



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)

SHANXI CHANGCHENG MICROLIGHT EQUIPMENT CO. LTD.

SHANXI  
CHANGCHENG  
2005

Third Quarterly Report 2005

SHANXI CHANGCHENG MICROLIGHT EQUIPMENT CO. LTD.

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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 risk 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.

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*This report, for which the directors of Shanxi Changcheng Microlight Equipment Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Shanxi Changcheng Microlight Equipment Company Limited. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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## **HIGHLIGHTS**

- For the nine months ended 30 September 2005, unaudited turnover of the Company was approximately RMB21.8 million, representing a decrease of approximately 15.5% over the corresponding period in the previous year.
- Profits attributable to equity holders of the Company decreased by approximately 51.1% compared to the corresponding period in the previous year to approximately RMB4.3 million for the nine months ended 30 September 2005.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2005.

## UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

The board of Directors (the “Board”) of Shanxi Changcheng Microlight Equipment Company Limited (the “Company”) is pleased to announce the unaudited results of the Company for the three months and nine months ended 30 September 2005, together with the comparative unaudited figures for the corresponding periods in 2004, as set out below:

### UNAUDITED PROFIT AND LOSS ACCOUNT

*For the three months and the nine months ended 30 September 2005 and 2004*

		Three months ended 30 September 2005 (Unaudited) RMB'000	Three months ended 30 September 2004 (Unaudited) RMB'000	Nine months ended 30 September 2005 (Unaudited) RMB'000	Nine months ended 30 September 2004 (Unaudited) RMB'000
	<i>Notes</i>				
<b>TURNOVER</b>	2	6,557	8,567	21,836	25,841
<b>Cost of sales</b>		(3,309)	(3,146)	(10,118)	(10,215)
<b>Gross profit</b>		3,248	5,421	11,718	15,626
<b>Selling and distribution expenses</b>		(108)	(73)	(324)	(186)
<b>Administrative expenses</b>		(1,835)	(1,624)	(5,980)	(4,477)
<b>Other operating income/(expenses)</b>		(164)	(2)	(95)	(23)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		1,141	3,722	5,319	10,940
<b>Finance costs</b>		0	(288)	0	(661)
<b>PROFIT BEFORE TAX</b>		1,141	3,434	5,319	10,279
<b>Tax</b>	3	(171)	(512)	(1,042)	(1,542)
<b>PROFIT ATTRIBUTABLE TO: EQUITY HOLDERS OF THE COMPANY</b>		970	2,922	4,277	8,737
<b>EARNINGS PER SHARE</b>					
<b>Basic (in RMB)</b>	4	0.003	0.009	0.014	0.028
<b>PROPOSED DIVIDENDS PER SHARE</b>					
<b>Basic (in RMB)</b>	6	N/A	N/A	N/A	0.015

## NOTES

### 1. Basis of preparation and accounting policies

The unaudited quarterly report has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The quarterly results have been prepared in accordance with and compliance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under historical cost convention.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("new HKFRS") which are effective for Accounting periods beginning on or after 1 January 2005. The adoption of these HKFRS has no material impact on the operating results and financial position of the Company.

### 2. Turnover and revenue

The Company is principally engaged in the design, research, development, manufacture and sale of image transmission fibre optic products in the PRC. Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, valued added tax and other taxes related to sales where applicable, and services rendered.

### 3. Tax

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Current tax charge for the period	(171)	(512)	(1,042)	(1,542)

No provision for Hong Kong profits tax has been made as the Company had no assessable profit in Hong Kong during the period. (2004: Nil)

The provision for corporate income tax ("CIT") of the Company has been calculated at the applicable rate of tax prevailing in the area in which the Company is registered and operated, based on the existing legislation, interpretations and practices in respect thereof. According to the Income Tax Law of the PRC, as the Company operates in the high technology industrial development zone in Taiyuan, the PRC and is registered as a high technology development enterprise, it is entitled to a concessionary CIT rate of 15%, which has been applied for each of the three months and nine months ended 30 September 2004 and the corresponding periods in 2005.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company had no significant unprovided deferred tax as at 30 September 2005 and 2004.

