

**SHANXI CHANGCHENG MICROLIGHT EQUIPMENT COMPANY LTD:
IT'S BEEN A FAILURE IN THE PAST ...
AND IT'S LIKELY TO BE A FAILURE IN THE FUTURE**

While the Interim Report of publicly listed Shanxi Changcheng Microlight Equipment Company Ltd (Code: 8286, The Growth Enterprise Market [The GEM], The Stock Exchange of Hongkong Ltd) for the 6 months, ended June 30, 2004, was a decided improvement over the comparable period in 2003, nevertheless, it would be fair to state that the results of this Company, overall, should be considered somewhat of a disappointment, all things considered, as far as minority shareholders are concerned.

Shanxi Changcheng Microlight was established in the People's Republic of China (PRC) in 1960 as a PRC-Government, State-owned factory at Taiyuan City.

At that time, it was known as Taiyuan Optical Glass Factory and it was engaged in research and development of optical glass.

In 1969, its name was changed from Taiyuan Optical Glass Factory to Taiyuan Wireless Number Four Factory .

From the outset of the establishment of this Company/entity, under various names over the past 44 years or so, night-vision devices, using fibre-optical faceplates, was the raison d'être for its existence.

But the financial results of Shanxi Changcheng Microlight, as presented in the Company's Placing Prospectus of May 10, 2004, do not in any manner indicate a dynamic Management.

In fact, the opposite is a more-accurate description.

Looking only at the track record of this Company – December 31, 2000, through to December 31, 2003 – found at Page 119 of the Prospectus, one cannot help but be singularly unimpressed by the Company's performance.

The following table is lifted from the Prospectus:

| | Financial Year, ended December 31 | | |
|-----------------------------------|--|----------------------|----------------------|
| | 2001 | 2002 | 2003 |
| | All Figures are Denominated in Renminbi'000 (except where otherwise specified) | | |
| Turnover | 24,927 | 24,769 | 30,766 |
| Cost of Sales | (10,513) | (10,276) | (12,368) |
| Gross Profit | 14,414 | 14,493 | 18,398 |
| Gross Profit Margin* | 57.82 percent | 58.51 percent | 59.80 percent |
| Other Revenue | 55 | 460 | 79 |
| Selling and Distribution Expenses | (340) | (325) | (335) |
| Administrative Expenses | (5,333) | (6,068) | (6,420) |
| Other Operating Expenses | (292) | (289) | (517) |
| Profit from Operating Activities | 8,504 | 8,271 | 11,205 |
| Financing Costs | (842) | (688) | (555) |
| Profit before Taxation | 7,662 | 7,583 | 10,650 |

| | | | |
|---|----------------------|----------------------|----------------------|
| Taxation | Nil | 434 | (1,801) |
| Net Profit Attributable to Shareholders | 7,662 | 8,017 | 8,849 |
| Net Profit Margin* | 30.74 percent | 32.37 percent | 28.76 percent |

* These are **TARGET**'s calculations

For an entity (one could hardly call Shanxi Changcheng Microlight as being a corporate entity when it was first founded in the PRC, proper, being a PRC, Government-owned enterprise), which is about 44 years old, the above results must be considered less than satisfactory, especially since it is only too apparent that preferential treatment must have been afforded it by its customers in order to guarantee that it achieved a positive Bottom Line by permitting extraordinarily high margins of profit.

The Turnover of this Company is completely from the sales of optic fibres.

The Directors of Shanxi Changcheng Microlight, during the track-record period, took ... [CLICK TO ORDER FULL ARTICLE](#)

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