



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 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 positioned as a market designed to accommodate companies to which a higher 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.

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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 (the “GEM Listing Rules”) 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.*

* For identification purpose only

The board of Directors (the “Board”) of Shanxi Changcheng Microlight Equipment Co. Ltd. (the “Company”) hereby announce the unaudited results of the Company for the three months and nine months ended 30 September 2008, together with the comparative unaudited figures for the corresponding period in 2007 as follows:

INCOME STATEMENT

For the three months and nine months ended 30 September 2008

| | Notes | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|-------|--|-----------------|---|-----------------|
| | | 2008 RMB'000 | 2007 RMB'000 | 2008 RMB'000 | 2007 RMB'000 |
| Revenue | 2 | 11,170 | 13,749 | 32,378 | 37,499 |
| Cost of sales | | (5,253) | (5,646) | (16,577) | (15,394) |
| Gross profit | | 5,917 | 8,103 | 15,801 | 22,105 |
| Other incomes | | 78 | 59 | 258 | 166 |
| Reversal of impairment loss on interest in an associate | | 452 | – | 771 | – |
| Selling and distribution expenses | | (88) | (133) | (209) | (281) |
| General and administrative expenses | | (3,502) | (3,615) | (9,739) | (11,255) |
| Operating profit | | 2,857 | 4,414 | 6,882 | 10,735 |
| Share of loss of an associate | | (452) | (42) | (771) | (103) |
| Profit before income tax | | 2,405 | 4,372 | 6,111 | 10,632 |
| Income tax expense | 3 | (350) | (698) | (893) | (1,692) |
| Profit for the period | | 2,055 | 3,674 | 5,218 | 8,940 |
| Earnings per share for profit attributable to the equity holders of the Company during the period | | | | | |
| – Basic <i>(in RMB)</i> | 5 | 0.007 | 0.012 | 0.017 | 0.029 |
| – Diluted <i>(in RMB)</i> | 5 | N/A | N/A | N/A | N/A |

NOTES

1. Basis of preparation

The unaudited financial statements have been prepared in accordance with all applicable 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.

2. Revenue

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

3. Income tax expense

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|-------------------|--|-----------------|---|-----------------|
| | 2008 RMB'000 | 2007 RMB'000 | 2008 RMB'000 | 2007 RMB'000 |
| Current tax – PRC | 350 | 698 | 893 | 1,692 |

No Hong Kong profits tax has been provided as the Company had no assessable profits arising in Hong Kong during the nine months ended 30 September 2008 (For the nine months ended 30 September 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.

4. Dividend

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2008 (For the nine months ended 30 September 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 and nine months ended 30 September 2008 approximately of RMB2,055,000 and RMB5,218,000 respectively (For the three months and nine months ended 30 September 2007: RMB3,674,000 and RMB8,940,000 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 2007 and 2008 as there was no dilutive potential share during the period.

6. Reserves

| | Issued share capital | Capital surplus | Statutory surplus reserve | Retained earnings | Total |
|-----------------------------|----------------------------|--------------------|---------------------------------|----------------------|---------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 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 |
| At 1 January 2008 | 30,886 | 18,561 | 9,410 | 32,986 | 91,843 |
| Net profit for the period | - | - | - | 5,218 | 5,218 |
| At 30 September 2008 | 30,886 | 18,561 | 9,410 | 38,204 | 97,061 |

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 and to focus on improving its competitiveness and maintaining its position as a leading image transmission fibre optic products manufacturer in the PRC.

Financial Review

The Company reported a turnover of approximately RMB32,378,000 for the nine months ended 30 September 2008, representing a decrease of 13.7% from approximately RMB37,499,000 for the same period in 2007.

During the nine months ended 30 September 2008, the Company recorded cost of sales amounting to approximately RMB16,577,000, representing an increase of 7.7% from approximately RMB15,394,000 for the same period in 2007.

General and administrative expenses of the Company for the nine months ended 30 September 2008 was approximately RMB9,739,000 (For the nine months ended 30 September 2007: RMB11,255,000), which represented a decrease of 13.5% as compared to the same period in 2007.

The Company's unaudited profits attributable to equity holders of the Company for the nine months ended 30 September 2008 was approximately RMB5,218,000 (For the nine months ended 30 September 2007: RMB8,940,000).

OTHER INFORMATION

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

As at 30 September 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 30 September 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 (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% |

| 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* |
|---|---|---|--|---|--|
| Liu Gui Ying | Family interest | 34,000,000 domestic shares (Note 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% |
| 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 (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 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 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 (路軍), 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 30 September 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 nine months ended 30 September 2008, none of the Directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 September 2008, 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 nine months ended 30 September 2008 or at any time during the period.

Purchase, Sale or Redemption of Shares

The Company has not purchased, sold or redeemed any of its listed securities during the nine months ended 30 September 2008.

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 nine months ended 30 September 2008.

Competing Interests

None of the Directors, supervisors and the management 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 2008.

By order of the Board
Wang Gen Hai
Chairman

Shanxi, the People's Republic of China, 12 November 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.