A reconciliation of the tax expense applicable to profit before tax using the applicable rate in the PRC to the tax expense at the effective tax rate is as follows:

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Profit before tax	<u>1,141</u>	<u>3,434</u>	<u>5,319</u>	<u>10,279</u>
Tax at applicable tax rate of 33% (2004: 33%)	377	1,133	1,755	3,392
Concessionary rate granted by local authority	<u>(206)</u>	<u>(621)</u>	<u>(713)</u>	<u>(1,850)</u>
Tax charge at effective rate	<u>171</u>	<u>512</u>	<u>1,042</u>	<u>1,542</u>

#### 4. Earnings per share

Earnings per share have been computed by dividing the net profit from ordinary activities attributable to equity holders of the Company for the three months and nine months ended 30 September 2005, of approximately RMB970,000 and RMB4,277,000, respectively (three months and nine months ended 30 September 2004: approximately RMB2,922,000 and RMB8,737,000, respectively) by the 198,860,000 domestic shares of the Company in issue throughout the period and 110,000,000 H shares of the Company in issue after the placing in June 2004.

Diluted earnings per share for the three months and nine months ended 30 September 2004 and 2005 have not been calculated as there were no dilutive potential ordinary shares in existence during those periods.

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**5. Reserves**

The movements for the profit attributable to equity holders of the Company, dividends and net proceeds from placing of shares were approximately RMB8,737,000, RMB4,633,000 and RMB26,287,000, respectively for the nine months ended 30 September 2004. There were no movements in the reserves other than profit attributable to equity holders of the Company of approximately RMB4,277,000 for the nine months ended 30 September 2005.

**6. Interim dividend**

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (nine months ended 30 September 2004: RMB4,633,000). No dividend was paid during the period.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

## Business review

During the period under review, the Company was principally engaged in the design, research, development, manufacture and sale of image transmission fibre optic products in the PRC.

For the nine months ended 30 September 2005, the Company reported an unaudited turnover of approximately RMB21.8 million (nine months ended 30 September 2004: approximately RMB25.8 million), representing a decrease of approximately 15.5% from previous period's turnover. This was mainly due to the a major customer of the Company has formed a joint venture with another company and the newly formed joint venture's sales strategy has adversely affected the sales of the Company. In addition, the higher product quality demand of the fibre optic inverters was noted from overseas customers, the Company should improve its technology to meet the customers' needs. Although orders were received from existing customers, it does not satisfy the customers' needs temporarily. Therefore, the revenue from fibre optic inverters was decreased.

The unaudited gross profit margin for the nine months ended 30 September 2005 is approximately 53.7%, represented a decrease of approximately 6.8% from the corresponding period last year. The decrease was attributable to the increase in cost of raw materials and the decrease in sales of the Company as mentioned above. Furthermore, the decrease in selling price of products and the increase in salary of the production staff also caused the drop in gross profit.

The unaudited profit before tax for the nine months ended 30 September 2005 decreased by approximately 48.5% from RMB10.3 million to approximately RMB5.3 million. The decrease in profit was mainly due to the decrease in the sales of fibre optic inverters, the decrease in sales of the Company as mentioned above and the increase in the administrative expenses.

## Prospects

With the development of digital image transmission technology, especially in the medical and commercial areas, the Directors believe that the demand for image transmission fibre optic products, which form part of the major components of digital image transmission devices, will remain strong in the future. Although there was a temporary decrease in profits during the period, the Directors believe the situation will be improved in the long run through the cost control and technical improvement in future.



## **Liquidity and financial resources**

The Company financed its operation primarily with internally generated cash flows and the balance of the net proceeds from the listing of the Company's shares on GEM on 18 May 2004.

As at 30 September 2005, the Company had total assets of approximately RMB82.7 million (31 December 2004: approximately RMB82.1 million), of which approximately RMB27.8 million (31 December 2004: approximately RMB30.9 million) were cash and bank balances.

## **Gearing ratio**

The gearing ratio of the Company, based on total liabilities to total assets, was approximately 15.6% as at 30 September 2005 (31 December 2004: approximately 20.1%). The lower gearing ratio was mainly due to the decrease in current liabilities as at 30 September 2005.

## **Significant investment and material acquisition and disposal of subsidiaries**

The Company did not hold material investments or make any material acquisition and disposal of subsidiaries and associates during the nine months ended 30 September 2005 and the same period of last year.

## **Employees and remuneration policy**

For the nine months ended 30 September 2005, the staff remuneration of the Company was approximately RMB6.2 million (2004: approximately RMB7.1 million) and the Company had a total of approximately 435 employees (2004: approximately 429 employees).

There is no significant change in the Company's employees and remuneration policy.

## **Future plans for material investments and capital assets**

Details of the significant future investment plans and the expected financial resources for capital expenses of the Company are set out in the section headed "Statement of Business Objectives" in the Prospectus of the Company dated 10 May 2004 (the "Prospectus"). Save as disclosed above, the Company had no other significant future investment plan as at 30 September 2005.

