



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)

Third Quarterly Report **2007**

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This report, 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 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.

RESULTS HIGHLIGHTS

- The Company reported a turnover of approximately RMB37,499,000 for the nine months ended 30 September 2007, representing an increase of 28.2% from approximately RMB29,260,000 for the same period in 2006.
- The Company's unaudited profits attributable to equity holders for the nine months ended 30 September 2007 was approximately RMB8,940,000.
- The board of Directors does not recommend the payment of dividend for the nine months ended 30 September 2007.

The board of Directors (the "Board") of Shanxi Changcheng Microlight Equipment Co. Ltd. (the "Company") is pleased to present the unaudited results of the Company for the three months and nine months ended 30 September 2007, together with the comparative unaudited figures for the corresponding period in 2006 as follows:

UNAUDITED CONDENSED INCOME STATEMENT

For the three months and nine months ended 30 September 2007

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2007	2006	2007	2006
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2	13,749	10,247	37,499	29,260
Cost of sales		(5,646)	(3,960)	(15,394)	(13,775)
Gross profit		8,103	6,287	22,105	15,485
Other operating incomes		59	62	166	209
Selling and distribution expenses		(133)	(211)	(281)	(387)
General and administrative expenses		(3,615)	(2,327)	(11,255)	(7,035)
Operating profit		4,414	3,811	10,735	8,272
Share of loss of an associate		(42)	(90)	(103)	(162)
Profit before income tax		4,372	3,721	10,632	8,110
Income tax expense	3	(698)	(456)	(1,692)	(1,475)
Profit for the period		3,674	3,265	8,940	6,635
Earnings per share:					
– Basic (in RMB)	5	0.012	0.011	0.029	0.021
– Diluted (in RMB)	5	N/A	N/A	N/A	N/A

NOTES TO THE ACCOUNTS

1. Basis of preparation of the accounts

The unaudited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The principal accounting policies and methods of computation used in the preparation of these accounts are consistent with those adopted in the preparation of the annual accounts for the year ended 31 December 2006.

The audit committee has reviewed the unaudited financial statements for the nine months ended 30 September 2007.

2. Revenue

Revenue, which is also the Company's turnover, represents total invoiced value of goods supplied, after allowances for returns, trade discounts, value added tax and other taxes related to sales where applicable.

3. Income tax expenses

	For the three months ended 30 September		For the nine months ended 30 September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax – PRC	698	456	1,692	1,475

Hong Kong profits tax has not been provided as the Company had no assessable profits arising in Hong Kong during the period (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Company operates, based on existing legislation, interpretations and practices in respect thereof during the period.

During the nine months ended 30 September 2007, the Company continued to entitle to a concessionary corporate income tax rate of 15% (2006: 15%).

4. Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2007 (2006: Nil).

5. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the three months and nine months ended 30 September 2007 approximately of RMB3,674,000 and RMB8,940,000 respectively (2006: RMB3,265,000 and RMB6,635,000 respectively) and 308,860,000 shared in issue during the period.

No diluted earnings per share amounts have been presented for the three months and nine months ended 30 September 2006 and 2007 as there was no dilutive potential share.

6. Reserves

	Issued share capital RMB'000	Capital surplus RMB'000	Statutory public welfare fund RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2006	30,886	18,561	2,372	4,744	12,322	68,885
Net profit for the period	-	-	-	-	6,635	6,635
At 30 September 2006	30,886	18,561	2,372	4,744	18,957	75,520
At 1 January 2007	30,886	18,561	-	8,092	21,126	78,665
Net profit for the period	-	-	-	-	8,940	8,940
At 30 September 2007	30,886	18,561	-	8,092	30,066	87,605

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Company reported a turnover of approximately RMB37,499,000 for the nine months ended 30 September 2007, representing an increase of 28.2% from approximately RMB29,260,000 for the same period in 2006.

During the nine months ended 30 September 2007, the Company recorded cost of sales amounting to approximately RMB15,394,000, representing an increase of 11.8% from approximately RMB13,775,000 for the same period in 2006.

General and administrative expenses of the Company for the nine months ended 30 September 2007 was approximately RMB11,255,000 (2006: RMB7,035,000), which represented an increase of approximately 60% as compared to the same period in 2006.

The Company's unaudited profits attributable to equity holders for the nine months ended 30 September 2007 was approximately RMB8,940,000 (2006: RMB6,635,000). The Board was satisfied with the results for the nine months ended 30 September 2007.

OTHER INFORMATION

Directors' and Supervisors' interests and short positions in the shares, underlying shares and debentures

As at 30 September 2007, so far as the Directors are aware, the Directors who have an interest and short position in the 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 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 Rules 5.46 of the GEM Listing Rules), to be notified to the Company and the Stock Exchange were 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%

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

Note:

- Lin Yin Ping holds approximately 78.52% of the equity 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.

Substantial shareholders

As at 30 September 2007, so far as the Directors are aware, the persons other than Directors and Supervisors of the Company 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 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 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*
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%
Shen Gang	Interest in a controlled corporation	24,900,000 domestic shares (Notes 3)	12.52%	-	8.06%
Li Jin Dian	Interest in a controlled corporation	34,000,000 domestic shares (Notes 4)	17.10%	-	11.01%
Zhang Wen Qin	Family interest	82,200,000 domestic shares (Notes 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*
Lui Gui Ying	Family interest	34,000,000 domestic shares (Notes 4)	17.10%	–	11.01%
Ma Fong Ping	Family interest	24,900,000 domestic shares (Notes 3)	12.52%	–	8.06%
Liu Li, Luis	Beneficial owner of H shares and interest in a controlled corporation	35,055,000 H shares (Notes 5)	–	31.87%	11.35%
Lu Jun	Family interest	35,055,000 H shares (Notes 6)	–	31.87%	11.35%
Kwong Tat Finance Limited	Beneficial owner of H shares	34,155,000 H shares (Notes 5)	–	31.05%	11.06%

* 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. Taiyuan Tanghai is owned as to approximately 36.37% by Beijing Gensir. As Beijing Gensir is entitled to exercise of control the exercise of one-third or more of the voting power at the general meeting or 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.
- Part of these domestic shares (57,300,000 domestic shares) is 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 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. Ms. 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 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 Gang 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) is 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 the 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.

Share option scheme

The Company does not have share option scheme.

Directors' and Supervisors' rights to acquire H shares

During the nine months ended 30 September 2007, none of the Directors or Supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 September 2007, none of the Directors or 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.

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 nine months ended 30 September 2007 or at any time during such period.

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 interim financial statements for the nine months ended 30 September 2007.

Competing interest

None of the directors, supervisors, the management shareholders or substantial 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 nine months ended 30 September 2007.

Purchase, sale or redemption of listed securities of the Company

The Company had no purchase, sale or redemption any of the Company's listed securities during the nine months ended 30 September 2007.

By order of the Board

Wang Gen Hai

Chairman

Shanxi, the People's Republic of China, 13 November 2007

As at the date of this report, 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.