,360
Net assets		**95,674**	91,843
EQUITY			
Equity attributable to Company's equity holders			
Share capital		**30,886**	30,886
Reserves		**64,788**	60,957
Total equity		**95,674**	91,843

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 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 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").

3. Impact of new and revised Hong Kong Financial Reporting Standards

The Company has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) *Amendments to HKAS 39 Financial Instruments – Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available-for-sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Company has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Company.

(b) *HK(IFRIC)-Int 11 HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Company's equity instruments to be accounted for as an equity-settled scheme, even if the Company buys the instruments from another party, or the shareholders provide the equity instruments needed. As the Company currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Company.

(c) *HK(IFRIC)-Int 12 Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligation undertaken and the rights received in service concession arrangements. As the Company is not an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Company.

(d) *HK(IFRIC)-Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Company has no defined benefit scheme, the interpretation has had no impact on the financial position or results of operations of the Company.

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 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners [2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers [3]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

Notes:

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for transfers of assets from customers received on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008
[*] Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and it is anticipated that the adoption of the above revised and amended standards will not have a significant impact on the results of operations and the financial position of the Company.

4. 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:

	2008	2007
	RMB'000	*RMB'000*
Revenue:		
Sale of goods	**44,853**	50,318
Other income:		
Amortisation of deferred government grants	**633**	300
Government grants	**–**	50
Bank interest income	**30**	23
Net fair value (losses)/gains on financial assets at fair value through profit or loss	**(60)**	100
Dividend income from financial assets at fair value through profit or loss	**5**	25
Others	**–**	3
	608	501

5. Segment information

As over 90% of the revenue and the profit from operating activities of the Company for the years ended 31 December 2008 and 2007 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 France and the Netherlands.

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

	Hong Kong		**PRC**		**Europe**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue :								
Sales to external customers	**17,309**	19,469	**8,609**	5,191	**18,935**	25,658	**44,853**	50,318
Segment results	**7,549**	11,279	**4,547**	3,007	**8,772**	14,864	**20,868**	29,150
Other income							**608**	501
Administrative expenses							**(13,471)**	(10,910)
Impairment of an interest in an associate							**–**	(2,465)
Other operating expenses							**(860)**	(345)
Operating profit							**7,145**	15,931
Share of (loss)/profit of an associate							**(615)**	7
Profit before income tax							**6,530**	15,938
Income tax expense							**(2,699)**	(2,760)
Profit for the year							**3,831**	13,178

6. Profit before income tax

	2008 *RMB'000*	2007 *RMB'000*
Profit before income tax is arrived at after charging:		
Auditors' remuneration	**336**	375
Cost of inventories sold	**23,380**	20,793
Employee benefit expenses (including directors' and supervisors' remuneration):		
Wages, salaries and other benefits	**11,684**	8,323
Pension scheme contributions	**3,836**	1,678
	15,520	10,001
Depreciation of property, plant and equipment	**2,526**	1,580
Amortisation of land use rights (included in administrative expenses)	**352**	353
Net foreign exchange losses	**356**	305
Research and development costs (included in other operating expenses)	**670**	232
Minimum lease payments under operating lease rentals in respect of leasehold land and buildings	**720**	720
Impairment of trade receivables (included in administrative expenses)	**1,147**	–
Impairment of other receivables (included in administrative expenses)	**–**	180

7. Income tax expense

	2008 *RMB'000*	2007 *RMB'000*
Current income tax – PRC	**2,699**	2,760

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 2008 (2007: 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 operated in the High Technology Industrial Development Zone in Taiyuan (太原高新技術產業開發區), the PRC, and which was registered as a high technology development enterprise, was entitled to a concessionary corporate income tax rate of 15%, which had been applied for the year ended 31 December 2007. During the year ended 31 December 2008, the Company was not entitled to a concessionary corporate income tax rate of 15%. The Company is subject to corporate income tax rate of 25% for the year ended 31 December 2008.

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately RMB3,831,000 (2007: RMB13,178,000) and 308,860,000 (2007: 308,860,000) shares in issue during the year.

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2008 and 2007.

9. Trade receivables

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

	2008	2007
	RMB'000	*RMB'000*
0 – 90 days	**7,229**	11,184
91 – 180 days	**447**	436
181 – 365 days	**2,955**	119
	10,631	11,739

The trading terms with customers are largely on credit. The credit period is generally 30 to 60 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.

10. Trade payables

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

	2008	2007
	RMB'000	*RMB'000*
0 – 90 days	**1,013**	298
91 – 180 days	**7**	7
181 – 365 days	**–**	1
Over 365 days	**68**	37
	1,088	343

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

11. Dividend

The Board does not recommend the payment of a dividend for the year ended 31 December 2008 (2007: 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.

Financial Review

Turnover of the Company for the year ended 31 December 2008 was approximately RMB44,853,000 (2007: RMB50,318,000), representing a decrease of approximately 11% as compared to the previous financial year. The decrease in the turnover was mainly due to the decrease in the sales to its Europe customers and the appreciation of Renminbi.

Cost of sales of the Company for the year ended 31 December 2008 was approximately RMB23,380,000 (2007: RMB20,793,000), representing an increase of approximately 12% as compared to the previous financial year. The increase in the cost of sales was mainly resulted from the increase in the labor costs and cost of raw materials.

General and administrative expenses of the Company for the year ended 31 December 2008 was approximately RMB14,331,000 (2007: RMB11,255,000), representing an increase of approximately 27% as compared to the previous financial year.

The profit after tax for the year ended 31 December 2008 was approximately RMB3,831,000 (2007: RMB13,178,000).

Liquidity and Financial Resources

As at 31 December 2008, the total assets of the Company increased by approximately RMB8,347,000 to approximately RMB117,125,000 as compared to approximately RMB108,778,000 as at the end of the previous financial year, representing an increase of approximately 8%.

As at 31 December 2008, the total liabilities of the Company increased by approximately RMB4,516,000 to approximately RMB21,451,000 as compared to approximately RMB16,935,000 as at the end of the previous financial year, representing a increase of approximately 27%.

As at 31 December 2008, the total equity of the Company increased by approximately RMB3,831,000 to approximately RMB95,674,000 as compared to approximately RMB91,843,000 as at the end of the previous financial year, representing an increase of approximately 4%.

Gearing Ratio

As at 31 December 2008, the gearing ratio (defined as total liabilities over total assets) was approximately 18% (2007: 16%).

Significant Investment Held

As at 31 December 2008, the Company held interest in an associate with a carrying amount of RMBNil (2007: RMB615,000).

Acquisition and Disposal of Subsidiaries

The Company had no major acquisition and disposal of subsidiaries during the year ended 31 December 2008.

Charge of Assets

As at 31 December 2008, the Company did not pledge any of its assets to obtain banking facilities nor have any charge on its assets.

Contingent Liabilities

As at 31 December 2008, the Company had no contingent liabilities.

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 exposed to foreign exchange risk arising from the exposure of RMB against US Dollars and Hong Kong Dollars, respectively.

Employee Information

As at 31 December 2008, the Company had 622 (2007: 542) full-time employees. For the year ended 31 December 2008, the Company reported staff costs of approximately RMB15,520,000 (2007: RMB10,001,000). 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 2008.

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 audited financial statements for the year ended 31 December 2008.

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 2008.

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 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.

The board of directors (the "Board") of the Company will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board consider appropriate.

All Directors of the Company are not retired by rotation at least once every three years due to the Company is reviewing the composition of the Board.

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 2008. 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

Taiyuan City, Shanxi Province, the PRC, 30 March 2009

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.