



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)



FIRST QUARTERLY REPORT 2008

*For identification only

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. 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 risks 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.

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

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 ended 31 March 2008, together with the comparative unaudited figures for the corresponding period in 2007 as follows:

UNAUDITED CONDENSED INCOME STATEMENT

For the three months ended 31 March 2008

	Notes	For the three months ended 31 March	
		2008 RMB'000	2007 RMB'000
Revenue	2	10,618	10,851
Cost of sales		(5,555)	(4,809)
Gross profit		5,063	6,042
Other operating incomes		50	4
Selling and distribution expenses		(68)	(67)
General and administrative expenses		(3,303)	(3,730)
Operating profit		1,742	2,249
Share of loss of an associate		(157)	(130)
Profit before income tax		1,585	2,119
Income tax expense	3	(260)	(337)
Profit for the period		1,325	1,782
Earnings per share for profit attributable to the equity holders of the Company during the period			
– Basic (in RMB)	5	0.004	0.006
– Diluted (in RMB)	5	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 2007.

The audit committee has reviewed the unaudited financial statements for the three months ended 31 March 2008.

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. Income tax expenses

	For the three months ended 31 March	
	2007	2006
	RMB'000	RMB'000
Current tax – PRC	260	337

Hong Kong profits tax has not been provided as the Company had no assessable profits arising in Hong Kong during the period (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Company operates, based on existing legislation, interpretations and practices in respect thereof during the period.

During the three months ended 31 March 2008, the Company continued to entitle to a concessionary corporate income tax rate of 15% (2007: 15%).

4. Dividend

The Board does not recommend the payment of a dividend for the three months ended 31 March 2008 (2007: 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 ended 31 March 2008 approximately of RMB1,325,000 (2007: RMB1,782,000) and 308,860,000 shares in issue during the period.

No diluted earnings per share amounts have been presented for the three months ended 31 March 2007 and 2008 as there was no dilutive potential share.

6. Reserves

	Issued share capital RMB'000	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2007	30,886	18,561	8,092	21,126	78,665
Net profit for the period	-	-	-	1,782	1,782
At 31 March 2007	30,886	18,561	8,092	22,908	80,447
At 1 January 2008	30,886	18,561	9,410	32,986	91,843
Net profit for the period	-	-	-	1,325	1,325
At 31 March 2008	30,886	18,561	9,410	34,311	93,168

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Company reported a turnover of approximately RMB10,618,000 for the three months ended 31 March 2008, representing a decrease of 2.1% from approximately RMB10,851,000 for the same period in 2007.

During the three months ended 31 March 2008, the Company recorded cost of sales amounting to approximately RMB5,555,000, representing an increase of 15.5% from approximately RMB4,809,000 for the same period in 2007.

General and administrative expenses of the Company for the three months ended 31 March 2008 was approximately RMB3,303,000 (2007: RMB3,730,000), which represented a decrease of approximately 11.4% as compared to the same period in 2007.

The Company's unaudited profits attributable to equity holders for the three months ended 31 March 2008 was approximately RMB1,325,000 (2007: RMB1,782,000). The Board was satisfied with the results for the three months ended 31 March 2008.

OTHER INFORMATION

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

As at 31 March 2008, 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 31 March 2008, so far as the Directors 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 (Note 1 & 2)	41.34%	-	26.61%
Zhang Shao Hui	Interest in a controlled corporation	82,200,000 domestic shares (Notes 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 (Notes 3)	17.10%	-	11.01%
Lui Gui Ying	Family interest	34,000,000 domestic shares (Notes 3)	17.10%	-	11.01%
Taiyuan Tanghai Automatic Control Company Limited	Registered and beneficial owner of the domestic shares	24,900,000 domestic shares	12.52%	-	8.06%

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 (Notes 4)	12.52%	–	8.06%
Ma Fong Ping	Family interest	24,900,000 domestic shares (Notes 4)	12.52%	–	8.06%
H Shares:					
Kwong Tat Finance Limited	Beneficial owner of H shares	34,155,000 H shares (Notes 5)	–	31.05%	11.06%
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 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 (劉桂英), 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 (馬鳳萍), 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 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 are not aware of other person who, as at 31 March 2008, 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 three months ended 31 March 2008, none of the Directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 31 March 2008, 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 year.

Directors' and Supervisors' interest in contracts

Save as disclosed, 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 three months ended 31 March 2008 or at any time during the 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 financial statements for the three months ended 31 March 2008.

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 three months ended 31 March 2008.

Purchase, sale or redemption of listed securities of the Company

The Company had no purchase, sale or redemption any of its listed securities during the three months ended 31 March 2008.

By order of the Board

Wang Gen Hai

Chairman

Shanxi, the People's Republic of China, 15 May 2008

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.