



SHANXI CHANGCHENG

Microlight Equipment Co. Ltd.*

山西長城微光器材股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8286)

Interim Report

2009

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 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 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 announcement 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 announce the unaudited results of the Company for the three months and six months ended 30 June 2009, together with the comparative unaudited figures for the corresponding period in 2008 as follows:

INCOME STATEMENT

For the three months and six months ended 30 June 2009

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Revenue	2	14,363	10,590	27,988	21,208
Cost of sales		(7,294)	(5,769)	(15,395)	(11,324)
Gross profit		7,069	4,821	12,593	9,884
Other incomes		169	130	343	180
Reversal of impairment of an interest in an associate		-	319	-	319
Selling and distribution expenses		(301)	(53)	(406)	(121)
General and administrative expenses		(3,367)	(2,934)	(6,634)	(6,237)
Operating profit		3,570	2,283	5,896	4,025
Share of loss of an associate		-	(162)	-	(319)
Profit before income tax	4	3,570	2,121	5,896	3,706
Income tax expense	5	(888)	(283)	(1,429)	(543)
Profit for the period		2,682	1,838	4,467	3,163
Earnings per share for profit attributable to the equity holders of the Company during the period					
- Basic and diluted	7	RMB0.009	RMB0.006	RMB0.014	RMB0.010

BALANCE SHEET

As at 30 June 2009

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Notes		
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	62,568	56,707
Land use rights	15,892	16,068
Deposits for acquisition of property, plant and equipment	11,785	11,785
Interest in an associate	—	—
	<u>90,245</u>	<u>84,560</u>
Current assets		
Due from shareholders	6,348	6,168
Due from a related company	3,865	3,311
Inventories	8,295	7,712
Trade receivables	11,302	10,631
Prepayments, deposits and other receivables	1,101	1,502
Financial assets at fair value through profit or loss	—	211
Cash and cash equivalents	1,622	3,030
	<u>32,533</u>	<u>32,565</u>
Current liabilities		
Due to directors	179	109
Trade payables	1,050	1,088
Obligations under finance lease	208	—
Accrued liabilities, deposits received and other payables	7,335	5,992
Tax payable	1,209	1,535
	<u>9,981</u>	<u>8,724</u>
Net current assets	<u>22,552</u>	<u>23,841</u>
Total assets less current liabilities	<u>112,797</u>	<u>108,401</u>
Non-current liability		
Deferred government grants	12,411	12,727
Obligations under finance lease	245	—
	<u>12,656</u>	<u>12,727</u>
Net assets	<u>100,141</u>	<u>95,674</u>
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	30,886	30,886
Reserves	69,255	64,788
Total equity	<u>100,141</u>	<u>95,674</u>

STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2009*

	Share capital	Capital surplus	Statutory surplus reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	30,886	18,561	9,410	32,986	91,843
Profit for the period	-	-	-	3,163	3,163
At 30 June 2008	30,886	18,561	9,410	36,149	95,006
At 1 January 2009	30,886	18,561	9,410	36,817	95,674
Profit for the period	-	-	-	4,467	4,467
At 30 June 2009	30,886	18,561	9,410	41,284	100,141

CASH FLOW STATEMENT*For the six months ended 30 June 2009*

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Net cash generated from operating activities	4,582	1,929
Net cash outflow from investing activities	(4,412)	(11,562)
Increase/(Decrease) in cash and cash equivalents	170	(9,633)
Cash and cash equivalents at 1 January	1,452	11,085
Cash and cash equivalents at 30 June	1,622	1,452

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 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. Segment information

The Company has determined that geographical segment based on the location of customers is its primary segment reporting format. The following table presents revenue and profit information for each of the Company's geographical segments:

	Hong Kong		PRC		Europe		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment Revenue:								
Sales to external customers	11,105	8,271	3,650	4,640	13,233	8,297	27,988	21,208
Segment results	4,836	3,740	1,589	2,263	5,762	3,760	12,187	9,763
Other incomes							343	180
Reversal of impairment of an interest in an associate							-	319
General and administrative expenses							(6,634)	(6,237)
Operating profit							5,896	4,025
Share of loss of an associate							-	(319)
Profit before income tax							5,896	3,706
Income tax expense							(1,429)	(543)
Profit for the period							4,467	3,163