## Commitments

Capital commitments:

As at 30 September 2005 and 31 December 2004, the Company had the following significant capital commitments:

		<b>30 September 2005 (Unaudited) RMB'000</b>	<b>31 December 2004 (Audited) RMB'000</b>
	<i>Note</i>		
Authorised, but not contracted for			
– Establishment of a joint venture	(a)	15,000	15,000
– Development of Project		<u>16,000</u>	<u>16,000</u>
		<u>31,000</u>	<u>31,000</u>

### Note:

- (a) On 18 September 2002, the Company has entered into a letter of intent with Shanxi Economic and Trade Limited Liability Company to establish a joint venture, which the Company will own a 60% interest, for the development of new factories. The Company's contribution to the joint venture will amount to approximately RMB15,000,000. Up to the date of this report, the joint venture has not yet been established.

Commitments under operating leases:

The Company leases its office properties and land use rights from Taiyuan Changcheng for the establishment of production plants under operating lease arrangements for terms ranging from five to thirty years. The Company also leases plant and equipment from Shanxi Huayuan Transport Optical Technology and Engineering Company Limited ("Shanxi Transport") for the production of optic fibres on an annual renewal basis.

At the balance sheet dates, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2005 (Unaudited) RMB'000</b>	<b>31 December 2004 (Audited) RMB'000</b>
Within one year	672	672
In the second to fifth years, inclusive	2,551	2,588
After five years	12,768	13,235
	<u>15,991</u>	<u>16,495</u>

### **Foreign exchange exposure**

The books and records of the Company are maintained in RMB. Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction date as quoted by the People's Bank of China (the "PBOC"). Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into RMB at the applicable exchange rates ruling at that date as quoted by the PBOC. Exchange differences are dealt with in the profit and loss account.

### **Pledge of assets and banking facilities**

As at 30 September 2005, the Company did not have any banking facilities obtained from bank.

### **Contingent liabilities**

As at 30 September 2005, the Company had no material contingent liabilities.

### **Disclosure under GEM Listing Rule 17.15 to 17.21**

Under the Chapter 17.15 of GEM Listing Rules, a disclosure obligation arises, among other situations, where any of the percentage ratios of the relevant advance to an entity from the issuer exceeds 8%. As at 30 September 2005, the Company had no advance to an entity exceeding 8% (as at 30 September 2004: an independent party had approximately 9.6% of the unaudited total net asset value).

## OTHER INFORMATION

### Directors' and supervisors' interest and short positions in shares, underlying shares and debentures

As at 30 September 2005, so far as the Directors are aware, the Directors who have interest and short position in shares, underlying shares or debentures of the Company in the registered capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) (a) which were 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 they are taken or deemed to have taken under such provisions of the SFO) or (b) which were required pursuant to section 352 of the SFO to be entered in the register referred to in that section, or (c) which were required, pursuant to the required standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

Name	Nature and capacity in the shareholding of the Company	Number of domestic shares	Approximate percentage of holding of the domestic shares of the Company*	Approximate percentage of holding of the total share capital of the Company*
Lin Yin Ping	Interest in a controlled corporation	82,200,000	41.34%	26.61%

#### Note:

1. Lin Yin Ping holds approximately 78.52% of the enquiry interest in Beijing Gensir Venture Capital Management Limited (“Beijing Gensir”) and Beijing Gensir holds approximately 36.37% of the equity interest in Taiyuan Tanghai Automatic Control Company Limited (“Taiyuan Tanghai”). As Lin Yin Ping 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, Lin Yin Ping 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.

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

### Directors' and Supervisors' rights to acquire H shares

Save as disclosed above, during the nine months ended 30 September 2005, none of the Directors or supervisors (“Supervisors”) of the Company are granted options to subscribe for H shares of the Company. As at 30 September 2005, none of the Directors or the Supervisors 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.

## Share option scheme

The Company does not have share option scheme.

