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 2009

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.

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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: (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") announce the audited results of the Company for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008, as follows:

Statement of Comprehensive Income
For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	5	**58,820**	44,853
Cost of sales		**(30,676)**	(23,380)
Gross profit		**28,144**	21,473
Other income and gains	5	**2,627**	608
Selling and distribution expenses		**(855)**	(605)
Administrative expenses		**(12,255)**	(13,471)
Other operating expenses		**(2,258)**	(860)
Operating profit		**15,403**	7,145
Finance costs		**(30)**	–
Share of loss of an associate		**–**	(615)
Profit before income tax	6	**15,373**	6,530
Income tax expense	7	**(2,041)**	(2,699)
Profit for the year		**13,332**	3,831
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**13,332**	3,831
Earnings per share attributable to owners of the Company:	8		
– Basic and diluted		**RMB0.043**	RMB0.012

Statement of Financial Position
As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**64,738**	56,707
Land use rights		**13,171**	16,068
Deposits for acquisition of property, plant and equipment		**11,465**	11,785
Interest in an associate		**–**	–
Total non-current assets		**89,374**	84,560
CURRENT ASSETS			
Due from shareholders		**9,160**	6,168
Due from a related company		**4,100**	3,311
Inventories		**9,352**	7,712
Trade receivables	9	**9,984**	10,631
Prepayments, deposits and other receivables		**2,094**	1,502
Financial assets at fair value through profit or loss		**–**	211
Cash and cash equivalents		**8,708**	3,030
Total current assets		**43,398**	32,565
CURRENT LIABILITIES			
Due to directors		**96**	109
Trade payables	10	**1,628**	1,088
Accrued liabilities, deposits received and other payables		**6,712**	5,992
Finance lease payables		**249**	–
Tax payable		**1,717**	1,535
Total current liabilities		**10,402**	8,724
NET CURRENT ASSETS		**32,996**	23,841
TOTAL ASSETS LESS CURRENT LIABILITIES		**122,370**	108,401
NON-CURRENT LIABILITIES			
Deferred government grants		**13,275**	12,727
Finance lease payables		**89**	–
Total non-current liabilities		**13,364**	12,727
NET ASSETS		**109,006**	95,674
EQUITY			
Equity attributable to owners of the Company			
Share capital		**30,886**	30,886
Reserves		**78,120**	64,788
TOTAL EQUITY		**109,006**	95,674

Statement of Changes in Equity

For the year ended 31 December 2009

	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 2008	30,886	18,561	9,410	32,986	91,843
Total comprehensive income for the year	–	–	–	3,831	3,831
At 31 December 2008 and 1 January 2009	30,886	18,561	9,410	36,817	95,674
Total comprehensive income for the year	–	–	–	13,332	13,332
Transfer from retained earnings to statutory surplus reserve	–	–	1,065	(1,065)	–
At 31 December 2009	**30,886**	**18,561**	**10,475**	**49,084**	**109,006**

* These reserve accounts comprise the reserves of approximately RMB78,120,000 (2008: RMB64,788,000) 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 were the design, research, development, manufacture and sale of image transmission fibre optic products in the PRC.

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 ("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"). The financial statements also include the 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.

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 all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The new and revised standards, amendments and interpretations adopted in the current year are referred to as new and revised HKFRSs.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (revised in 2007) Presentation of Financial Statements

HKAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Company's reportable segments (see note 4).

Improving Disclosure about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Company has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Standards and interpretations 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.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRS issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedge Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 July 2010

[6] Effective for annual periods beginning on or after 1 January 2011

[7] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Company's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

The Company is in the process of making an assessment of the impact of the other new and revised standards, amendments and interpretations upon initial application. So far, it has concluded that the other new and revised standards, amendments and interpretations will have no material impact on the Company's results of operations and financial position.