4. Profit before income tax

For the six months ended 30 June	
2009	2008
RMB'000	RMB'000

Profit before income tax is arrived at after charging:

Cost of inventories sold	15,395	11,324
Depreciation	1,449	860
Amortisation of land use rights	176	176

5. **Income tax expense**

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Current tax – PRC	1,429	543

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 2009 (For the six months ended 30 June 2008: 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.

6. **Dividend**

The Board does not recommend the payment of a dividend for the six months ended 30 June 2009 (For the six months ended 30 June 2008: Nil).

7. **Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately RMB2,682,000 and RMB4,467,000 for the three months and six months ended 30 June 2009 respectively (For the three months and six months ended 30 June 2008: RMB1,838,000 and RMB3,163,000) and 308,860,000 (2008: 308,860,000) shares in issue during the period.

There were no diluted potential ordinary shares in issue during the three months and six months ended 30 June 2009 and 2008.

8. **Trade receivables**

The credit terms granted by the Company to its customers are normally less than 90 days. An ageing analysis of the net trade receivables is as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 – 90 days	8,660	7,229
91 – 180 days	627	447
181 – 365 days	2,015	2,955
	11,302	10,631

9. **Trade payables**

An ageing analysis of the trade payables is as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 – 90 days	927	1,013
91 – 180 days	34	7
181 – 365 days	21	–
Over 365 days	68	68
	1,050	1,088

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 RMB27,988,000 for the six months ended 30 June 2009, representing an increase of 32% from approximately RMB21,208,000 for the same period in 2008.

During the six months ended 30 June 2009, the Company recorded cost of sales amounting to approximately RMB15,395,000, representing an increase of 36% from approximately RMB11,324,000 for the same period in 2008.

General and administrative expenses of the Company for the six months ended 30 June 2009 was approximately RMB6,634,000, representing a increase of 6% from approximately RMB6,237,000 for the same period in 2008.

The Company's unaudited profits attributable to equity holders of the Company for the six months ended 30 June 2009 was approximately RMB4,467,000 (For the six months ended 30 June 2008: RMB3,163,000).

Liquidity and Financial Resources

As at 30 June 2009, the total assets of the Company increased by approximately RMB5,653,000 to approximately RMB122,778,000 as compared to approximately RMB117,125,000 as at the end of the previous financial year, representing an increase of approximately 5%.

As at 30 June 2009, the total liabilities of the Company increased by approximately RMB1,186,000 to approximately RMB22,637,000 as compared to approximately RMB21,451,000 as at the end of the previous financial year, representing an increase of approximately 6%.

As at 30 June 2009, the total equity of the Company increased by approximately RMB4,467,000 to approximately RMB100,141,000 as compared to approximately RMB95,674,000 as at the end of the previous financial year, representing an increase of approximately 5%.

Gearing Ratio

As at 30 June 2009, the gearing ratio (defined as total liabilities over total assets) was approximately 18% (31 December 2008: 18%).

Charges of Assets

As at 30 June 2009, the Company did not pledge any of its assets to obtain banking facilities (31 December 2008: Nil).

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 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 2009, 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 2009, 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 Share:					
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%
Liu Gui Ying	Family interest	34,000,000 domestic shares (Notes 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*
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 (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 purpose 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 June 2009, 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 2009, none of the Directors or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 June 2009, 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 2009 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 six months ended 30 June 2009.

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 2009.

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 six months ended 30 June 2009.

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.

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 2009. 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 Zheng
Chairman

Taiyuan City, Shanxi Province, the PRC, 11 August 2009

As at the date of this report, the Board comprises 8 directors, of which 3 are executive directors, namely Mr. Zheng Xiu Sheng, Mr. Wang Wen 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.