



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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 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.

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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: (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 unaudited results of the Company for the three months and six months ended 30 June 2010, together with the comparative unaudited figures for the corresponding period in 2009, as follows:

STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2010

		For the three months ended 30 June		For the six months ended 30 June	
		2010	2009	2010	2009
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2	18,192	14,363	34,434	27,988
Cost of sales		(9,863)	(7,294)	(18,243)	(15,395)
Gross profit		8,329	7,069	16,191	12,593
Other income and gains		298	169	595	343
Selling and distribution expenses		(215)	(301)	(512)	(406)
Administrative expenses		(4,680)	(3,367)	(8,668)	(6,634)
Operating profit		3,732	3,570	7,606	5,896
Finance costs		(7)	–	(15)	–
Profit before income tax	4	3,725	3,570	7,591	5,896
Income tax expense	5	(527)	(888)	(1,168)	(1,429)
Profit for the period		3,198	2,682	6,423	4,467
Other comprehensive income for the period		–	–	–	–
Total comprehensive income for the period		3,198	2,682	6,423	4,467
Earnings per share attributable to owners of the Company:					
– Basic and diluted	6	RMB0.010	RMB0.009	RMB0.021	RMB0.014

STATEMENT OF FINANCIAL POSITION

As At 30 June 2010

		30 June 2010	31 December 2009
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		73,038	64,738
Land use rights		13,076	13,171
Deposits for acquisition of property, plant and equipment		14,565	11,465
Interest in an associate		—	—
Total non-current assets		100,679	89,374
CURRENT ASSETS			
Due from shareholders		6,513	9,160
Due from a related company		4,283	4,100
Inventories		9,749	9,352
Trade receivables	8	11,312	9,984
Prepayments, deposits and other receivables		3,683	2,094
Cash and cash equivalents		5,376	8,708
Total current assets		40,916	43,398
CURRENT LIABILITIES			
Due to directors		48	96
Trade payables	9	1,271	1,628
Accrued liabilities, deposits received and other payables		10,010	6,712
Finance lease payables		217	249
Tax payable		1,921	1,717
Total current liabilities		13,467	10,402
NET CURRENT ASSETS		27,449	32,996
TOTAL ASSETS LESS CURRENT LIABILITIES		128,128	122,370

STATEMENT OF FINANCIAL POSITION

As At 30 June 2010

	30 June 2010	31 December 2009
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Deferred government grants	12,699	13,275
Finance lease payables	—	89
Total non-current liabilities	12,699	13,364
NET ASSETS	115,429	109,006
EQUITY		
Equity attributable to the owners of the Company		
Share capital	30,886	30,886
Reserves	84,543	78,120
TOTAL EQUITY	115,429	109,006

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Equity attributable to owners of the Company				
	Share capital	Capital surplus	Statutory surplus reserve	Retained earnings	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2009	30,886	18,561	9,410	36,817	95,674
Total comprehensive income for the period	—	—	—	4,467	4,467
At 30 June 2009	30,886	18,561	9,410	41,284	100,141
At 1 January 2010	30,886	18,561	10,475	49,084	109,006
Total comprehensive income for the period	—	—	—	6,423	6,423
At 30 June 2010	30,886	18,561	10,475	55,507	115,429

STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	9,683	1,164
Net cash outflow from investing activities	(12,894)	(3,025)
Net cash (outflow)/inflow from financing activities	(121)	453
(Decrease) in cash and cash equivalents	(3,332)	(1,408)
Cash and cash equivalents at 1 January	8,708	3,030
Cash and cash equivalents at 30 June	5,376	1,622

NOTES TO THE ACCOUNTS

1. 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 the financial statements have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared under the historical cost convention. The financial statements are presented in Renminbi (“RMB”) and all values are rounded to nearest thousand except when otherwise indicated.

2. REVENUE

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.

3. 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.

3. SEGMENT INFORMATION (Continued)

Entity-wide disclosures

(i) 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 period:

	For the six months ended 30 June			
	2010		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Fiber optic inverters	24,844	72	24,084	86
Fiber optic straight plates	7,892	23	2,405	9
Fiber optic face plates	880	3	144	1
Fiber optic tapers	725	2	1,355	4
Fiber optic tapers billets	93	—	—	—
	<u>34,434</u>	<u>100</u>	<u>27,988</u>	<u>100</u>

(ii) 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:

	For the six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	4,621	3,925
Hong Kong	8,698	10,830
Europe	21,115	13,233
	<u>34,434</u>	<u>27,988</u>

3. SEGMENT INFORMATION (Continued)

Entity-wide disclosures (Continued)

(iii) Information about major customers

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

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Customer A	21,115	13,233
Customer B	8,698	10,830
Customer C	3,804	3,837
	<u>33,617</u>	<u>27,899</u>

4. PROFIT BEFORE INCOME TAX

For the six months ended 30 June	
2010	2009
RMB'000	RMB'000

Profit before income tax is arrived at after charging:

Cost of inventories sold	18,243	15,395
Depreciation	1,599	1,449
Amortisation of land use rights	146	176
	<u>20,088</u>	<u>17,020</u>

5. INCOME TAX EXPENSE

For the six months ended 30 June	
2010	2009
RMB'000	RMB'000

Current income tax – PRC	1,168	1,429
	<u>1,168</u>	<u>1,429</u>

No Hong Kong profits tax has been provided as the Company had no estimated assessable profits arising in Hong Kong for the six months ended 30 June 2010 (For the six months ended 30 June 2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Company operates. The Company is registered as a New and High Technical Enterprise (高新技術企業) and is entitled to a concessionary corporate income tax rate of 15% over 3 years, beginning on 1 January 2009.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB6,423,000 (For the six months ended 30 June 2010: RMB4,467,000) and 308,860,000 (2009: 308,860,000) shares in issue during the period. There were no diluted potential ordinary shares in issue during the six months ended 30 June 2010 and 2009.

7. DIVIDEND

The Board does not recommend the payment of a dividend for the six months ended 30 June 2010 (For the six months ended 30 June 2009: Nil).

8. TRADE RECEIVABLES

An ageing analysis of the net trade receivables is as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
0 – 90 days	8,358	8,928
91 – 180 days	1,322	745
181 – 365 days	1,632	311
	11,312	9,984

The credit period granted by the Company to its customers is generally less than 90 days.

9. TRADE PAYABLES

An ageing analysis of the trade payables is as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
0 – 90 days	966	1,548
91 – 180 days	15	7
181 – 365 days	219	2
Over 365 days	71	71
	1,271	1,628

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

The Company reported a turnover of approximately RMB34,434,000 for the six months ended 30 June 2010, representing an increase of 23% from approximately RMB27,988,000 for the same period in 2009.

During the six months ended 30 June 2010, the Company recorded cost of sales amounting to approximately RMB18,243,000, representing an increase of 18% from approximately RMB15,395,000 for the same period in 2009.

Administrative expenses of the Company for the six months ended 30 June 2010 was approximately RMB8,668,000, representing an increase of 31% from approximately RMB6,634,000 for the same period in 2009.

The Company's unaudited profits attributable to owners of the Company for the six months ended 30 June 2010 was approximately RMB6,423,000 (For the six months ended 30 June 2009: RMB4,467,000).

Liquidity and Financial Resources

As at 30 June 2010, the total assets of the Company increased by approximately RMB8,823,000 to approximately RMB141,595,000 as compared to approximately RMB132,772,000 as at the end of the previous financial year, representing an increase of approximately 7%.

As at 30 June 2010, the total liabilities of the Company increased by approximately RMB2,400,000 to approximately RMB26,166,000 as compared to approximately RMB23,766,000 as at the end of the previous financial year, representing an increase of approximately 10%.

As at 30 June 2010, the total equity of the Company increased by approximately RMB6,423,000 to approximately RMB115,429,000 as compared to approximately RMB109,006,000 as at the end of the previous financial year, representing an increase of approximately 6%.

Gearing Ratio

As at 30 June 2010, the gearing ratio (defined as total liabilities over total assets) was approximately 19% (31 December 2009: 18%).

Charges of Assets

As at 30 June 2010, 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 30 June 2010 amounted to approximately RMB582,000 (31 December 2009: RMB651,000) was held under finance lease.

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

OTHER INFORMATION

Directors' and Supervisors' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2010, none of the directors or supervisors of the Company nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have taken under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules.

Substantial Shareholders

As at 30 June 2010, so far as the directors of the Company are aware, persons other than directors or supervisors of the Company who have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name	Nature and capacity in the shareholding of the Company	Number and type of domestic shares/H shares	Approximate percentage of holding of the domestic shares of the Company *	Approximate percentage of holding of the H shares of the Company *	Approximate percentage of holding of the total share capital of the Company *
Domestic Shares:					
Beijing Gensir Venture Capital Management Limited	Registered and beneficial owner of the domestic shares and interest in a controlled corporation	82,200,000 domestic shares (Notes 1 & 2)	41.34%	–	26.61%
Zhang Shao Hui	Interest in a controlled corporation	82,200,000 domestic shares (Note 2)	41.34%	–	26.61%
Taiyuan Changcheng Optics and Electronics Industrial Corporation	Registered and beneficial owner of the domestic shares	80,160,000 domestic shares	40.31%	–	25.95%
Dandong Shuguang Industrial Group Company Limited	Registered and beneficial owner of the domestic shares	34,000,000 domestic shares	17.10%	–	11.01%
Li Jin Dian	Interest in a controlled corporation	34,000,000 domestic shares (Note 3)	17.10%	–	11.01%
Liu Gui Ying	Family interest	34,000,000 domestic shares (Note 3)	17.10%	–	11.01%