4. SEGMENT INFORMATION

The Company's revenue and contribution to 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 management for purposes of resource allocation and performance assessment. The measures of 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 Company's management. 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:

	2009		2008	
	RMB'000	*%*	*RMB'000*	*%*
Fiber optic inverters	**50,120**	**85**	35,332	79
Fiber optic straight plates	**4,952**	**8**	2,405	5
Fiber optic face plates	**1,056**	**2**	1,212	3
Fiber optic tapers	**2,692**	**5**	5,423	12
Fiber optic tapers billets	**–**	**–**	481	1
	58,820	**100**	44,853	100

Geographical information

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

	2009	2008
	RMB'000	*RMB'000*
The PRC	**10,711**	8,609
Hong Kong	**20,166**	17,309
Europe	**27,943**	18,935
	58,820	44,853

Information about major customers

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

	2009	2008
	RMB'000	*RMB'000*
Customer A	**27,751**	17,309
Customer B	**19,855**	16,133
Customer C	**8,387**	5,644

5. REVENUE, OTHER INCOME AND GAINS

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 gains recognised during the year is as follows:

	2009	2008
	RMB'000	*RMB'000*
Revenue:		
Sale of goods	**58,820**	44,853
Other income:		
Amortisation of deferred government grants	**1,152**	633
Bank interest income	**16**	30
Dividend income from financial assets at fair value through profit or loss	**–**	5
Others	**23**	–
	1,191	668
Gains:		
Gain on disposal of land use rights	**1,425**	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**11**	(60)
	1,436	(60)
	2,627	608

6. PROFIT BEFORE INCOME TAX

	2009	2008
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging:		
Auditors' remuneration	**369**	336
Cost of inventories sold	**30,676**	23,380
Employee benefit expenses (including directors' and supervisors' remuneration):		
Wages, salaries and other benefits	**17,516**	11,684
Pension scheme contributions	**4,511**	3,836
	22,027	15,520
Depreciation of property, plant and equipment	**3,055**	2,526
Amortisation of land use rights (included in administrative expenses)	**322**	352
Net foreign exchange losses	**44**	356
Research and development costs (included in other operating expenses)	**2,087**	670
Minimum lease payments under operating lease rentals in respect of leasehold land and buildings	**720**	720
Impairment of trade receivables (included in administrative expenses)	**493**	1,147

7. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
Current income tax		
– PRC	**2,041**	2,699

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 2009 (2008: 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 corporate 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 corporate income tax rate of 15% over 3 years, beginning on 1 January 2009. For the year ended 31 December 2008, the Company was not entitled to a concessionary corporate income tax rate of 15% and the Company was subject to corporate income tax rate of 25%.

Reconciliation between tax expense applicable to profit before income tax at the statutory rate in the PRC to the tax expense at the applicable tax rate is as follows:

	2009	2008
	RMB'000	*RMB'000*
Profit before income tax	**15,373**	6,530
Tax at statutory tax rate of 15% (2008: 25%)	**2,306**	1,633
Effect of share of loss of an associate	**–**	154
Income not subject to tax	**(114)**	(1)
Expenses not deductible for tax	**57**	109
Under-provision for previous years	**–**	546
Others	**(208)**	258
Income tax expense	**2,041**	2,699

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB13,332,000 (2008: RMB3,831,000) and 308,860,000 (2008: 308,860,000) shares in issue during the year. There were no diluted potential ordinary shares in issue during the years ended 31 December 2009 and 2008.

9. TRADE RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**11,822**	12,274
Less: Provision for impairment	**(1,838)**	(1,643)
	9,984	10,631

The movements in provision for impairment of trade receivables are as follows:

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**1,643**	496
Impairment losses recognised *(note 6)*	**493**	1,147
Amount written off as uncollectible	**(298)**	–
At 31 December	**1,838**	1,643

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB1,838,000 (2008: RMB1,643,000). 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 ageing analysis of the Company's net trade receivables as at the end of the reporting period, based on invoice date, is as follows:

	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**8,928**	7,229
91 – 180 days	**745**	447
181 – 365 days	**311**	2,955
	9,984	10,631

The trading terms with customers are largely on credit. The credit period is generally 90 days (2008: 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.