## Substantial Shareholders

As at 30 September 2005, so far as the Directors are aware, the persons who have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which will be required, pursuant to section 336 of the SFO to be recorded in the register of the Company or be directly or indirectly interested in 5% or more of the nominal value of any class of issued share capital carrying rights to vote in all circumstances of general meetings of the Company are 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*
Taiyuan Changcheng Optics and Electronics Industrial Corporation	Registered and beneficial owner of the domestic shares	80,160,000 domestic shares	40.31%	–	25.95%
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 (Note 1)	41.34%	–	26.61%
Dandong Shuguang Industrial Group Company Limited	Registered and beneficial owner of the domestic shares	34,000,000 domestic shares (Note 4)	17.10%	–	11.01%
Taiyuan Tanghai Automatic Control Company Limited	Registered and beneficial owner of the domestic shares	24,900,000 domestic shares (Note 1)	12.52%	–	8.06%
Lin Yin Ping	Interest in a controlled corporation	82,200,000 domestic shares (Note 2)	41.34%	–	26.61%

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*
Shen Gang	Interest in a controlled corporation	24,900,000 domestic shares (Note 3)	12.52%	–	8.06%
Li Jin Dian	Interest in a controlled corporation	34,000,000 domestic shares (Note 4)	17.10%	–	11.01%
Zhang Wen Qin	Family interest	82,200,000 domestic shares (Note 2)	41.34%	–	26.61%
Liu Gui Ying	Family interest	34,000,000 domestic shares (Note 4)	17.10%	–	11.01%
Ma Fong Ping	Family interest	24,900,000 domestic shares (Note 3)	12.52%	–	8.06%
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 6)	–	31.87%	11.35%
Kwong Tat Finance Limited	Beneficial owner of H shares	34,155,000 H shares (Note 5)	–	31.05%	11.06%

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

**Notes:**

1. Part of these domestic shares (24,900,000 domestic shares) are registered in the name of Taiyuan Tanghai. Taiyuan Tanghai is owned as to approximately 36.37% by 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 purpose 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) are registered in the name of Beijing Gensir. Beijing Gensir is owned as to an approximately 78.52% by Lin Yin Ping, a non-executive director. The rest of these shares are registered in the name of Taiyuan Tanghai in which Lin Yin Ping has an indirect interest through his shareholdings in Beijing Gensir. As Lin Yin Ping is entitled to exercise of one-third or more of the voting power at the general meeting of Beijing Gensir, for the purpose of the SFO, Lin Yin Ping 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. Zhang Wen Qin (張文琴), as the wife of Lin Yin Ping, is taken to be interested in the Shares held by Lin Yin Ping by virtue of Part XV of the SFO.
3. 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 Geng 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 purpose 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 (馬鳳萍), as the wife of Shen Gang, is taken to be interested in the shares held by Shen Gang by virtue of Part XV of the SFO.
4. 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 (劉桂英), as the wife 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.
5. Part of these H shares (34,155,000 H shares) are registered in the name of Kwong Tat Finance Limited. Kwong Tat Finance Limited 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 SFO, Liu Li, Luis is deemed to be interested in all the H shares held by Kwong Tat Finance Limited.
6. Lu Jun is the spouse of Liu Li, Luis and is deemed to be interested in all 35,055,000 H shares held by Liu Li, Luis by virtue of Part XV of the SFO.

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## **Competing interest**

Up to 30 September 2005, none of the Directors, Supervisors and management shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

## **Compliance adviser's interest**

As notified and updated by the Company's compliance adviser, Deloitte & Touche Corporate Finance Limited ("DTCFL"), as at 30 September 2005, none of DTCFL, its directors, employees and their associates (as defined under the GEM Listing Rules) had an interest in the share capital of the Company, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company.

Pursuant to the sponsor agreement dated 17 May 2004 entered into between DTCFL and the Company, DTCFL will receive, fees for acting as the Company's compliance adviser for the period from 18 May 2004 up to 31 December 2006 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

## **Audit Committee**

In compliance with Rules 5.28 and 5.33 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, quarterly report and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting and internal control system of the Company.

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

The audit committee has, in accordance with the relevant provisions contained in the Code on Corporate Governance Practices, reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the quarterly report for the nine months ended 30 September 2005, with the Directors.

## **Board Practices and Procedures**

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules since the shares of the Company were listed on the GEM of the Stock Exchange on 18 May 2004.



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### **Code of conduct regarding securities transactions by Directors**

During the nine months ended 30 September 2005, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and 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.

### **Repurchase, sale or redemption of listed securities of the Company**

During the nine months ended 30 September 2005, there was no purchase, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

### **Directors**

Executive Directors: Mr. Wang Gen Hai, Mr. Li Kang Sheng and Mr. Tian Qun Xu. Non-executive director: Mr. Lin Yin Ping. Independent non-executive Directors: Mr. Ni Guo Qiang, Mr. Shen Ming Hong, Mr. Li Li Cai and Ms. Chen Yue Jie.

By order of the Board  
**Wang Gen Hai**  
*Chairman*

Shanxi, the People's Republic of China, 4 November 2005