Name	Nature and capacity in the shareholding of the Company	Number and type of domestic shares/H shares	Approximate percentage of holding of the domestic shares of the Company *	Approximate percentage of holding of the H shares of the Company *	Approximate percentage of holding of the total share capital of the Company *
Domestic Shares:					
Taiyuan Tanghai Automatic Control Company Limited	Registered and beneficial owner of the domestic shares	24,900,000 domestic shares	12.52%	–	8.06%
Shen Gang	Interest in a controlled corporation	24,900,000 domestic shares (Note 4)	12.52%	–	8.06%
Ma Fong Ping	Family interest	24,900,000 domestic shares (Note 4)	12.52%	–	8.06%
H Shares:					
Kwong Tat Finance Limited	Beneficial owner of H shares	34,155,000 H shares (Note 5)	–	31.05%	11.06%
Liu Li, Luis	Beneficial owner of H shares and interest in a controlled corporation	35,055,000 H shares (Note 5)	–	31.87%	11.35%
Lu Jun	Family interest	35,055,000 H shares (Note 5)	–	31.87%	11.35%

* Shareholding percentages have been rounded to the nearest two decimal places.

Notes:

- Part of these domestic shares (24,900,000 domestic shares) is registered in the name of Taiyuan Tanghai Automatic Control Company Limited (“Taiyuan Tanghai”). Taiyuan Tanghai is owned as to approximately 36.37% by Beijing Gensir Venture Capital Management Limited (“Beijing Gensir”). As Beijing Gensir is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Taiyuan Tanghai, for the propose of the SFO, Beijing Gensir is deemed to be interested in the entire 24,900,000 domestic shares held by Taiyuan Tanghai.

2. Part of these domestic shares (57,300,000 domestic shares) is registered in the name of Beijing Gensir. Beijing Gensir is owned as to 100% by Zhang Shao Hui. The rest of these shares are registered in the name of Taiyuan Tanghai in which Zhang Shao Hui has an indirect interest through his shareholdings in Beijing Gensir. As Zhang Shao Hui is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Beijing Gensir, for the purpose of the SFO, Zhang Shao Hui is deemed to be interested in the entire 57,300,000 domestic shares held by Beijing Gensir and 24,900,000 domestic shares held by Taiyuan Tanghai.
3. These 34,000,000 domestic shares are registered in the name of Dandong Shuguang Industrial Group Company Limited (“Dandong Shuguang”). Dandong Shuguang is owned as to approximately 48.11% by Li Jin Dian. As Li Jin Dian is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Dandong Shuguang, for the purpose of the SFO, Li Jin Dian is deemed to be interested in the entire 34,000,000 domestic shares held by Dandong Shuguang. Liu Gui Ying, as the spouse of Li Jin Dian, is taken to be interested in the shares held by Li Jin Dian by virtue of Part XV of the SFO.
4. These 24,900,000 domestic shares are registered in the name of Taiyuan Tanghai. Taiyuan Tanghai is owned as to approximately 47.28% by Shen Gang. As Shen Gang is entitled to exercise or control the exercise of one-third or more of the voting power at the general meeting of Taiyuan Tanghai, for the propose of the SFO, Shen Geng is deemed to be interested in the entire 24,900,000 domestic shares held by Taiyuan Tanghai. Ma Fong Ping, as the spouse of Shen Gang, is taken to be interested in the shares held by Shen Gang by virtue of Part XV of the SFO.
5. Part of these H shares (34,155,000 H shares) is registered in the name of Kwong Tat Finance Limited. Kwong Tat Finance Limited which is wholly owned by Liu Li, Luis. The rest of these H shares (900,000 H shares) are registered in the name of Liu Li, Luis, for the purpose of the SFO, Liu Li, Luis is deemed to be interested in all the H shares held by Kwong Tat Finance Limited. Lu Jun, as the spouse of Liu Li, Luis, is taken to be interested in all the 35,055,000 H shares held by Liu Li, Luis and Kwong Tat Finance Limited by virtue of Part XV of the SFO.

Save as disclosed above, the directors of the Company are not aware of other person who, as at 30 June 2010, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Scheme

The Company does not have share option scheme.

Directors’ and Supervisors’ Rights to Acquire H Shares

During the six months ended 30 June 2010, none of the directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 June 2010, none of the directors or supervisors of the Company nor their spouses or children under the age of 18 had any right to acquire H shares in the Company or had exercised any such right during the period.

Directors' and Supervisors' Interest in Contracts

No contracts of significance in relation to the Company's business to which the Company was a party and in which a director and supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 30 June 2010 or at any time during the period.

Competing Interests

None of the directors, supervisors and the management shareholders of the Company nor 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 six months ended 30 June 2010.

Purchase, Sale or Redemption of Shares

The Company has not purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2010.

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 unaudited financial statements of the Company for the six months ended 30 June 2010.

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 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 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 six months ended 30 June 2010. 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.

By order of the Board
Zhang Xiu Sheng
Chairman

Taiyuan City, Shanxi Province, the PRC, 11 August 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.

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