An ageing analysis of the Company's net trade receivables that are not considered to be impaired is as follows:

	2009	2008
	RMB'000	*RMB'000*
Neither past due nor impaired	**8,928**	4,382
Less than 6 months past due	**1,056**	3,294
6 to 12 months past due	**–**	2,955
	9,984	10,631

Receivables that were neither past due nor impaired relate to a number of independent customers for whom there were no recent history of default.

10. TRADE PAYABLES

An ageing analysis of the Company's trade payables as at the end of the reporting period is as follows:

	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**1,548**	1,013
91 – 180 days	**7**	7
181 – 365 days	**2**	–
Over 365 days	**71**	68
	1,628	1,088

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 2009 (2008: 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 2009 was approximately RMB58,820,000 (2008: RMB44,853,000), representing an increase of approximately 31% as compared to the previous financial year. The increase in the turnover was mainly due to the increase in the demand from its customers and improvement of production capability.

Cost of sales of the Company for the year ended 31 December 2009 was approximately RMB30,676,000 (2008: RMB23,380,000), representing an increase of approximately 31% as compared to the previous financial year. The increase in the cost of sales was mainly resulted from the increase in the sales and cost of raw materials.

General and administrative expenses of the Company for the year ended 31 December 2009 was approximately RMB14,513,000 (2008: RMB14,331,000), representing an increase of approximately 1% as compared to the previous financial year.

The profit after tax for the year ended 31 December 2009 was approximately RMB13,332,000 (2008: RMB3,831,000).

Liquidity and Financial Resources

As at 31 December 2009, the total assets of the Company increased by approximately RMB15,647,000 to approximately RMB132,772,000 as compared to approximately RMB117,125,000 as at the end of the previous financial year, representing an increase of approximately 13%.

As at 31 December 2009, the total liabilities of the Company increased by approximately RMB2,315,000 to approximately RMB23,766,000 as compared to approximately RMB21,451,000 as at the end of the previous financial year, representing an increase of approximately 11%.

As at 31 December 2009, the total equity of the Company increased by approximately RMB13,332,000 to approximately RMB109,006,000 as compared to approximately RMB95,674,000 as at the end of the previous financial year, representing an increase of approximately 14%.

Gearing Ratio

As at 31 December 2009, the gearing ratio (defined as total liabilities over total assets) was approximately 18% (2008: 18%).

Significant Investment Held

As at 31 December 2009 and 2008, the Company held interest in an associate with a carrying amount of Nil.

Acquisition and Disposal of Subsidiaries

The Company had no other acquisition and disposal of subsidiaries during the year ended 31 December 2009.

Charge of Assets

As at 31 December 2009, the Company did not pledge any of its assets to obtain banking facilities except that the Company's motor vehicle with the net book value as at 31 December 2009 amounted to approximately RMB651,000 (2008: Nil) was held under finance lease.

Contingent Liabilities

As at 31 December 2009, 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 2009, the Company had approximately 692 (2008: 622) full-time employees. For the year ended 31 December 2009, the Company reported staff costs of approximately RMB22,027,000 (2008: RMB15,520,000). 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 2009.

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 2009.

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 2009.

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.

Except for Mr. Zhang Xiu Sheng and Mr. Wang Wen Sheng, 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 of the Company.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers 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 2009. 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
Zhang Xiu Sheng
Chairman

Taiyuan City, Shanxi Province, the PRC, 26 March 2010

As at the date of this announcement, the Board comprises eight directors, of which three are executive directors, namely Mr. Zhang Xiu Sheng, Mr. Wang Wen Sheng, and Mr. Tian Qun Xu; one non-executive director, namely Mr. Lin Yin Ping; and four 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 on the GEM website at www.hkgem.com for at least 7 days from the date of its posting.